

PRIME MINISTER

BILATERAL WITH THE FOREIGN SECRETARY

You have a bilateral with the Foreign Secretary tomorrow evening. I understand there are four main subjects he wishes to raise:

- Two plus Four Group. He will want to give you his own account of the meetings at the weekend, of which you have seen a summary. The main new development is the Russian suggestion that the external aspects of unification should not be settled for a period of years. Meanwhile, the Four Powers would retain rights in Germany and Berlin, and the GDR would continue to be part of the Warsaw Pact. This is being rather naively hailed in Germany as unblocking the way to early unification.!! In practice, it is the idea which we discussed at Chequers that a unified Germany would belong both to NATO and the Warsaw Pact. There are considerable risks in leaving this question of NATO membership open. Would it ever get settled? Would not opinion in Germany just come to accept over time that a unified Germany would not be in NATO (especially if a SPD Government took over)? The fact is the people of Germany have clearly indicated their wish to be united and in NATO and we should not settle for less, although there have to be transitional arrangements which take account of Soviet security concerns. I suspect we are going to have to engage in an exercise of holding the German's back on this one, with the usual worries about whether the Americans will be sufficiently robust - although in the light of the President's remarks to you in Bermuda, it is hard to see how they can do anything but insist on German membership in NATO.
- Salman Rushdie. You will find a note by the Foreign Secretary in the folder. He thinks we would be in a false position if we did not respond to Rushdie's request for a

meeting with Mr. Waldegrave. The Home Office view remains opposed: they would much prefer any contact to be through security channels. There is a difficult dilemma here. If there is a meeting with Rushdie the result is all too likely to be presented as us leaning on him to give up his right to free speech in order to make a concession to those holding the hostages. If we do not see him, it would be said we missed an opportunity to secure the release of the hostages. Part of the trouble is that William Waldegrave has a penchant for seeing these sort of people in the belief that he can manage them. My view is that the chances of Rushdie wanting to do anything helpful for the Government are pretty near zero, and there is no real reason why Ministers should be at his beck and call. I think the Home Office are right - at least at this stage - in keeping contacts on normal channels.

If Rushdie has anything to say, let him put it into writing. At least there is a write.

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Powell / PM 8/5/90

meeting with Mr. Whitehead. The Home Office view remains
apparent: they would wish to see contact to be through
security channels. There is a difficult dilemma here. If
there is a meeting with Khabib the result is all too likely
to be presented as an attempt on his to give up his right to
free speech in order to gain a concession to those holding
the hostages. If we do not see him, it would be said we
aimed an opportunity to secure the release of the hostages.
Part of the problem is that William Whitehead has a
prejudice for seeing these sort of people in the belief that
he can change them. My view is that the chances of Khabib
wanting to do anything helpful for the Government are pretty
small, and there is no real reason why Ministers should
be so keen to see him. I think the Home Office are right
- at least at this stage - in keeping contacts on normal

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The Foreign Secretary also proposes that you should show
support for the Governor (a) by announcing that he will stay

until the end of 1992; and (b) making him a Privy Counsellor. I think that is asking a lot, indeed too much: and it would go down very badly among some of the Government's strongest supporters who were very loyal over the Hong Kong Bill.

- Hostages. Once again there is a note in the folder. The Foreign Secretary envisages putting out feelers to the Iranians about the possibility of direct contacts if they release a hostage or Cooper (in prison). More controversially, he also wants to send an emissary - Sir Donald Maitland - to talk to the Syrians. This is part of the long-standing FCO ambition to get back into business with the Syrians. Personally, I find it difficult to stomach even now: and anyway wonder why we need to go for both the Iranians and the Syrians. Surely one is enough. Finally, there is rather a sensible proposal to try to get access for the Red Cross to the hostages and to prisoners held in South Lebanon.

There are one or two other topics on which you ought to touch if there is time:

- EBRD. You will want to discuss how to get off the hook with the Dutch over Ruding. If the Dutch have any sense they will withdraw him and avoid a fight now that it is clear that Attali has majority support. That would improve his prospects of getting some other job in the future. The question is whether you need to be in touch directly with Lubbers yourself about this.
- SNF. The Foreign Secretary shares your concerns at the German failure to give any commitment, even privately, on TASAM. We need to think about the best way to manage this issue at the NATO summit. The key is probably to focus on the role of Dual Capable Aircraft and insist that they and their weapons continue to be excluded from arms control negotiations. That would insulate TASM.

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- Colombia. I have conveyed to the Foreign Secretary your concern about the families of Embassy and British Council staff. He will let you have an assessment of the risk.

C.D.P.

C. D. POWELL

8 May 1990

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