

Transcript by
JAMES LEE of:

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GIVEN BY

PRIME MINISTER HRS. THATCHER & CHANCELLOR SCHMIDT

PRIME MINISTER:

Ladies and Gentlemen of the Press and Media,

It has given us great pleasure that our first official meeting with a European leader is with Chancellor Schmidt. He is a great friend of this country and we welcome him very much indeed. It is not, as a matter of fact, our first meeting. When I became Leader of the Conservative Party, I went to Bonn and had talks with Chancellor Schmidt then; and it seemed very easy to take up the talks we then had, as one had somehow managed to slip into Government in the meantime.

You will be fairly aware of the kind of subject that we have in fact discussed. Of course, we have a common interest in the defence of the West and in NATO. I have been able to give Chancellor Schmidt our own views about the European Community and you naturally will be aware that we take a very different - and I hope very much more co-operative attitude - than has been taken in the past few years over the development of the Community. We pursue our own interests in it, but we pursue it against the background of a firm belief in the success of the whole Community as an idea and as a practical idea.

These talks are part of a continuing series. They take place generally at about six-monthly intervals and we shall hope to be meeting in Bonn towards the end of the year.

Now, I will just ask Chancellor Schmidt if he would wish to make a brief statement to the press, and then we will have our customary questions.

Perhaps just before I do that, I should mention that Sir Geoffrey Howe and Herr Matthöfer have had separate talks alongside the main talks and been involved in the main talks as well - and Lord Carrington and Herr Genscher have had separate meetings too. So we have managed to do quite

a number of bilateral meetings between other Ministers as well as the plenary session.

Now, I'll ask Chancellor Schmidt for the comments which he would like to make.

CHANCELLOR SCHMIDT

Thank you very much, Prime Minister.

Let me say that not only did we highly value your hospitality during this stay in London, for which we wish to thank you heartily, but that we also very highly welcomed the opportunity to have this exchange of views with you and your Ministers so shortly after you assumed office.

I must say I feel impressed by the spirit of decision with which you want to tackle the questions facing your country and your Government - questions which to some large extent also concern ourselves.

I guess that some people of the press - whether in London or in Bonn - might watch rather closely how a Social Democratic German Chancellor and a Conservative British Prime Minister would get along with each other, and I would just like to tell the press that this was not our problem to the slightest degree, but to people who might ask such questions I would rather like to reassure them that we got along well with each other. We have got the same type of responsibility in each of our countries, for our countries, and we have seen - and this did not come as a surprise - that there are wide fields of understanding and common interest between us, that is to say, between the United Kingdom and the Federal Republic of Germany.

And I would like to add that I had the impression that your personal approaches and mine to certain problems are not so different from each other.

That is about all I would like to say in the opening, Prime Minister. I guess that the press will lead us to some other questions of substance.

QUESTION (NAME UNRECORDED) (INDEPENDENT TELEVISION NEWS)

You said in your Manifesto that the Labour Party had forfeited the trust of our European partners. Do you think your rather plain speaking of last night has gone any way to regaining that trust?

PRIME MINISTER

I hope so. I hope you will look at the speech as a whole. We particularly emphasised our total commitment to the ideal of the European Community. Of course, there are one or two problems to be sorted out and, of course, we will sort them out; but we will sort them out in a framework of cooperation and when they are sorted out, the Community will be able to go ahead faster. But, of course, it is totally different to put all the emphasis on three points with which we disagree. It is totally different to do that from the approach which we take, which is in a framework of cooperation, not only in the Community but, of course, we do have very definite views on defence as well.

QUESTION (addressed to Chancellor Schmidt)

Could we have your reactions to SALT 2 and its implications for America's allies in Europe?

CHANCELLOR SCHMIDT

Certainly, but it will not come as anything new to you or to the rest of the world.

I would like just to repeat, in substance, what I already said four months ago, early in January, at a meeting of the Heads of State or Heads of Government of America, United Kingdom, France and Germany. We are in favour of a quick, swift ratification process, both in Moscow and in Washington DC. We imagine that the world might change, might undergo a change not for the better, if new difficulties for the coming into force of SALT 2 would arise. The process has already lasted long - a little bit too long to my feeling - and so it is about time that this agreement should have been concluded and it is about time that it is getting into force. Otherwise, I would feel that there are many great disadvantages for the West and the East that would arise.

