

PRIME MINISTER'S INTERVIEW WITH BONNIE ANGELO AND FRANK MELVILLE
OF TIME MAGAZINE - SUNDAY, 1 FEBRUARY, 1981

Interviewer: Since the economic patterns that you've put into practice are those that you say that you feel that President Reagan has to a great degree, and I wondered if, before we get into some of your specifics, if your first 21 months in office, if you might have some advice to him in terms of facing nearly the same problems in the economic field.

PM: I think it is just that we believe the same things as a broad strategy, and that is absolutely right. You've got to have sound money, and sound money is a very much better phrase than monetarism. All monetarism is to try to keep the supply of money in line with the supply of goods and services. And that's the only way to have money which is a proper store of value, and it's the only way to have honest money. And if you go away from that, you lose confidence in your money, you lose confidence in the future. Now we both believe that. We both believe absolutely that the free society produces a very much higher standard of living, and produces the dignity and the freedom which are a fundamental part of our belief. And if you start to circumscribe the free society with too many petty regulations, with too many state industries, with too many central decisions, and so circumscribing the freedom, you'll lose both the dignity and the results, the higher standard of living. And after all if you were to compare the Western societies with the Soviet societies, the Soviet societies don't produce the goods; indeed, they produce shortages of food, and it's they who produce the refugees. We produce the goods, and we have the freedom, and people flock to share and benefit that freedom. All of that is very very similar. I think there's one third thing I would say - never let it be said that a person of my political belief, or I would say President Reagan's political belief I assume, does not want strong government. We do. I'm here to be a very strong government. Strong in the things that government and only government can do. That is to say a government has to be strong to defend the integrity of the nation. That's why defence is so important. It is to some extent a test of the resolve and determination of a people. And only government can be really strong in defence of it. A government has to be strong to enforce the law and protect the weak against the strong. That's what we could call the rule of law. Having a good and just law is

what protects freedom as between one person and another. You've got to be strong too in that respect. Then of course you must also and strong to maintain the value of the currency. One is the integrity of the nation, the other's protecting the integrity of the individual and his freedom, and the other is protecting the integrity of a nation's currency. And only governments can do those. Of course they have to do a lot of other things as well. You have to have a safety net, below which no one falls. You have to assist in looking after those who cannot help themselves. But in those three things only government can do them. The thing is government must be strong to protect and to preserve those things. It must not intrude too much on the things which the people do better than governments.

Interviewer: You did indeed touch on the subject of the high currency, and of course one couldn't press this one too hard, but do you think there is any leeway for a safe reduction of the present high level of the pound and further cut in interest rates?

PM: A strong overseas pound is very good for the general standard of living of your people. Just one example now - when a pound buys two dollars or one dollar fifty it's very much worse for the standard of living of our people than when it buys two dollars 36 - is what it closed at on Friday night. You see, you have to keep that in mind. It also means we have cheaper raw materials, cheaper semi-fabricated goods, also cheaper fully manufactured goods. It does in fact, as you know, cause trouble with those industries where their efforts are concentrated on exports. Now we don't fix the value of the pound in any way - the market determines that. And over the years one has learned that you can't beat the market. If you start to interfere with the market the chances are you'll spend a great deal of money, and when you've finished spending it the market will go back to whatever its level is. We don't know quite the relationship between the interest rate and the overseas pound. e.g., we thought that there would be a more proportionate relationship between the two than there turned out to be. e.g., when we took the pound down by the, when we took the interest rate down by two points in November, and when your interest rate went up, that gave us a differential of 6 points on the interest rate

