

RECORD OF MRS THATCHER'S MEETING WITH MEMBERS OF THE
SENATE FOREIGN RELATIONS COMMITTEE: CAPITOL HILL
18 SEPTEMBER, 1975

1. The Senate Foreign Relations Committee arranged a luncheon for Mrs Thatcher on 18 September at which the following Senators were present:-

Senator John J Sparkman (D. Alabama) - Chairman
Senator Clifford Case (R. New Jersey)
Senator Jacob Javits (R. New York)
Senator Robert Griffin (R. Michigan)
Senator Dick Clark (D. Iowa)
Senator Hugh Scott (R. Pennsylvania) - Senate Minority Leader
Senator Michael Mansfield (D. Montana) - Senate Majority Leader
Senator Hubert Humphrey (D. Minnesota)
Senator Edward Kennedy (D. Massachusetts)
Senator Joseph Biden (D. Delaware)
Senator Stuart Symington (D. Missouri)

Mrs Thatcher was accompanied by H M Ambassador, Mr Thatcher, Mr Gordon Rees (Press Secretary), Miss Caroline Stephens (Private Secretary) and Mr R M Russell (Counsellor, H M Embassy).

2. After lunch Senator Sparkman said a few words of welcome and invited Mrs Thatcher to address the Senators.

3. Mrs Thatcher thanked Senator Sparkman and the Committee for receiving her. She spoke of her role not as a woman in politics but as Leader of the Conservative Party. Her party had recognised her position by making her a member of a number of hitherto exclusively male London clubs to which leaders of the Conservative Party traditionally belonged. She invited her listeners to "try not to notice I am a woman".

4. Mrs Thatcher said that the one question which everyone in the United States whom she had met had asked was "what about Britain?" We had serious problems; it would be foolish to ignore these. They were similar in kind but different in degree to problems faced by other advanced industrialised

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nations. Our inflation was more acute, our unemployment had been less, but was now rising and we were therefore at a different stage of the economic cycle, ie further behind. We had reached the limits of taxation, of supportable public expenditure and of our capacity to borrow. We had lost eighteen months in tackling inflation and throughout this time inflation had been accelerating. All politicians recognised the crucial importance of timing. A critical moment came when politically it was the right time to act. The eleventh hour had been reached in Britain and we had now acted. But it would be some time before the effects began to show. We were behind the United States, Germany and France in tackling our problem. But Mrs Thatcher had no doubt of our ability to surmount our problems and survive.

5. Mrs Thatcher said that we had labour problems. These do not affect the vast majority of workers or many unions. But we did have a few very powerful unions exercising monopoly power in the nationalised industries. There was little or no constraint on their power. The Conservative Party had tried to introduce constraints but had failed. However, in recent months, notwithstanding the problems now in the steel industry, it was fair to say that the labour situation had much improved, as the affects of recession became apparent. The major danger now was premature re-flation under pressure of rising unemployment. The critical time would come next spring. It was the duty of politicians to point out the facts. She was doing that. But Mrs Thatcher reiterated her confidence in Britain's ability to come through.

6. Mrs Thatcher then turned to Europe. She described the Referendum result as "splendid". She saw the future of the EEC in steady unspectacular progress. There would be no rapid move to change its institutions and there was caution about the transfer of power from one Parliament to another. But there would be much closer cooperation in foreign policy. This had been shown in the European approach to the 7th Special

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Session. Britain was also a member of another group, the Commonwealth, and the Commonwealth Conference at Jamaica had seen the launching of ideas which were now being discussed at the United Nations. Energy talks would be resumed under the auspices of OECD but it was fair to say that politicians were well ahead of the public on the question of energy conservation.

7. On the Middle East, Mrs Thatcher said that we regarded a partial step forward as essential. Britain did not have the sensitive issue of placing technicians in the Sinai. A comprehensive Middle East agreement covering such issues as Jerusalem and a corridor linking Jerusalem to the Gaza strip was not possible at the moment. Therefore the partial agreement pointing the way forward was of great importance.

8. Finally, Mrs Thatcher commented that we looked at the question of Cyprus and the Turkish situation from a NATO stand-point. On this issue we were nearer to the line approved by the Senate than that of the House.