QUESTION (LIVERPOOL DAILY POST)

Could I ask you, Prime Minister, to give your opinion on what Chancellor Schmidt....

PRIME MINISTER

I am sorry. The cameras are clicking so much that they obscured your question. Could you repeat it?

QUESTION

Would you be kind enough, after the heavyweights have calmed down, to give us your opinion of the initialling of the SALT Treaty - it is not here - and your view on Chancellor Schmidt's view on SALT?

PRIME MINISTER

I thought Chancellor Schmidt's view was very much the view that we have taken, that the treaty has taken a long time to come to a conclusion and we trust it will be ratified.

QUESTION

Could you, Chancellor Schmidt, please, whether you found Mrs. Thatcher's Government more conciliatory towards the EEC than the late Government of Mr. Callaghan.

PRIME MINISTER

Very difficult for you.

CHANCELLOR SCHMIDT

I will not try to compare consecutive British Governments to each other. I will only say that I had the feeling that they were fairly conciliatory.

PRIME MINISTER

You have been very diplomatic!

QUESTION (JAPANESE NEWS AGENCY)

Prime Minister, have you discussed anything about the Tokyo Summit which is going to take place next June and, if so, what was your main topic?

PRIME MINISTER

We both very much look forward to the Tokyo Summit. It will obviously be my first experience of attending such a summit. We cannot really reach conclusions before the Summit has taken place.

QUESTION (FINANCIAL TIMES)

A question to Chancellor Schmidt. Would it be a good thing, in your opinion, if Britain joined the European Monetary System - and to Mrs. Thatcher, when do you intend to make up your mind about this?

PRIME MINISTER

Shall I answer first? When we have had sufficient time properly to consider the matter. We are naturally cooperating on these issues and we wish to be cooperative, but we wish to look at all aspects of it and we shall do so; and we therefore shall be ready for the September review of the system.

CHANCELLOR SCHMIDT

Let me just add that I am fully satisfied with the attitude in which the Prime Minister and her aides are approaching that question and I think September is a good time.

MR. ROTH

Congratulations, Mrs. Thatcher. Just one question on your very plain speaking last night. How do you visualize the negotiations on the Common Agricultural Policy? Is it a renegotiation or how do you see it?

PRIME MINISTER

These things are not renegotiations and I think, if you looked at the whole speech Mr. Roth, you will see that if circumstances change or if a policy works out in a different way from what was envisaged, then naturally it evolves and you must adapt according to the circumstances. But it is not a whole throwing out of everything. We will be very much aware that the Common Agricultural Policy has been under strain because of the pricing mechanism and particularly because

of the Green Currency mechanism. Now, perhaps we can make some progress on those first.

CHANCELLOR SCHMIDT

I'd say "Hear, hear!" (laughter)

QUESTION (ISTANBUL)

We understand that you give great importance to NATO. Were there any discussions or suggestions to improve the situation on the South-Eastern flank of the alliance?

PRIME MINISTER

We attach a very great deal of importance to the South-Eastern flank of NATO. You will be aware that when positions were slightly different in the House of Commons, I used to ask Mr. Callaghan questions about Turkey, because I was very much aware of the problems there, and we will be as cooperative as we possibly can.

QUESTION (ISTANBUL)

The recent big power Guadalupe Summit in January organized a so-called rescue operation for Turkey's ailing economy with Germany in charge, but so far there do not appear to be any positive moves by the NATO allies. What can or is being done by Turkey's European friends to secure economic and political stability in Turkey, especially in the light of recent upheavals in the region?

PRIME MINISTER

You will be aware that the International Monetary Fund is there and is trying to make some proposals and that what happened at Guadalupe and what happens as a result of the discussions with the International Monetary Fund may not be entirely unrelated.

CHANCELLOR SCHMIDT

I would like to put a footnote to that.

I think the Turkish newspapers ought not to be too impatient on that rather complex problem. I have, a couple of weeks ago, appointed a personal representative of the Federal Chancellor, after I had assumed at that Gaudaloupe meeting to take the lead in bringing about the financial help for Turkey and that representative - a Minister called Leislerer (phon.) - who is not of my party but of the opposition party - he is a Christian Democrat - in the meantime not only has been talking to Prime Minister Ecevit and the other Ministers, but also has been talking to OECD, to the IMF, to American and other Western Governments and we are really in a process of bringing about something which I think would consist of three or four elements:

Number one, it is obviously necessary that there be consultation, and afterwards agreement, between Turkey and the IMF, and we have been helpful so far and I hope we will be successful in smoothing out some obstacles which were in the way of that process.