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between the United States rate and our rate. And yet the pound went down a little bit to two dollars 34, and last week it was back to two dollars 40, two dollars 41. So there isn't a straight proportional relationship at all. I think it must, it does eventually have some relationship over a period of time, and I explained this morning, I won't keep the interest rate up any longer than I have to. I must watch the money supply because I'm not prepared to lay the foundations for a future bout of inflation. But I wish the relationship were clearer than it is. We are a petro currency; that is one factor which keeps it up. I'm inclined to think that the other factor is that everyone knows that we're set on a particular course because we believe that course is right in the long-term interests of this country, and will not be deflected from it. But when I look at all of the things as we have to from time to time, one of the things that I do look at carefully is the high pound and its effect on British industry. And therefore if the other financial indicators possibly give me leeway to move, I move as soon as I can warrant that move in terms of what the indicators are doing. So we're out for a chance to look at it. Is that clear? But I will not just do it unless in fact I can defend it on the basis of what is happening, and what is happening in accordance with the things I believe. In July the money supply figures were good. They've been steadily coming down over a period of months, and we thought that the broader monetary aggregates were in control. And we took it down and we came then to the conclusion that we would be justified in taking it down just one per cent - very cautious you know. Then all of a sudden, every, not all, went up sharply. You know why - the Bank of England corset was removed. That's only part of the story. Now it became obvious about November that British industry was in difficulty, and that the bank rate was one of the reasons. I knew that if we just looked at the money indicators they wouldn't warrant taking it down. I also knew that British industry was in some trouble. Now we then had to puzzle out how we could do it. And there was only one way, and that was really to give an indication that we were going to get more money in the government, which meant we were going to have to borrow less. If we borrowed less we could get the interest rate down. So that, two points,

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was associated with the notification about increased national insurance contributions and increased North Sea oil tax. That enabled us to do it on a sound basis. Now I hope you see - I'm looking to see what's happening, but I will not move except on a sound basis. We are looking for every opening to move, so long as the move is sound. Now is that clear?

Interviewer: I want to shift to another of our economic difficulties - the unemployment problem. President Reagan has said that he intends to bring down inflation without causing unemployment. Is that possible?

PM: The short answer in your country - I'm not quite sure. In this country I'm afraid that in the early stages bringing down inflation does mean that you have increasing unemployment. And I don't know here any other way of doing it. It could be - unemployment is much worse if your workforce demands larger pay than is warranted by productivity. If they don't do that, sometimes if their pay is slightly below the rate of inflation, then you'll not get so many people unemployed. As you know, last year I was warning people here if you go and demand 20/22%, you will price your goods out of the market. They did demand 20/22%, they got it. And then they turned round expecting government to finance it by printing more money. I wouldn't do it. If you do this, you're responsible people, you've got to take the consequences of your own action. Now we would not have such bad unemployment if they hadn't done that. In the United States I have the impression that your pay increases are very very much more modest, much more in step with your productivity. You also do not have the same number of public sector industries we have. e.g., we had enormous overmanning in steel. And of course when we try to get it competitive we get quite a big area of unemployment. President Reagan has not got that enormous volume of public sector industries, and I think he therefore is much more likely to be able to reduce inflation, and still have lower unemployment - and still have not as much increased unemployment as we have had. He also has not got the overmanning in his ordinary industry to anything like the same extent.

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Interviewer: Was there any point at which you wished you had cut public spending earlier and deeper?

PM: We all wish we'd cut it earlier and deeper. The problem is everyone in your political party is very keen on cutting public spending in general, and all have their own particular hobby horses. We would be in much much worse difficulty than we are if we hadn't cut it as far as we did. It takes a time because you've got your running expenditures going, and a large part of your expenditure of course goes on people. Now, we would have been able to have cut it much faster and sharper if we hadn't honoured the Clegg awards. The Clegg Tribunal, in its awards to people in public service, that's everyone - civil servants, local government, nurses. That was an enormous increase. Something outside the comprehension of anyone in the United States. You know how it arose. In Mr. Callaghan's last year he had a incomes policy that he said 5%; after 2 years of incomes policy they wouldn't take 5%; they were taking something of the order of 9%, provided their claim could be referred to what was called the Clegg Tribunal, and the government said it would honour it, and therefore we said if we came to power we'd honour it. Now I must tell you, I gave it in an interview this morning, I don't think people fully realise the extent to which pay in the public sector's gone up. People in the public sector reckoned they'd had a not very good deal in the incomes policy. This year the pay to the public sector, civil servants and local government, is 50% above what it was 2 years ago.

