

PRIME MINISTER

PRESS CONFERENCE

You are to meet the British media - that is journalists covering the Summit for British press, radio and TV - at 6.10 pm in the Hospitality House Hotel near the Summit Press Centre.

I would expect up to 75 to attend.

We have taken a fairly large suite on the first floor to which I propose you walk. There is an adjacent room where radio and TV will be set up ready to record the usual short - four minute - news interviews with BBC TV and Radio, ITN and IRN. Your interviewers will be ITN - Michael Brunson, BBC TV - Martin Bell, BBC Radio - Clive Small, IRN - Andrew Mandestam.

You will be extremely short of time and radio and TV are very important to you. So I hope you will allow me to close the press conference promptly after 30 minutes at the most. The journalists will not want to hang about because they are running out of time too.

In addition, the Conservative Central Office film crew hope to get some shots of you sitting behind a desk. I am setting up a desk in the radio and TV room at the Hotel so that we can save time.

Colours

The background wallpaper in the press conference room is a very pale green. In the radio and TV interview room it is brown and white regency stripe wallpaper.

Attendance

I think it very important that the Foreign Secretary and the Chancellor of the Exchequer should be at the press conference with you since they will have to wrap up the Summit and do interviews tomorrow.

David Gergen, President Reagan's Press Secretary, has asked if he can attend the press conference and I have raised no objection.

/ Presentation

## Presentation

In my briefing so far I have made two main points:

- the conference got off to a good and heartening start for you in an economic sense because your three bilaterals yesterday reinforced your cautious optimism about the recovery;
- one of your hopes for the Summit is that it will demonstrate the unity of the West in this crucial year and strengthen President Reagan's hand in the disarmament negotiations; the Summit has come at a particularly opportune time for this purpose.

The two other objectives I have mentioned are:

- the need to maintain sound, prudent financial policies aimed at holding down inflation to the very minimum, if the recovery is to be sustained;
- the need for a new commitment to an open trading system and firm opposition to protectionism.

You will leave the Summit against the background of a full discussion of the economic scene and also the session on defence and disarmament at dinner last night.

Therefore the journalists will believe you are in a position to assess, even with one day to go, how far the conference has fulfilled your hopes. The difficulty is that you cannot know precisely how it will all come out in the wash on Monday. It is therefore important that you do not over commit yourself and content yourself with giving the impression of general satisfaction with the way the Summit has gone so far and that you genuinely believe that you can take back to Britain a reassuring message about non-inflationary recovery.

## Problems

The real problem with this Summit is that every effort has been made to damp down expectations and to minimise dissension. The French are, however, perceived to be the potential wild card and in purely journalistic terms the media are looking for difficulties rather than sweetness and light.

/ If they cannot

If they cannot find it on the major issues they will look for it in such items as:

- the American deficit and interest rates (which is potentially the most devisive issue at this stage);
- the Export Administration Act on which we have said you have registered your point;
- the Laker anti-trust case;
- the allegation in the Washington Post today that Britain, Germany and Italy have asked for the deployment of US manufactured neutron warheads in Europe (on which I am getting briefing for you), see annex 1.

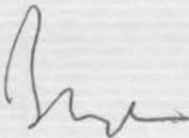
#### Advice

You will want to return to Britain not merely with a message of hope about the economy but also getting over the point that your economic approach is right and is being followed by others, plus, of course a firm but flexible Western position on disarmament.

My advice is that you concentrate in opening on the value of coming to Washington and the encouragement you have derived from doing so.

#### Election

I am keeping in touch with London over any election issue which may arise. The journalists will undoubtedly ask you about the election and how it is going and I have sought to cover that in a draft opening statement at annex 2.



B. INGHAM

29 May 1983

DRAFT OPENING STATEMENT FOR PRESS CONFERENCE

A most useful visit notwithstanding the election campaign.

Well worth the effort coming and I will have tomorrow to recover and work myself back into the campaign which is going well.

*Reasonably*  
~~Cautiously~~ optimistic about the outcome of the election just as I am cautiously optimistic about the economic recovery underway and the prospects that that brings for more real jobs in the world.

All my discussions last evening and today have brought reassurance and confirmation that a recovery is underway in the USA, Germany and Japan, as well as in the UK.

But I think I can also reasonably and fairly claim that the sound and prudent policies we have stuck to in Britain throughout the last four years are generally seen to be what is required if we are to sustain the recovery without inflation.