In the aftermath of that, you will also see that a change of attitude has been brought about in private banks who have holdings in Turkey.

Secondly, parallel to that - and possibly even earlier - we are trying to put together a concerted financial help by OECD countries, among which certainly will be the United States and France, the United Kingdom and my own country - we hope a few others, as have been mentioned this morning but we are not going to disclose it here; it is for themselves to disclose that - and on top of that there might be some other countries who can afford financially to be of assistance to join in one form or other.

And then there is the last element: that, of course, as is obvious, all this is only helpful in order to enable self-help by the Turkish Government and Parliament. Some steps have to be taken by the Turkish Parliament, by the Turkish Government, and I am rather hopeful now. I was not so hopeful in January when we started the whole thing. I am rather hopeful now that we bring this about in rather a few weeks in the future and that it will be settled already before the Tokyo Summit, which was mentioned earlier on, so that it might not be necessary to get back to this complex at the Tokyo meeting.

PRIME MINISTER

Can I now say "Hear, hear!"?

..... (DAILY TELEGRAPH)

We understand that the Chinese Leader is coming here in October, possibly going to Bonn and Paris too. We know the West German position on arms sales to China - I think it has been stated several times and connected with their relationship with the Soviet Union. Do we have a new position on the sale of arms to China?

PRIME MINISTER

No different from the position which we have indicated. Lord Carrington?

LORD CARRINGTON

I do not think there is any difference at all.

PRIME MINISTER

We were very clear about the position just before the Election, as you know. Are you talking specifically about the Harriers? We were quite clear just before the Election, but we really cannot do everything in the first week. Is Francis around, on the end? Yes. Would you like to add to that?

MR. FYH

.....this was the right decision.

CHANCELLOR SCHMIDT

I would like to put a remark to that British answer as regards the articulation of the question, the phrasing of your question, Sir.

You seem to have hinted to a well-known German attitude towards the delivery of weapons to the People's Republic of China. There is no

specific German attitude on this subject, other than since about 10 years or even longer; we have taken the attitude, not only the present Cabinet, but also its predecessors - we have maintained the line - we have taken the attitude for Germany of delivering military weapons and military hardware only to Alliance partners. There have been a few minor exceptions, but since the 60s we have stuck to that line: deliver and sell military hardware of German production only to Alliance partners, which would mean that if we stick to that line in the future, which we intend to do anyway, we will have to wait until the People's Republic of China becomes a NATO member!

QUESTION (DIE WELT)

Did you discuss Africa and especially Rhodesia, and were there any significant differences of opinion?

PRIME MINISTER

We, of course, took the opportunity to discuss Rhodesia and in particular to discuss it from the viewpoint of the problems which will face us in this country. It was not a meeting for differences of opinion in any way. It was a meeting for getting to know the views of one another as a basis for further cooperation in the future. Lord Carrington, do you wish to add anything to that? Chancellor? Herr Genscher? It was not a meeting for differences of opinion, gentlemen and ladies. We have a lady over here!

QUESTION (LAWI - AMERICAN ACCENT)

I wonder if I could ask both Prime Ministers whether they feel that Western Europe has been left vulnerable by the SALT 2 agreement and, secondly, what your hopes are for SALT 3?

PRIME MINISTER

I think the SALT 3 will be one which concerns Europe even more and perhaps we can concentrate rather more on that.

CHANCELLOR SCHMIDT

My answer to that one was implied when I earlier said that we would try to be helpful as regards President Carter's efforts to get ratification in the American Senate for SALT 2. If we felt to have been hurt in our defence posture by that agreement, we would certainly not do so.

As regards SALT 3, it is a little bit premature to speculate about it, but certainly, the United States Administration will consult her allies, whether it is United Kingdom or Germany or France or others, so we will have to wait for that consultation first before we speculate about it.

MICHAEL CONNELL (BBC PANORAMA)

Could I ask the Federal Chancellor, without wishing to appear indelicate, did you consider that Mrs. Thatcher would be a soft touch?