Interviewer: Then of course you do have the problem with the amount of money that has to be paid out in redundancies, the amount of money that's being put into the nationalised industries at this stage, unemployment money, social welfare, all these things. If you were not confronted with that situation you could probably argue that you have cut government expenditure quite drastically

PM: In terms of the actual programmes, yes. We haven't in fact put as much into that. We could argue that we had otherwise cut it quite drastically in several departments certainly. A point I want to make is this. We did honour those claims. Those are behind us. We now start from a firm base that we feel we've given the public sector a fair, good and honourable deal. And so therefore next year now that every bit as advantageously treated ~~AS~~

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in the private sector, and in some cases more so, because the private sector is taking the unemployment, not the public sector. This is what happens. Never never never go, I beg of you, the way of incomes policies in the sense that you say you can only have X%. You're building all sorts of rigidities, you take a sort of snap shot of the economy and assume that where they are now is justified as regards where their pay claims were. You treat the skilled - the skilled don't get a very good deal - you can't pay people more in order to get the number of skills you want. Never, never never. Differentials contract, never go that way, then the next two years unwinding the distortions and they always unwind afterwards. And that is what happened with us. Now we are through that period and the great achievement of this Government, if I might say so, is that we actually got inflation and pay claims down - both of them - without a Price Commission, without a specific norm in incomes policy, and without subsidies. Not just inflation down, not just that pay is down, but they are down without all the old things which people thought were necessary to get them down. Now having got them down without those things, we shall not be bedevilled by unwinding the distortions, and without dividend control.

Interviewer: There is another down that I wonder if you take the claim for and that is the number of strikes and I believe it is the lowest since 194...

PM: ... we didn't mention that this morning, did we? Not bad for a Conservative Government.

Interviewer: Do you feel it is your policy that has an effect on that?

PM: It is our realistic policy. It is our policy of realism, saying "You are responsible for what goes on in your factory". Now if you get it wrong, you carry the can. Don't come to the Government to bail you out the whole time. Lowest since 1941... Lowest for 40 years.

Interviewer: Because of the realism of your policies?

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PM: Yes. And they are now getting rid of some of their own militants.

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Interviewer: Now, let's look at the other side of it just a little bit and that is the unemployment figures which of course you talked about today. Suppose they hit 3 million, do you see the possibility of social unrest coming as a result of that?

PM: Well, no I don't think so because we have got this large figure of unemployment which causes great distress to all of us. No politician would wish to have it. Every politician would wish to have as low unemployment as possible. We do try to alleviate it by every method possible. Obviously they have their unemployment benefit, they have social security. In order sometimes to keep some people in viable industries, to keep them there until the end of temporary difficulties, we do have what is called temporary short-time working compensation. That is if they are working, say, for 3 days they can claim compensation for the other 2 to keep the factory and the business going. We do try to have special programmes to help young people to find work and I am very keen that they go to the companies and to all the commercial, industrial establishments, we put money into that. We do try to build what we call advance factories so that you get some people in construction industry but also the moment you get expansion coming the factory is already there. We do try, there are a number of regulations, though we try to deregulate as far as we can like President Reagan, we do try to build a number of very small factories, very plain, very ordinary, ^{for} just really an ordinary bay - we call them nursery units - those are /the people who are self-employed and who want to start out on their own and haven't got premises to go to. So we build them. They are cheap, they pay a very, very low rent for about 5 years. So it gives them a chance to get started - this is in the days before you had planning permission, you would have started in your garage or your shed at the bottom of your garden, now planning permission stops you so you have got to find the equivalent. Now quite a number of people have quite good redundancy money. It is astonishing the number who say right, I will start up on my own, I am skilled in something, some particular matter of trade and I can start up and may be I can employ one or