9. Mrs Thatcher thanked the Senators again for her reception and agreed to answer questions.

10. Senator Case welcomed Mrs Thatcher on behalf of the Republican members of the Committee. He asked about the significance of Scottish and Welsh nationalism. Mrs Thatcher said that she did not believe Scotland wanted separation. Scotland did want some power devolved to a Scottish Assembly and moves in this direction should have been taken sooner. Lord Alec Douglas-Home had recommended this some years ago. The Government were about to produce a White Paper and thereafter moves should be put in hand quickly for direct elections to the Assembly and the devolution from Westminster of certain powers to it. Pressure from Wales was not so great. There was not the same enthusiasm for a Welsh Assembly but a spirit of emulation had developed. A Welsh Assembly would probably not have as extensive powers as the Scottish Assembly.

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11. Northern Ireland presented a very different situation. Strong para-military forces exist on both sides and there had been a serious increase in sectarian killings. A Constitutional Convention was now sitting from which it was hoped the people of Ulster would develop proposals for a new Constitution with power-sharing. So far no agreement had been reached. With three weeks to go the outlook was grim, but the Secretary of State had power to extend the life of the Convention for three months if necessary. There was no difference between the Government's policy and that of the Conservative Party on the need to keep the army in Northern Ireland to protect the innocent against the extremists of both sides.

12. Senator Symington referred to the Middle East crisis of 1973 and the lack of assistance for the United States which had been forthcoming at that time. Could the United States hope for better in a future crisis? The US had found Britain's attitude very difficult to understand in terms of the traditional relationship between the two countries. Mrs Thatcher saw no difficulty over the special relationship. It existed and was very strong. In 1973 British sympathies had been with both parties. We had arms orders from both sides and had decided to stop delivery impartially. We also wanted to retain some influence with the Arabs and to restrain them from moving totally into the Soviet sphere of influence. Our attitude had been helpful to that end.

13. Senator Scott asked whether given the prospect of demands for higher prices by OPEC the United States could expect help from Britain in preventing the employment of strangulation tactics by OPEC. Did the British think it was morally wrong to allow such tactics to succeed? Mrs Thatcher said that there were two sides to the problem. OPEC argued that they needed increased revenues to raise the living standards of their people. They were seeking a re-distribution of income. We were completely taken by surprise by the price rise in 1973. But the

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prospect now was of a more moderate rise, about 10 to 15%. This was less than the inflation in UK prices. The main thing was to get the OPEC leaders to recognise the damage they could do to the industrial countries and in turn to themselves by immoderate action. But it must be recognised that the Shah for one was trying to better his people. Mrs Thatcher then referred briefly to progress in developing the UK's oil resources. She mentioned that it was only the higher world price for oil which had made North Sea and Alaskan oil economic propositions. Senator Pell asked about British attitudes to the Value Added Tax. Mrs Thatcher said that VAT, which had taken over from Purchase Tax, was now generally accepted by the British public. She thought, however, that the decision to introduce a variable VAT was a mistake because it posed considerable problems of collection.

14. Senator Javits referred to his familiar theme that Britain needed a boost and to his proposal for the United States to advance Britain a \$10 billion loan, which had been rejected by Mr Heath and Mr Wilson. He wondered what the United States could do to help Britain at this stage. Mrs Thatcher said that the United States was showing Britain an excellent example in tackling inflation. We needed investment. But we tended to waste new investment by over-manning. She hoped that American and European unions could show the way to British unions in changing their attitudes to new equipment and investment. Profits also were misunderstood in Britain. Profit had become a dirty word. The labour unions must recognise that profits were necessary to invest and to create the jobs and prosperity for the future.

15. Senator Humphrey asked how much of Britain's inflation was attributable to food prices. A recent United States survey had shown that food prices were the single most important factor in US domestic inflation. Mrs Thatcher said that food prices in Britain were a little in advance of the general 25% inflation rate. The Government had introduced food subsidies

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(about £1100 million a year) but this was only keeping food prices from rising faster than they otherwise might have done. Senator Humphrey and Senator Biden suggested that Mrs Thatcher's confidence that America had overcome inflation was not shared by many people in America itself. Senator Humphrey referred to a recent poll which showed that in contrast to three months ago 60% of those polled now thought that the worst of the recession was yet to come.

16. At that point the discussion was closed and Mrs Thatcher was taken by Senator Sparkman to be presented on the Floor of the Senate.