CHANCELLOR SCHMIDT

No, I do not, and I guess she would not consider the Germans to be a soft touch either!

QUESTION

Could I ask you whether you think you will be able to create the same sort of personal relationship with Mrs. Thatcher as you did with her predecessor, whom you always referred to at these occasions as "My friend, Jim"?

CHANCELLOR SCHMIDT

Well, I have no doubt, you know, in international politics it does not really matter so much whether you are a Republican or a Democrat, whether you are a Labour man or the Conservative Leader, whether you are a Social Democrat or a Liberal or a Christian Democrat, whether you are, in France, coming from the Centre Parties or from other Parties. What really does matter is whether you are a reliable person and whether you have got judgment, and that is my experience after quite a long period in international politics and I have no doubt that on that basis we will be able to get on with each other rather fine.

PRIME MINISTER

Did you take that as a good recommendation?

SAME MAN

I was interested that obviously the Chancellor is a Social Democratic leader and in the Socialist International and you are, of course, the Conservative Leader.

PRIME MINISTER

As you are very aware, the policies which the Chancellor follows in Germany are not unlike...

CHANCELLOR SCHMIDT

Don't go too far!

PRIME MINISTER

I think we both believe in free enterprise. We both believe in incentives. I mean, if we could emulate his tax system I'm sure everyone here would stand up and cheer.

CHANCELLOR SCHMIDT

Don't go too far, Prime Minister, and do not spoil my relations with my own party please!

I would like to add something, just as an example. You will certainly know that the French President Valérie Giscard d'Estaing and I are really good personal friends, despite the fact that our political and social backgrounds are obviously very very different - it does not really matter.

...MARTIN (AP DON JONES)

Chancellor Schmidt, the last time that there was a severe increase in oil prices in 1973, it was followed by a very bad recession in almost every industrialized country in the world. Oil prices are now taking another somewhat similar upward path. Do you think that this will be followed by a similar recession? If not, why not?

CHANCELLOR SCHMIDT

It is difficult to speculate, because one does not know right now to what extent the price for crude oil is going to be raised in '79. So far, if you compare the prices for crude oil, let us say, between April '79 and April '78, it seems to me that there has been an increase of about 25%. This might be maintained for the rest of the year, it might not; I do not know. It is very difficult to speculate, but I will be frank with you and tell you that already the increase in the first four months of this year does concern me as regards the general economic and monetary consequences to not so much Britain - Britain would in the first instance, indirectly, not very much be affected - or the direct consequences for Germany who certainly would be more affected in the first instance than Britain because we do not have North Sea oil or natural gas of our own, but what I am concerned about is the direct impact on the rather great number of countries who depend on oil imports, who nowadays have to use one-third of their export earnings and of hard currency in order to pay for the necessary oil imports, whilst four or five years ago they needed only about 10% of their export earnings in order to pay for their oil. If, in the future, they might have to use more than a third - let us assume 2/5th, 40% - it is obvious that this will mean a strain on their balance of payments, a strain on their other imports which so far have been possible. I can only say that the consequences of this development are that all of us in all countries, not just in the United States, have to undertake great efforts in order to save energy; that we secondly have to undertake all our efforts to open up other sources of energy than just oil. This is a hint not only to nuclear energy, but also for the necessary scientific and technical development of solar energy, geothermal energy. We are, in Germany, since a couple of years, spending a lot of budget money for these purposes and it also will mean that those who do have coal - like Britain or like Germany - will have to maintain their capacity to produce coal and not just let their pits be closed. In the long run, I think whether the prices are going up too steeply or a little slower in '79, in the long run anyway it is obvious that there is not as much oil in the world as there is demand for oil nowadays and we have to restructure the energy policies and the technical processes of

using energy in most countries of the world. Britain, in that respect, is much luckier off than are others in Europe, but it is obvious that even for Britain and other oil countries there comes a decade not too far away in which these resources will be exhausted.

QUESTION (DIE ZEIT)

Prime Minister, is it sensible to aim at joining the EMS in September while the rate of inflation is going up?

PRIME MINISTER

I said we shall have considered our position by September and therefore be prepared to take up a position when the system is reviewed. It is reasonable to take time always to consider your position.

QUESTION (NEWSLINE NEWSPAPER)

I'd like to ask whether there was any discussion on the recent statement from the Arab oil-producing countries that the Common Market would have to recognize the Palestine Liberation Organization prior to any discussions between the oil producers and the Common Market.