two people. So we do do all of that. And I think we are nearly at the end of the period of destocking so there should, before the end of this year, be an improvement in that position where companies start to build up their stocks again and that works through to manufacturing industry. So what we do is we do of course have selective help for unemployment, again I was trying to explain those things that I have mentioned, and where the areas are absolutely at their worst - and I know that you have some areas where unemployment is high, because of the car industry - we do give selective help. We have special areas and we do have enterprise zones. So that where the levels of unemployment are high, if firms go and start up there we give capital grants. Now all of that we do. That is much, much better than trying to say right instead of doing that we will just flood the economy with printed money. Because the moment you pump in that bad money it debases the value of all the good money and it really is a breach of trust with all the people who have saved in dollars or in pounds - in money form.

Interviewer: But you say all these programmes that you undertake OK unemployment is still going up. Suppose that in a year or 15 months, whatever time anybody wants to put on it, the things that are being done to turn this around just have not worked, is there ever a doubt in your mind that maybe there just really won't be

PM: ... there is no doubt in my mind that if we go our way we will get through. If you want more employment, more jobs, where are you going to get them? You are only going to get them by having businesses that are competitive. Now they are only going to be competitive if their labour costs are approximately the same as any other industrial country. Now the labour costs will not be competitive if you flood the market with money and put up all their prices, their costs and their wages. So that way is wrong. And that would only create more unemployment in the longer run. The point comes across, does it?

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Interviewer: Well, it does on a piece of paper.

PM: But it comes across in reality. You look at the countries that have lowest unemployment - Switzerland, Germany, Austria, they are all countries that have followed this policy, all of them and they can ride the recession.

Interviewer: Have you, within your own camp, been able to convince some of those who might have been doubters?

PM: Well, we are still on that policy.

Interviewer: OK, enough said.

I wonder if we could move it into defence and foreign affairs area just for a few moments and ask you two questions, if I may. It has been said that in order to get true cost effectiveness it would be necessary to have a co-ordinated NATO approach, and I was wondering whether your Government might take a formal initiative to try to bring about a NATO review conference which would go into such matters as the role of the forces assigned to NATO, specialisation, standardisation, division of labour and production, and whether you think that such a conference would be successful (unclear) and in your defence review.

PM: We think the time is right to answer just those very questions that you have put but before you can ever contemplate a formal review conference you have got to get other people thinking along those lines too. Now Al Haig probably knows more about this than anyone else but I certainly agree that we ought to do that but you have got to recognise at the moment there are a number of fears. First, that if you do that somebody will think it is a means of trying to reduce the amount that you spend on NATO. Well it isn't in any way. It is a way of trying to say, are we spending it most effectively and I don't believe myself that we are. And in considering whether you are spending it most effectively you have got to consider what is the appropriate role of each of the members of NATO. And this is another psychological thing. Germany is right in the front line and you also have to take account of that. You can't just say

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well it might be better if one country kept fewer troops there and took a greater air and North Atlantic role, or naval role, you have got to remember the psychology from Germany's viewpoint of the rest of us keeping troops in Germany. So yes I do think it is time to look at the effectiveness of what we are spending not as a way of reducing what we are spending in any way because I am the first to know that if you are going to deter you have got to deter at every level your strategic and your theatre nuclear and at your conventional forces. But you can't ever dash into these things without first convincing the ...

... don't just dash into something saying this is my view. Always get the ground well prepared. First be courteous to your allies. Secondly, it is more likely to get where you want to be, thirdly, if they have any problems you deal with those problems before you ever come to make a public proposal.

Interviewer: I just want to follow on to the consulting thing where you said you have to consult very closely before problems develop. You talked about closer co-operation just in this way with the Reagan Administration. Would you see some specific changes you would like to see him put in as compared to the Carter Administration?

