

1. Mr Powell *Some comments*
C.D.P. 7/7

Press

2. PRIME MINISTER

INTERVIEWS WITH FRENCH TELEVISION AND LE MONDE

On Tuesday you are to give interviews to the French media, in advance of the Bicentennial celebrations and the Economic Summit. One and a half hours has been set aside for interviews with Antenne 2 and Le Monde. As the television interview will be shorter, you may like to do that first. The make-up lady will be waiting for you at 9.30 am.

Antenne 2

The interviewer will be Christine Ockrent who, I believe, has interviewed you previously (she interviewed Gorbachev this week). She is the best known of all French television news broadcasters and her prime-time news programme is arguably the most influential in France. Miss Ockrent is looking for an interview of 15-20 minutes which may be edited down to 10-15 minutes.

She plans to base her questions on two main areas - the Economic Summit and EC matters - and round off the interview with a couple of questions on the Bicentennial.

I attach some briefing notes, prepared by the FCO, to cover the specific subject areas Miss Ockrent wishes to pursue.

Le Monde

The interviewers will be Jacques Amalric (Foreign Editor) and Dominique Dhombres (London correspondent). Le Monde, the most influential French newspaper, has recently shown more understanding of our position in Europe. But as some of the issues which the French have set themselves as priorities for their Presidency may well conflict with our own interests, it will be a useful opportunity to get your views on the Delors Report and the Social Dimension through to the French public.

Le Monde hope to cover EC matters in depth, as well as a number of international issues - East-West relations and the future for communism, disarmament and NATO, BAOR, China and Hong Kong, Argentina, and the special relationship with the US. I also attach some FCO briefing based on the line of questions passed to us.

They also hope to ask you some questions about the economy - what has caused inflation to climb to 8.3%? Is it now under control? What is Alan Walters' role in economic policy making? I doubt if you need any briefing for this. After a period during which our economic performance has provoked almost unstinting praise from French commentators, recent economic indicators have been widely picked up as evidence of doubt whether the turn-around can continue and on how deep it actually goes. It would have a salutary effect for you to set out in forthright terms your confidence in the economy.

Charles will support you. COI will record.

Content to use the White Room for the television interview and the Study for Le Monde?

MICHAEL BATES
Press Office
7 July 1989

Both are likely to try to
needle you, & get you to say
something provocative about France and/or
President Mitterrand: that will be the story.
I think the points you want to
get over are:
- We need to continue to free

market, liberalizing policies which
have brought sustained economic
growth;

- the extent to which the UK
is ahead of others in the

Community in freeing its markets,
abolishing exchange controls etc.

- the way in which we have

taken the initiative in proposing

closer Anglo-French defence cooperation.

We are still awaiting a French
response.

- the degree to which we see
eye to eye with the French on
Fair / wear issues & nuclear questions.

- your confidence that Britain is
a changed society set on a
course of sustained success.

- your attachment to the ideal of
cooperation in Europe without surrender of the
sovereignty & other attributes of the nation state.

PRIME MINISTER'S INTERVIEW WITH "LE MONDE": 11 JULY

A. EUROPE

What is the PM's vision for Europe?

- I want a secure open and prosperous Europe, self-confident and competitive. That is why I strongly support the 1992 programme, and attach such importance to its completion, and implementation, on time.

- The Community must not fail in this crucial task, which has caught the world's attention. Carrying it through will enhance the prosperity of the Community, and its standing in the world.

Does she regard it only as a market or free trade area?

- Of course not. The Treaty of Rome covers far more than trade. And we Europeans must also work together in areas not covered in the Treaty - like defence and science.

Any comment on the Euro-election results? Do they mean that a majority of the British public disagree with the Government on Europe?

- No. Where we lost seats the main factor seems to have been a rather typical mid-term reaction to domestic developments.


- Remember that this Government is pushing through real reforms - in the financing of local government, in education and in health, which people take time to understand. And inflation had risen, but is now being successfully reined in.

UK committed to EMU?

- The UK is committed to the progressive realisation of economic and monetary union. But we are not committed to the particular form of union proposed by the Delors Committee, with binding controls on the budgetary policies of member states. I do not believe that such controls are necessary to support a monetary union: indeed in existing monetary unions they are the exception rather than the rule.

- At Madrid I made clear that while I am ready to get ahead at once with Stage I, as proposed by the Delors Committee, the nature of subsequent stages needs much more thought. And that is what the Community agreed should happen.

