

PRIME MINISTERBILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow. Subjects which you ought to cover are:

- EC Commissioner

You will want to give him an account of your talk with Leon Brittan and consider next steps.

- Sowan Affair

The trial is still going on and has so far attracted remarkably little public attention. Depending on the outcome, and the amount of attention it attracts, we shall need to decide fairly rapidly whether to take action against the PLO Office and the Israeli Embassy here. If it is possible to avoid any action, there is quite a lot to be said for doing so, given the presence here of Crown Prince Abdullah and King Hussein. But if the evidence is sufficiently damning it would not be right to refrain from action on grounds of expediency. We can only decide when we have seen the verdict and assessed the impact.

- Financial and Monetary Co-operation

He will have seen my account of your talks with President Mitterrand and M. Rocard. The issue is being refined down to two questions: should a study of financial and monetary co-operation be limited to short-term practical issues or address such long-term and futuristic ideas as a European Central Bank? And should it be conducted by Finance Ministers/Central Bank Governors or also by some wider group of wise men? We have a very good chance of getting our way on both points.

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- Arms for Argentina

I understand he may want to raise this. I am not entirely clear why. But I think he is debating whether we are better off concentrating on persuading the present US Administration to continue to exercise restraint of arms sales, with uncertainty about what would happen thereafter or whether we should concede some flexibility now in return for assurances about the longer term. It does not seem to me a very real choice since we would have no effective assurance about what happens after November.

- House of Fraser

The Foreign Secretary wants to discuss how we can best prepare Brunei for the outcome of the House of Fraser Inquiry. He will propose sending an emissary later this month.

- Iran. He wants to report on the recent negotiations.

- Extradition. There is not much to say. It has not improved the atmosphere for your meeting with Haughey in Hanover.

- Malaysian Defence Package. I have said that you would like him to try to come up with a solution. He is likely to say that this will need your support to get more money out of the Treasury for ATP.

- Communications Equipment for Syria. You will remember there is a sensitive decision to be taken. The FCO are supposed to be drafting the public line we would take if we decide to sell.

CD.P

Charles Powell

14 June 1988