PM: Well, we have to find the method of this much closer, regular consultations. Of course our Ambassadors are there - we have a marvellous Ambassador - they are there frequently. We just have to find a way. You see we meet in Europe regularly. We also meet at the NATO level and, I must say, there is a lot of coming and going across the Atlantic thank goodness. Our people come across to see you and so do other European people and some of yours come across. We really must positively keep that going. Of course we can lift up an appropriate line and talk to one another. I think it is a question of using what we have got. We were very conscious you know that after Afghanistan it took just a little time for it all to spring into action. Very conscious of that. On the other hand, we don't want to burden you with too many visits across the Atlantic.

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Interviewer: You mentioned Afghanistan and now perhaps the crisis that is staring everybody in the face is Poland.

PM: My guess is that we could spring into action extremely quickly. Now having felt that after Afghanistan we didn't, we would be on to one another immediately.

Interviewer: Do you, in your own mind, have a course of action that you would propose?

PM: No. You never quite know how things are going to develop. What you do want to know is that you know each of the other Heads of Government, your Foreign Ministers know one another, your Defence Ministers know one another and an understanding that the moment you either get an indication or something happens you can swing into action faster than we did on Afghanistan. You see, we are used to it now in Europe. We have very, very regular meetings. We have the Economic Summit once a year. But a lot of European statesmen come across to see the United States President. It is just a question of keeping close at times of uncertainty.

Interviewer: In his first remarks this week, he has made some strong statements about the Soviet Union. You have made some very strong statements yourself in a speech last week. What is your reaction towards the new sound/^{of hawkishness}coming out of Washington.

PM: Why is it a new sound of hawkishness? I hate these jargon things. Any country determined to defend itself must make a dispassionate assessment of a potential enemy. Now that is not hawkish. If someone is not doing that they are not doing their duty by their country. It is not hawkish.

Interviewer: You concur with the Reagan ...

PM: I certainly do, I have been doing it for a long time. Before I came into Government. I make a dispassionate assessment of my potential enemy, his objectives, his methods, whether he ever changes his objectives - and I don't mean the Soviet Union does - see whether he changes his methods. I may not know his motives
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but I know from the fantastic proportion of their gross national product that they put into armaments, that he goes on increasing it. I know that being a substantially land-locked country with most of his supplies coming across land, he does not need such a big, big navy. He does not need so many submarines from the view point of supply. Why then is he doing it? I know that although he growls at Europe for stationing Cruise missiles there that he has got the most modern theatre nuclear weapons in the SS20s that we have. No I don't know his motive. I know that he marched into Afghanistan. I know that they went into Hungary, Czechoslovakia, Afghanistan. That they have got Cubans as surrogates, as proxies, in Angola. I know that they have given help to Somalia and Ethiopia. I know that there are one or two problems in the Caribbean, there are problems in Central America, why? Now I think it is absolutely culpable if a leader doesn't make an assessment of that. And not only alone but to consult with allies and not only contain the areas of democracy but make it quite clear to them/ ^{our line.} I think Afghanistan did in no uncertain terms. They will be only free to pursue their own destiny provided the West/ ^{defends} the whole of the Western democracy.

Interviewer: Prime Minister, I wondered how worried you would be of the impact on the United States of the arrival of a Labour Government now in Britain whether led by Michael Foot or Tony Benn which was committed to getting/ ^{rid of} the cruise missiles, dropping the British nuclear deterrent and some sort of qualified withdrawal from NATO. Do you share the view of the United States Ambassador, Kingman Brewster, who said the other day that in those circumstances that British Government would stand to lose the protection of the United States in this strategic nuclear

PM: Look, my total objective is to stop Michael Foot or anyone who shares that kind of view from ever getting in power. It really is. And I believe I will succeed. I believe that this country must defend itself by all possible means. I believe that the people in this country know it. If we weren't prepared it would be an enormous victory for a potential enemy without his ever having fired a shot for the simple reason that if ever freedom was in doubt we were prepared to stand and fight. And if ever we weren't, there

would be such a fundamental change in Britain it would be a Britain which I do not recognise, which I could not recognise and which I could not foresee. I think you can take it that the British people are reliable allies. From time to time you will get these politicians coming up with these ideas but I believe Britain will stand firm on the necessity to defend herself and to be a reliable ally.