We shall be putting forward alternative ideas, based on closer cooperation and convergence of policies.



What is the British attitude to an inter-governmental conference?

- To set up new monetary institutions in the Community would require Treaty Amēndment, which entails an inter-governmental conference. When the Community has agreed that new institutions are required, and agreed on the form they should take, an IGC will be appropriate.

- But we decided in Madrid this could not happen until after implementation of Delors Stage 1 has begun in July 1990, and that an IGC would be inappropriate without full and adequate preparation.

Key UK objections to Delors Stages 2 and 3?

- Treatment of fiscal policy: Report claims binding controls on member states' budgetary policies would be essential.

- Central Resource Allocation: experience shows that dirigiste industrial policies run by bureaucrats work badly and waste resources, and that regional differences in competitiveness are best dealt with by market forces.

- Lack of democratic accountability: proposed Central Bank System less accountable than the most independent of current Community Central Banks - the Bundesbank.

When will sterling join ERM?

- When we have made progress against UK inflation, and when other aspects of Delors Stage 1, particularly the abolition of exchange controls by the other major Community countries, has been satisfactorily implemented. All UK exchange controls were of course abolished outright in 1979, in my first months in Downing Street.

Prime Minister's relations with Mitterrand and Delors?

- Mitterrand in power since 1981. Worked closely together since then. Channel Tunnel symbolises excellent state of Anglo-French relations. We understand each other better than ever, even if there are sometimes differences of views.

- Met Rocard in London [February]: appreciated his Chatham House speech calling for closer Anglo-French understanding on defence and EC matters. My wish too.

- Delors: Recognise the Commission's contribution to maintaining de-regulatory terms of single market programme and their action on fraud and state aids.



British views on Franco-German axis?

- Franco-German friendship good for everyone in Europe.
Franco-German hostility has hurt Europe in the past.

- Recognise special quality of friendship built on reconciliation.

- But must not forget other friendships, and other interests.

- Outstanding success of EC and NATO founded on careful attention to the views of all members: unity and strength in diversity and mutual respect.



PRIME MINISTER'S INTERVIEW WITH LE MONDE

B. INTERNATIONAL AFFAIRS

Can Communism survive?

No. All over the world Communist systems are being forced into change by the pressure of their own accumulated contradictions - a word Marxists once used to criticise capitalism.

Communism has failed in every respect. Even sugar is rationed in Moscow. In a growing number of countries - Poland, Hungary, the Soviet Union, that failure is being acknowledged.

They are looking to the West for new ideas, and if Communists do not believe in Communism, no-one else can.

Brutality and repression in countries like China and Romania may prolong the agony but there too political change must come in time.



LE MONDE: 11 JULY

How does Britain see the Gorbachev reforms evolving?

- Gorbachev right that reform of Soviet economy depends on political change. Main elements of latter now in place with new Supreme Soviet. Await promised legislative programme, particularly on judicial reform and individual rights. Good sign that new Supreme Soviet already firmly monitoring Soviet Government.

Economy? No short-cuts after 70 years' central planning and stifling of markets. But there is so far no clear economic strategy. Many painful nettles still to be grasped. Notably prices.

- West's role? Power of example, industrial cooperation, and training in market-oriented skills, not financial aid - would shore up dying system.

- Strong supporter of perestroika. Very much want Gorbachev's reforms to succeed. But wrong to assume now all the changes which Mr Gorbachev says he wants to implement. Wrong to remove our defences.

PRIME MINISTER'S INTERVIEW WITH LE MONDE: 11 JULY

Is the Prime Minister bitter about the SNF issue and the NATO Summit?

Why on earth bitter? Summit a great success:

- proof of NATO's vitality at forty;
- agreement on ambitious programme for promoting democratic change in Eastern Europe;
- agreement to challenge first ourselves, then the Warsaw Pact, by expanding proposal for CFE talks;
- agreement on Comprehensive Concept, blueprint for our security needs and role of arms control (including firm statement of need for land-based SNF and the limitations necessary on any negotiations to reduce - not eliminate - them).

Does Britain have any plans to change the level of the British Army on the Rhine?

Level set by 1954 Brussels Treaty.

BAOR manpower levels not directly affected by current CFE proposals: only US and Soviet manpower covered.

There is no reduction in our commitment to forward defence of FRG.



PRIME MINISTER'S INTERVIEW WITH LE MONDE: 11 JULY

How can Britain solve the China/Hong Kong problem?

