

Mr Giles ✓

MR 14/5.

Ref. A084/1482

NOTE FOR RECORD

Mr. Burley.

See para. 11. How much time are we allowing?

A.T.C. 21/5

Mr Giles ✓: to see

MR 21/5

P.C.

Up to 1 1/2

hours, but we have ~~not~~ not said so.

DMB 22/5

London Economic Summit: Trade Union Delegation

Mr David Lea, Assistant General Secretary of the TUC, called on Sir Robert Armstrong at 12.15 pm on 16 May to discuss the meeting to be held on 31 May between the Prime Minister and a trade union delegation concerning the London Economic Summit.

2. Mr Lea began by saying that the TUC hoped that it would be possible to present the meeting as having been useful, both to the press immediately afterwards and in the report that would be made to the Economic Committee in June. If the meeting was seen to have been positive this would be helpful to the Economic Committee's consideration of the future of the National Economic Development Council. The Trade Union Advisory Committee to the OECD (TUAC) paper for the Economic Summit was being presented to the OECD Ministerial Council that day and would be sent formally to the Prime Minister in about a week. Both the paper itself and the accompanying press statement being issued that day had tried to pick out themes which might receive a positive response but he would find it useful to discuss further the aspects on which the meeting with the Prime Minister might concentrate.

3. Sir Robert Armstrong said that he had noted that the twin objectives of the TUAC paper were creating jobs and achieving technological and structural change in a way which enhances rather than degrades peoples lives. The Prime Minister might respond by saying that the London Economic Summit would have much in mind the desirability of creating permanent, real jobs and the importance of adapting to technological change in both new and existing industries. The Prime Minister believed that there was a need for increased public acceptance of the possibilities offered by technological change. The Prime Minister could not, of course, be expected to endorse all that the TUAC paper said about the methods of achieving these objectives. Indeed, the objective of the Summit was primarily to promote an understanding

of the problems of and agreement on the objectives for the world economy. It was accepted these objectives should be pursued through national policies adapted to the individual circumstances of each of the countries.

4. Sir Robert went on to say that the Summit was likely to suggest that the recovery that was underway was partly the product of the sound monetary and fiscal policies and low inflation in the countries concerned. The objective now was to sustain this recovery but also to spread the benefits to the rest of the world, and the Prime Minister would no doubt wish to respond to the similar point in the TUAC paper.

5. Mr Lea commented that increased demand in the third world would lead to additional output and employment in the industrialised countries. He also commented on the importance of the international debt problem and interest rates in this context.

6. Sir Robert Armstrong said that the approach to the international debt problem agreed at Williamsburg had proved reasonably successful over the past year but the greatest help to the third world in this respect would be keeping down interest rates. The Summit would be likely to give renewed impetus to "surveillance" and would be bound to comment on the desirability of holding down inflation and interest rates. However, he doubted whether the Prime Minister or several of the other Summit leaders would share the view that the debt problem would be helped by loosening IMF conditions; on the contrary, they were likely to take the view that IMF conditions had played a significant part in helping countries like Brazil and Mexico to cope with their economic problems.

7. Continuing, Sir Robert said that the TUAC paper had also referred to the need for structural change to be linked to a better growth path. The Prime Minister considered that adaptation of the economy was itself necessary in order to produce greater growth but he considered that it was more important to do this by removing obstacles to structural change than through the co-ordination of Government policy. The Prime Minister would also

agree that the results of the growth should be used for productive investment to create further employment.

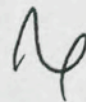
8. Mr Lea said that there were clearly areas on which the Prime Minister and the trade unions could not be expected to agree but he hoped that their meeting would concentrate on the positive elements. He hoped that the Prime Minister would be able to welcome the trade union document and commend it to her Summit colleagues as a constructive contribution to their debate, even though she did not agree with it entirely. He hoped in particular that the Prime Minister would make a positive response to the two main themes and the need to ensure that everyone shared in the benefits of the recovery. There were two areas, however, which it would probably not be profitable to discuss in detail in view of the wide differences between the Government and the unions. The first was that recovery might be helped by a reduction in real wages associated with a weakening of trade unionism, sometimes described as "flexible labour policies". The second was the trade unions' view that high employment could not be restored without a reduction in hours and which they did not see as being a barrier to increased competitiveness.

9. Turning to the question of technology, Mr Lea said that the public acceptance of this was not a one way process. It was important that new technology was explained to those affected by it, that they were involved in its introduction and agreed to it. This was the traditional trade union reaction to new technology but the public perception of the Prime Minister's view was rather different. He wondered whether it would be possible for her to say something helpful in this area.

10. Sir Robert Armstrong said that he imagined that the Prime Minister would respond on the lines that public acceptance involved persuading people that technology was their ally. She believed that new technology offered great scope for creating totally new jobs and, conversely, that there was no future in creating uneconomic jobs in traditional industries which could not be sustained. Mr Lea observed that the important thing for the unions was not to freeze an out-of-date economic structure but

that in adopting new technology the standard of living of those affected by the changes should be preserved. Finally, Mr Lea said that although it was largely a national matter, the TUAC paper had mentioned the question of investment in infrastructure which was currently a major topic of discussion between the TUC and CBI. He did not expect that this would be discussed at the Prime Minister's meeting or would feature largely at the Economic Summit.

11. In further discussion of the practical arrangements for the meeting, Mr Lea said that he hoped that it would be possible to allow about one and a half hours in order to give time to include a token contribution from each of the seven countries represented, in addition to the main statements and responses. It was agreed that there would be advantage in some advance preparation, without commitment on either side, of language for a possible press statement. Sir Robert Armstrong undertook to prepare some material which he would discuss with Mr Lea at a further meeting. This could then be used as the basis for consultation between the two Press Offices. Mr Lea noted that the TUAC delegation would be on-the-record and said that he imagined that the Prime Minister would be unattributable. Sir Robert Armstrong said that he thought that on this occasion it might be possible that some of the Prime Minister's remarks might be on-the-record but this too could be discussed further. Sir Robert Armstrong's office would confirm that translation arrangements were in hand for the TUAC delegation.



R P HATFIELD

17 May 1984

cc. Sir Crispin Tickell (FCO)
Mr Littler (Treasury)
Mr Holloway (FCO)
Mr Colvin (Cabinet Office)
Mr Barclay (No 10) ✓
Mr Ingham (No 10)