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FILE TITLE:

Meetings with VIPs

SERIES

PRIME MINISTER

(Note: Papers only go on this file if there is no other option - Subject first)

PART:

1

PART BEGINS:

2 February 1998

PART ENDS:

2 FEB 1998

~~2 JAN 2001~~

CAB ONE:

**LABOUR
ADMINISTRATION**

Part closed

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PART

CLOSED

DATE CLOSED	7 JUNE 2001
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Series : PRIME MINISTER

File Title : Meetings with VIPs

Part : 1

Date	From	To	Subject	Class	Secret
02/02/98			(M) Pm's Meeting with David Owen - Note for the File	U	0

file

NOTE FOR FILE
PRIME MINISTER'S MEETING WITH DAVID OWEN
2 FEBRUARY 1998

cc John Holmes
Sally Morgan

**SUBJECT
MASTER**

Filed on:

David Owen called on the Prime Minister today for forty minutes.

After a discussion of the Wilson and Callaghan Governments, David Owen raised the subject of **Europe**. He said his article had put down a marker that it was possible to be pro-Europe but anti-EMU. The question was whether EMU would be a success or not. He thought we should be very cautious. Keeping our options open, as the Swedes had done was the best course. Entry into EMU would be very divisive in Britain. It would imply a degree of integration which was probably not acceptable. The Prime Minister said there was a lot of dishonesty on both sides of the argument. Those in favour of EMU tried to pretend it did not mean greater political integration, when it did. On the anti-EMU side, it was dishonest to suggest that Britain could still be a big player while remaining outside this central project. David Owen said we might be able to keep our influence while outside the EMU. After enlargement, a good proportion of the members of the EU might be outside the single currency. He doubted in any case whether the UK would be able to break into a Franco/German relationship. It was now a matter of habit.

David Owen gave the Prime Minister a book on the Kurds and said an opportunity had been missed in the early 90s. We should not stress the territorial integrity of **Iraq** too strongly. In the past, we had been too strongly anti-Iranian and too supportive of Saddam Hussein. Arabists in the Foreign Office did not like this being challenged but it should be. He had flown to New York last week

to see the Iranian Ambassador to the UN, a leading figure in the administration. We should do more to reach out to **Iran**. The US would switch positions with very little warning. The Rushdie case did not need to be a reason for not opening up relations with Iran, although there was nothing they could do about the fatwa. Things were beginning to change. He favoured a private dialogue.

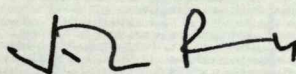
The Prime Minister raised the **Middle East**. The President was snookered by Congress on this subject. He was keen that we should take an initiative as Presidency of the EU. David Owen said we should concentrate on small achievable things like the airport and the port. We needed to ensure that Gaza became prosperous. That required more investment.

The Prime Minister raised **Bosnia**. David Owen said we had done well there. Tudjman was the problem. And Kosovo could explode at any time. We should try to get Milosevic into dialogue. One possibility might be some partition of the region, leaving the Serbs with their religious sites. Eventually it would have to be merged into Albania.

David Owen said he was optimistic on **Russia**. The UK had to catch up there. We should spend more effort on cultivating Chernomyrdin. We also needed to pay attention to the CIS. France, for example, was rushing ahead in Ukraine. There were huge opportunities. We should put effort into the hinge states between Russia and China, giving us an opportunity to open up China from the other side.

David Owen concluded by paying tribute to the Government's achievements so far. He was a great supporter.

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