- Hong Kong's reversion to China when lease expires in 1997 an inevitable fact of geography and history.
- We have worked hard to ensure that Hong Kong reverts on best possible terms.
- Nothing that has happened in China has changed fact that Joint Declaration is a very good agreement for Hong Kong. Recent events have if anything increased its importance.
- Firmest guarantee of any agreement is that it is based on common interests. China has massive stake in Hong Kong's continuing success, both economically and politically. That stake not diminished by recent events.
- China must do what is necessary to restore confidence in Hong Kong in her commitment to Joint Declaration.
- Must now build on Joint Declaration to see what further reassurances can be given to Hong Kong people.
- Considering carefully further development of democratic government: wishes of Hong Kong people fundamental to our approach.
- Hope the international community, including the countries attending Economic Summit in Paris, will also play their full part in reassuring Hong Kong people about their future.



How much flexibility can we offer on right of abode to UK passport-holders in Hong Kong?

- Cannot make an indefinite and open-ended commitment to take several million people.
- But we shall do everything we possibly can to provide the kind of assurances that are needed.
- Firstly, if worst came to worst, Britain would not close door. We would do everything in our capacity to help. If numbers too large for us alone, would need to look to others for help and support. We shall raise at Economic Summit this week.
- Secondly, we're looking urgently at what provision we can make, for people in private and public sectors, on basis of their connection with Britain and service to Hong Kong. Hope to announce details before too long.



PRIME MINISTER'S INTERVIEW WITH LE MONDE: 11 JULY

Any expectations of Sr Menem's election in Argentina?

- Welcome peaceful transfer of power through ballot box.
- Policy of previous Argentine Government got us nowhere despite numerous British initiatives to move towards more normal relations.
- Sovereignty not for negotiation - for us self-determination is basic. In other words, the wishes of the inhabitants themselves.



PRIME MINISTER'S INTERVIEW WITH LE MONDE: 11 JULY

Is the special relationship with the US still the same under President Bush?

- Excellent relations. No question of competition or exclusivity. Good relations with US vital for all of us in the EC and NATO.
- Very close consultation at all levels of Government. Shared approach to intelligence and nuclear matters.
- Fact is, US remains the ultimate guarantor of the security of Western Europe and the UK.
- US also a key pillar of international trading system. Vital we work with her. EC must avoid "Fortress Europe", and US must also give firm lead in maintaining open trading system.

PRIME MINISTER'S INTERVIEW ON ANTENNE 2

A. THE BRITISH PRIORITIES FOR G7 SUMMIT

- Like M Mitterrand, keen to see high priority for debt and environment issues.
- IMF/World Bank debt reduction measures significant step forward. Commercial banks must also participate.
- Environmental issues crucial, particularly global climate change and tropical forests. Sound economic approach vital.
- Challenge of inflation, structural adjustment and macroeconomic policy will also feature highly. Pleased that G7 coordination working well.
- Free trade a vital theme. Must boost GATT negotiations, resist protectionism and strengthen open multilateral trading system.
- Developing country concerns always priority.
- Human rights naturally theme in this Bicentenary year (declaration on rights of man).
- Lockerbie and plight of hostages terrible reminder on terrorism.
- Minds very much on China, implications for Hong Kong.

[These are
the
priorities]

G7 SUMMIT: ENVIRONMENT

Climate Change

- Summit should endorse proposals for Convention on Climate Change (UK working hard on this).
- Framework Convention on Climate Change would be major step forward.
- New Convention would establish framework to which specific protocols can be attached as scientific knowledge develops. Follow successful example of Vienna Convention on Ozone Layer, supplemented by the Montreal Protocol.
- Summit countries should channel more resources to developing countries to help with environmental problems. UK doing so: eg new package of scientific expertise for Brazil. No need for new financing mechanisms (eg Climate Change Fund): get on with the job through existing aid programmes as we are doing.

Strengthening existing institutions

- UK now second-largest contributor to UNEP (1989 contribution more than doubled to £3m).
- Summit should support existing institutions for tackling environmental problems, especially UNEP and IPCC.

If necessary: No need for new institutions. Make better use of existing institutions. Avoid duplication.

Forestry

- Summit countries should pledge to do more on forestry, as we in Britain are doing (fact: UK giving £40m this year to India as forestry aid).
- Have just signed a Memorandum of Understanding with Brazil to increase cooperation on environmental problems. Offering our expertise on tropical forestry.

