

SUMMARY RECORD OF PRIME MINISTER'S MEETING WITH MEMBERS OF THE
HOUSE OF REPRESENTATIVES: 20 FEBRUARY 1985 AT 5.15 p.m.

Present

Speaker O'Neill (D-Massachusetts)	Prime Minister
Congressman Wright (D-Texas)	Foreign and Commonwealth Secretary
Congressman Foley (D-Washington)	HM Ambassador
Congressman Alexander (D-Arkansas)	Mr. Alison
Congressman Fascell (D-Florida)	Mr. Powell
Congresswoman Mary Rose Oakar (D-Ohio)	Mr. Ingham
Congressman Michel (R-Illinois)	Mr. Hannay
Congressman Lott (R-Mississippi)	Mr. Pellew
Congressman Kemp (R-New York)	Mr. Sheinwald
Congresswoman Lynn Martin (R-Illinois)	
Congressman Dick Cheney (R-Wyoming)	
Congressman William Broomfield (R-Michigan)	

After welcoming the Prime Minister and introducing his colleagues, the Speaker asked for the Prime Minister's views on dealing with the Russians. The Prime Minister said that Soviet society was closed, rigid and unadaptable. The Soviet leaders had a pathological fear of being attacked by the United States. We could only hope to change their attitudes by getting to know them. The Gorbachev visit to London had been useful, and we were seeking further opportunities for contact with their leaders through Ministerial visits in both directions.

The Speaker asked about the UK economy. The Prime Minister pointed out that we had achieved 2½ per cent growth in the last year, despite the coal strike. As she had said in her speech to the Joint Meeting, we were seeking to recover the spirit of enterprise which the United States had never lost. We had created 350,000 new jobs last year, but for various

reasons - e.g. the number of married women coming on to the job market, demographic factors, overmanning caused by restrictive trade union practices - we had not yet shared the Americans' success in reducing unemployment. An encouraging sign was the rate of creation of new industries. Congressman Wright asked if small business failures were a problem in the United Kingdom as in the United States. The Prime Minister said that the greatest risks were in the high technology field. It was interesting that the highest small business failure rate was in Japan.

Congressman Wright referred to the question of interest rates and their effect on economic recovery. The Prime Minister said that US interest rates and the strength of the dollar caused us problems. She believed that the budget deficit would be tackled: what really worried her was the possibility of a resurgence of protectionism in the United States. In the United Kingdom, we had refused to protect our own industries at a time when the pound was unjustifiably strong. United Kingdom industries had been forced to start their drive for efficiency when exporting was most difficult for them. She hoped that the United States would follow our example and avoid protectionist remedies. Congressman Fascell said that the pressure for protection was very real. He was bound to say that he thought the policies of the European Community were aggravating the problem. The Prime Minister agreed that this was so as regards the Common Agricultural Policy, but not so far as other trade sectors were concerned. But she pointed out that the subsidies paid to US farmers had in fact exceeded those paid to European farmers. Congresswoman Oakar referred to the forthcoming expiry of the US agreement with Japan on voluntary restraints on car imports, which was important for her home district in Ohio. The Prime Minister said that in the United Kingdom, voluntary agreements had been made on an industry-to-industry basis.

Congressman Kemp congratulated the Prime Minister on her speech which he thought had been very perceptive on international

economic policy. He wondered whether current difficulties in the world trading system were in fact a reflection of breakdown in the world monetary system. Should the United States, Europe and Japan get together to try to devise some new system? The Prime Minister said that with so much money moving about the world, it would be impossible to go back to a fixed exchange rate system. The current strength of the dollar was due to psychological factors relating to the strength of the US economy. But the dollar could not go on rising for ever. To restore the balance, America's partners needed to get their own recoveries up to the US level. It was vital for the United States to avoid resorting to protectionism as a remedy. She had heard there was talk of an import surcharge. That would be very damaging. Several Congressmen said there was no question of that. The Prime Minister said in that case there was no need to talk about it.

In closing the meeting, the Speaker remarked that he was less afraid than the Prime Minister that there would be a resurgence of protectionism.

6 March 1985