Interviewer: The only question I was putting there really was that it is not impossible that such a Government could come to power. It is very unlikely but if it did.

PM: Don't ask me. I am not the person to ask. I am doing everything possible to prevent that happening. And I believe I shall succeed.

Interviewer: If this public agitation and most particularly if Foot is already committed to, as he says, sending back cruise missiles to Washington if they are already in place, is there any circumstance where you would change your position on the stationing of cruise missiles in Britain?

PM: So long as you have got those fantastic SS20s in the Soviet Union targetted on Europeans, they could incidently in fact reach the States, I must have a deterrent to those. And we really ought to be ready. In a way we are really fortunate to be able to have someone else's weapons, to fight those, stationed on our soil. We haven't got in fact to take on all the problems of developing those missiles. We are able to have a missile developed by another country as a deterrent on our soil to the others targetted on us. I must tell you that I think Michael Foot and some of them, the Labour Party, would do far better to turn round and say to the Soviet Union: "Look if you hadn't got those or if you would dismantle them, we need not have so many theatre nuclear weapons, or we need not have cruise missiles stationed all over Europe. But so long as you have got those there we have to have something to deter you from ever using them.

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Interviewer: There is a trade-off there.

PM: Well there is as you know. The whole of NATO offered to say to the Soviet Union, right negotiate on reducing your numbers and may be we won't have to have so many. But it is no earthly good the Soviet Union saying we are entitled to have all those but you are not entitled to defend yourselves.

Interviewer: There is another Labour Party policy that is to the fore in Britain's membership of the Common Market. Is there any thought, and that seems to be increasing in public opinion, would there be any question in your mind about Britain's partnership in Europe?

PM: Well there isn't to me and there isn't to my Party because we have had our quarrels with Europe, they were justifiable ones but I believe we are through them. They were justifiable on the Budget. With the excess money that we should never have contributed now coming back it will make a tremendous difference to the British people's approach. I hope that we shall get a fisheries policy. We always had to defend and look after the interests of New Zealand. We had our quarrels on policy for sheepmeat and lamb. That one is sorted out. We're progressively getting those sorted out. But look, who would rejoice if Britain came out of Europe? It would be the Warsaw Pact countries. Because they would have their tight alliance. / ^{And they would see} the democracies could not work together in peace. And we can and we do. Of course there'll be difficult times. The closer a family is the more virulent the quarrel sometimes. But of course there will be difficult times. But I think we all realise that the advantage of us all standing together is far greater than the problems any of us may have individually. And we all take the view we've got individual problems, but as partners we've got to sort those out. For the good of the whole European Community. We wouldn't get half as many people coming and investing in Britain if we weren't a member of the Community. Some of those investments would go on to the Continent.

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Interviewer: Do you favour early resumption of Strategic Arms Control negotiations?

PM: That is a matter for President Reagan. He obviously, like every Government will wish to have arms control which is effective, can be monitored, and which can be seen to be effective. That is the critical thing, which can be seen to be effective, which can be effectively monitored. Because all of us want this balance of deterrents which we have now to be lower than it is. But my goodness, you've got to be certain that it is a genuine balance, and can be effectively monitored. If he doesn't resume SALT II, that would not in fact prevent him from going in for a SALT III.

Interviewer: with the rearmament proposals because there has been a suggestion that the United States would not want to come to the negotiating table until there had been a substantial increase in rearmament. I think that has been said in Washington. And I just wondered whether you felt

PM: That's a matter for your government. After all, I have increased the amount of money spent on defence. We need it. The NATO forces that face the conventional forces of the Warsaw Pact - the NATO are fewer in number, and fewer in equipment. But I do see the point that you negotiate from strength always. With a strong adversary you negotiate from strength. When you take up negotiations is wholly a matter for your government.