PRIME MINISTER

We did not, in fact, get into that amount of detail.

QUESTION (LIVERPOOL ECHO)

Have you compared notes on the handling of terrorism and what have you got to learn from each other?

PRIME MINISTER

I think, again, we were not in fact getting into such detailed discussions as that. This was the first meeting and we were on really the broad general issues which is not, in fact, surprising.

CHANCELLOR SCHMIDT

Why I add a footnote to that, Prime Minister?

From my judgment, the cooperation between the United Kingdom and the Federal Republic of Germany on terrorism has been excellent and I have every reason to believe that it will remain excellent.

GOVERNMENT (BBC)

You have spoken, Prime Minister, strongly for the strengthening of Western defence, of British defence, and you are known, I think, to have some misgivings about detente with the Soviet Union. The Chancellor spoke strongly last night in favour of detente. Could I ask the Prime Minister and the Federal Chancellor if these views are to some extent incompatible?

PRIME MINISTER

Not in any way. Detente is fine so long as it is two-way and it happens. That is always the position we have taken up. Of course you favour detente, but it has to be two-way detente. It cannot be one way, and they are not in any way different; they are part of the same strategy. Detente, if you possibly can, but always from a position of strength in your defence system. The Chancellor.

CHANCELLOR SCHMIDT

I would more or less subscribe to what the Prime Minister said. Let me rephrase it in my words: obviously, the situation of a divided nation, of a divided country, in the centre of Europe - including the West Berlin situation - makes Germans more sensitive about East-West relations than maybe are other West European nations. But I would strongly assist the Prime Minister in my own words by saying that detente, which we regard to be an overwhelmingly necessary effort in the interests of the divided German nation, can only hold out prospects for results if you start from a basis of military balance; that means that anybody knows that you are able to deter anybody else from attacking you and if deterrents should fail, that you are able to totally defend yourself and that there will be no doubt about that. If we maintain that good basis which we have maintained so far, also in the future, there are prospects for further results in

deterrence. If, theoretically speaking, some day in the future the West would fail to maintain that deterrent and defence posture and to maintain that balance of military forces, the outlook would become bleak.

PRIME MINISTER

Now, can we have just two more questions. The Chancellor is going to Oxford this afternoon to receive a honorary degree and we warmly congratulate him. He will be receiving it from Harold MacMillan and it is my university!

PATRICK KEENE (THE GUARDIAN)

Following that last point, might we ask you and Chancellor Schmidt if in your discussions you were able to consider the defence of Western Europe faced with the Soviet SS20 and the new generation of missiles? Did you reach any general principle of agreement on how Britain and Germany in particular can progress on this and on the stationing of counter-missile systems?

PRIME MINISTER

I think this is really more a matter for the future and we simply cannot, as you know, pull solutions out of the hat. This is a matter to be considered after the conclusion of SALT 2. Chancellor, would you like just to say...to add?

CHANCELLOR SCHMIDT

Possibly, Prime Minister, we might mention that Secretary of Defence Fym and Secretary of Defence Appel will meet next week, I think for more than just one day; that they have scheduled personal talks among themselves which ^{would} certainly also embrace the subjects which were just now being mentioned. On the other hand, I think anybody is aware of the necessity that the complexity of the questions which you were hinting to not only makes it necessary but also the character of our alliance makes it necessary that these questions not be solved or publicly articulated just between two partners of the alliance, but between all of them.

PRIME MINISTER

Perhaps Mr. Pym would confirm that he is meeting, I think, on Monday.

MR. PYM

Yes, indeed, and I much look forward to it, to meeting him and have more than one discussion with him in the course of next week.

MR. HALL

Madame Prime Minister, are you thinking of seeing President Carter soon, either inviting him here to Britain or going to Washington? Are there any outstanding points, differences, between British and US policy that you would like to clear up with him?

PRIME MINISTER

Immediately, no. We shall, of course, meet in Tokyo, but in the immediate term, Secretary Vance is coming over to see Lord Carrington. Next week, isn't it?

LORD CARRINGTON

Yes, he is coming over for two days, Monday and Tuesday of next week. We shall have two days of discussions and I hope will see some other Ministers as well.

PRIME MINISTER

Thank you very much indeed.