Economics

- The market mechanism can help with the environment.
- Market mechanisms offer powerful means to adapt to new priorities. Regulations alone not necessarily the best path.
- Look at environmental problems in socialist economies of Eastern Europe.
- Summit should consider ways in which we can obtain better information about the economics of environmental protection so that we can all have clear idea about the choices available.

PRIME MINISTER'S INTERVIEW WITH ANTENNE 2

B. THIRD WORLD DEBT

1. UK has taken lead over help for poorest debtor countries which are undertaking approved programmes of economic reform:

- Have cancelled nearly £1 billion of old aid loans. All UK aid to poorest now in grant form. Welcome President Mitterrand's decision to write off old aid debts to poorest African countries.
- UK has made single largest contribution to interest subsidy account: enough to subsidise up to £750m of new loans.
- 13 countries now benefited from Chancellor's initiative on concessional rescheduling at the Paris Club.

2. Middle income countries mainly in debt to commercial banks. must remain primarily a matter for banks and debtors to resolve between them.

3. Of course fully understand difficulties for these countries. But debt reduction alone no panacea. Key remains in sustained economic reform leading to sustainable growth.

4. Welcome recent initiative for IFI support for debt reduction agreements. Debtors and banks must now negotiate details.

5. Taxpayers should not bail out banks for past commercial decisions. We have IMF and World Bank agreements on debt reduction. Must stick to them and encourage debtors to pursue genuine reform. Above all not repeat mistakes of the past.

PRIME MINISTER'S INTERVIEW ON ANTENNE 2

Political cost of European issues

- Wrong to take simplistic view of European election results. Main factor - mid-term reaction to domestic developments, eg rise in inflation.
- Do not accept that Government out of step with public opinion on policy towards the Community. Madrid outcome widely recognised as good for Britain, and the Community.

British priorities under French Presidency

- Our chief priority is to keep up the Single Market momentum. The most pressing tasks are financial services, standards, transport (especially cabotage) and public purchasing.
- It is very important that measures agreed should be implemented, and enforced.
- We shall also wish to take forward the Madrid Council Conclusions on monetary cooperation. Work should proceed as quickly as possible on preparations for the start of stage 1 next year. The UK will participate fully in preparatory work on subsequent stages.
- The Council Conclusions acknowledged that Delors' Stages 2 and 3 are not the only way forward. We shall need to look at alternative approaches.
- We shall also encourage further cooperation among member states on frontiers. There has been much welcome progress to date. We need to focus on practical issues, eg the problems of drug trafficking, immigration and terrorism.
- These are common threats, which exist with or without 1992. The UK is particularly keen to develop joint action against drugs. It is essential that Europe does not fall prey to the "crack" epidemic seen in the US.

PRIME MINISTER'S INTERVIEW ON ANTENNE 2

The lessons of the French Revolution and their significance?

- Marx said 1789 was a "false revolution"; but now we can see that the truly positive changes have come through democratic revolutions: Britain's in 1688, America's in 1776, and yours in 1789.
- Path they sketched out: liberty, equality before the law, human rights, now the one peoples of Eastern Europe want to follow.
- One important lesson of 1789 is the great difficulty of turning high abstract ideals into effective practical politics.
- British tradition based on more gradual evolution. Over past year have marked the tercentenary of our own "revolution" (which was somewhat different).
- Should not forget another revolution. Adam Smith's Wealth of Nations appeared in 1776: this too a significant milestone for the aspirations of mankind.

We didn't find it necessary to execute 17 000 people in our revolution.

The French revolution was of course followed by Napoleonic dictatorship rather than democracy.

ENVIRONMENT





Foreign and Commonwealth Office

London SW1A 2AH

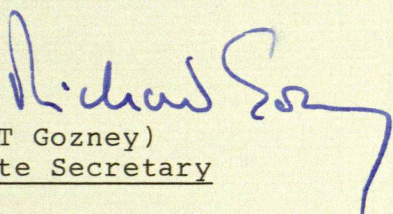
7 July 1989

Dear Mike,

Prime Minister's Interview on Antenne 2

/ I attach, as requested, answers for the Prime Minister's interview on Antenne 2 on 11 July.

I am copying this letter to Charles Powell (No 10).

Yours ever,

(R H T Gozney)
Private Secretary

M Bates Esq
Press Office
10 Downing Street



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