Interviewer: Soviet Union You were mentioning a few months ago strong things about the /without spelling out motives, but at the same time the government is initiating again the culture and trade negotiations.

PM: Trade in ordinary commodities has never ceased. Wheat - you stopped extra wheat going to the Soviet Union over and above what went before. There were certainly restrictions put on the wheat, but special ones /the wheat still remained. Special on technological for strategic purposes. Those still remain. We had preferential credit with them - that's been stopped.

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We do our level best to stop surplus butter going from Europe. Now these first three things are exactly as they were previously. We still fight against butter from the mountain in Europe being exported to the Soviet Union. We do continue with trade which is of mutual benefit. Now we in this country from the Soviet Union buy a lot of diamonds. We need to buy diamonds from them. They're usually re-exported again after being cut or processed in some way, whether they're industrial or whether they're gems. We also buy quite a lot of tin. Now we actually have an adverse balance. We buy more from them than they buy from us. And certainly what they would like us to fill the gap with would be strategic technological exports. We're not going to do that. Of course we're not. But we are seeing if there are ordinary things we can sell to meet this trade gap - trade which is of mutual benefit. Not wheat, not things of technological benefit, not preferential credit terms. And we shall try to stop cheap butter. So the ordinary trade will continue. And that's what we're looking at now. That we buy more from them than they buy from us. But you have ordinary trade with the USSR.

Interviewer: I wondered if, when you reach Washington, President Reagan asked you to do more in the Gulf area in support of US policy there, whether there is in fact something extra you could do.

PM: The 3 of us really - the United States, the French and ourselves have hunches. Don't forget that Oman is strong, and we have some military personnel seconded to Oman. And very good they are too. We keep in very close touch with the Arab States as you do. But at the moment again, beyond keeping in close touch with the 3 of us, I don't think we have any further proposals. I do think that it is soon time to look to see whether NATO could extend its sphere of influence. It would cause difficulty, as you know, with Germany, which at present is not allowed to. But you can see what's happening - look at the map of the world. That the balance of deterrents between the Soviet Union and the United States and Europe is holding the line across Europe, and you're

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getting troubles almost girdling the world below that NATO belt. You've got your Vietnam/Cambodia Communist countries fighting one another. You've got Iran/Iraq. Ethiopia/Somalia, Angola, troubles in Central America and Caribbean. There are times when your front line may be way way beyond NATO. Obviously there was an Atlantic ^{Council} Meeting - Luns called one after Afghanistan. I do think that's a thing that we need to look at because your raw material lines - absolutely vital ^{to} your capability to defend yourself. But it would cause problems with Germany as her constitution is at present. Most of us are perfectly prepared to do it - obviously thinking in terms that you may have to be ready if there's trouble beyond the NATO line.

Interviewer: That doesn't include institutionalising what NATO forces might be there as part of a sort of Euro-American

PM: No. Most of us... France is not militarily integrated with NATO so she could detach ships to go there rather more easily than we could. We in fact detach some from other duties to go there, but it's ironic that when you really are integrated into NATO in defence of the Alliance, you're less free to do other things than a country which is in Europe, but which is not fully integrated into NATO.

Interviewer: Japan. One of their leading companies is planning to build automobiles in Britain, and insist that the British will accept their way of doing it. Before they start production they would want to take some of the shop leaders to Japan to learn their ways of manufacture. How do you feel when you see Japan coming in and saying they're going to teach the British how to do it?

PM: What's wrong with a company that comes to Britain trying to manage things in Britain in a way which has been very successful in their own country? They must have some expertise in management, but there's nothing unusual - we have got Japanese companies in Britain. They work very well. There's a Sony in Wales. It's productivity can challenge anyone anywhere in the world. When Vauxhall or Ford come here - they've been here for

ages - we took the view if they wanted to keep their market that they should manufacture in other countries, and we all take the view that they know how to manage their own business. Sometimes they'll put in an American man, sometimes British management. It's not for me as a government to tell a company how to manufacture motor cars. I don't know. I don't think there's anything wrong with a company coming and saying we're successful. We know our way of doing it. We'll try and train people to do it our way.

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VIEWER: What's the parallel with BL? BL's a British firm. There's no parallel. We used to send productivity teams to the United States. I don't know whether many people from Ford or Vauxhall have been to the United States to see how Ford United States does it, how General Motors does it. You puzzle me by thinking it's wrong.

Interviewer: I don't mean to suggest that it's wrong. It's just been a subject of some conversation, and it would almost seem as an irony that Japanese would feel that they could take British back to teach them how to do it.

PM: We're always ready to learn. I don't know whether Sony took some people back - I would have thought if you'd got a new company coming in that you wanted to feel, you wanted to know who the parent company was, how they did things. The best way to find out is to go and have a look.

Interviewer: Do you think there's any alternative to direct rule in Northern Ireland?

PM: We haven't so far found one. And it's not for want of trying. We'll continue to try. It's very very difficult to reconcile the aims of the two main groups of people in Northern Ireland. We try again and again, and we continue trying. Each of them has ideas about how it should be done. Those ideas are not acceptable to the other, and we get them into a conference, and we discuss, and it's when we come to decisions they can't agree. And what we've got to at the moment is a position where neither group will agree to what the other wants. Either ^{the} minority with what the majority wants or the majority with the minority. Both will say

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direct rule isn't exactly what we want, but it's a good second best. Now we're the people who are trying to get out of direct rule. And trying in fact to bring them together. So far we haven't succeeded. Some of the minority, basically, some of them, not all of them, prefer to be part, feel they owe their allegiance to, the Republic of Ireland. I think a large number prefer to stay with Britain in any case. And of course your Loyalist group say we're the majority, why shouldn't we have majority government as you do have almost anywhere else in the world? To which we say you had majority government, and the minority did not feel that they got a fair deal. Since then we've changed the law and made it wholly illegal to discriminate. But even so, with all our efforts we cannot bring those two to work together in the way we'd like. And we will go on trying. You see we had the border poll, and as you know the vast majority wished to stay with the United Kingdom. So long as they wish to they shall. I think myself that most of the minority take this view. We don't know as not many of them actually vote in the border polls. But there are some who want the Irish Free State, a Republic of Ireland, and it's very difficult to reconcile their views.

Interviewer: If you will soon be talking about the totality of Anglo/Irish relations at the further summit, I was wondering whether you think anything could emerge from a summit?

PM: Those relations are between the United Kingdom and the Republic of Ireland, not between Northern Ireland and Southern Ireland. The view we take is that the Republic of Ireland is the only country with which we have an actual land border. Britain hasn't got a land border with anyone else. And we do have to cooperate across that border. Just as any two countries have to. We're just in process of setting up I don't know what will come out of them. What I do know is that it's better for two neighbours to work together as closely as they possibly can. We have to do it on security, we have to do it on transport. We would like a closer link on energy, railway lines go across the border, a lot of agricultural produce goes across the border. But don't underestimate the problems - it isn't for want of us trying, and I was very disappointed that we didn't get agreement. We will not give up.

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But you have got this curious thing. Both sides do trust direct rule there. Both sides say, alright, it's not what we want but it's quite a good second best. Astonishing agreement on second best. Then when you say let's have the ordinary local government like we have in the rest of the United Kingdom you'll find the minority say don't do that. That's just where the trouble started before. There are we constantly wanting to give back more powers.

Interviewer: The arrival of the new Social Democratic Liberal Alliance if it does get that far. What is your view? Does this separate party have any chance of making a real impact?

PM: I don't know. What I know is that we're in government. We're going to be in government for some years. And I'm going to keep my eye on getting the economy of Britain competitive, able to compete with anyone, and being a very formidable competitor because we shall have North Sea oil and gas and coal behind us. That's my job. And I'm not being deflected one inch from it.