*all high U.S. deficits and hence interest rates cause concerns including our American friends*

In my time here we have also had a most useful discussion of defence and disarmament - over dinner last evening. I think everyone here wants to strengthen President Reagan's hand in the crucial nuclear disarmament negotiations underway.

All of us gathered round the Summit table are the true disarmers of this world. We all want disarmament on a balanced and verifiable basis. And all of us are convinced that the only way to get it is to negotiate from strength, with determination and perseverance.

/ The other

The other main point about the meeting is that I have succeeded in having a personal chat, either in the margins of the conference or where we have been <sup>staying,</sup> ~~sitting~~ with each of my Summit colleagues.

I find the Summit institution valuable on this count alone just as I am sure do the Foreign Secretary and the Chancellor of the Exchequer who will remain in Williamsburg to represent Britain in the discussions tonight and tomorrow.

I am grateful for the understanding I have received from President Reagan and my colleagues about my leaving early.

But I am glad I came. I go back into the election campaign reinforced for having come here and genuinely encouraged about the way things are going in the world notwithstanding the many problems that beset us.

The main point is that we are tackling them on the basis of greater understanding and cooperation as a result of meetings like this.

Naturally I hope very soon to be confirmed in office for another five years' cooperation to make this a better and safer world in which to live.

TRANSCRIPT OF A PRESS CONFERENCE GIVEN BY THE PRIME MINISTER, MRS THATCHER  
TO THE UK PRESS AT WILLIAMSBURG ON SUNDAY 29 MAY, 1983

Ingham: The Prime Minister is of course very short for time and therefore I would ask you ..... Could I first ask the Prime Minister to say a few words and then we will take questions.

PM: As this is an Economic Summit may I start on the economic subjects. The discussion still continues. We have had a very full discussion about economic matters. I might summarise them so far in this way. We noted the considerable improvement in the economies of a number of countries since we last met at our last Summit. Improvements in getting inflation down, improvements in productivity, improvements in getting down interest rates; although we are particularly conscious that it is important for recovery to get interest rates down further - indeed it is one of the single most important financial things. Secondly, we see signs of recovery. There are various ways of describing it - realistic optimism, reasonable optimism, cautious optimism - but we see signs of recovery which we believe firmly that we can steadily sustain and enhance by pursuing the sound financial policies like keeping inflation down, trying to keep deficits down, trying to keep interest rates down - the customary financial policies you are familiar with in Britain and which a number of other countries have been pursuing. With regard to exchange rates, about which there was a considerable discussion, the point was made very strongly that you get stability in exchange rates first by running your financial affairs at home under certain disciplines and secondly by all countries together running similar policies so that the policies themselves converge. If there is to be any further work done with regard to more stable exchange rates it should be done first through the Finance Ministers and not through the special forum. The fourth point, we are particularly conscious in all of our countries of the problems of unemployment and I suppose it is very largely because of that that we are so anxious to take steps to sustain and improve the recovery. But also we know that unemployment is the last thing to respond to recovery and therefore all of us are putting into place very considerable training schemes to help young people. A further point that was mentioned considerably was the necessity of getting the acceptance of new technology. You will remember at Versailles that we had a report on technology and it was reported to this Summit. Of course often the first effect of new technology is that machines replace unskilled or semi-skilled labour which is one of the problems we are encountering now. Therefore in future you need a higher proportion of your work force to be skilled so they can take up the new science-based industries. We are all fighting across Europe this particular problem but we nevertheless agree that because in the end new technology - not even in the end - in the medium term - new technology produces new jobs that

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to  
we must work hard/secure its acceptance. Finally, and they are discussing such things as energy at the moment, protectionism I should just mention a word about. We believe that it will help to expand world trade if we try to go towards freer trade. The fact is we talk about it and condemn protectionism but almost every country practises a certain amount. You would all wish to diminish the amount of protectionism that is practised. And finally - which I was going to say a moment ago - there's no such thing as what one of our colleagues calls a quick fix and what I think we call a quick cure is a quack cure. We have to work at it hard along the lines, which we are working in Britain which is sound finance, all help for young people possible through new training, tax incentives to stimulate small businesses and new products. Then we believe we can sustain recovery and work towards convergent policies.

That's on the economic side. We have also had a very considerable discussion among Heads of Government and Foreign Secretaries and also in the plenary with the Chancellor of the Exchequer on defence and disarmament. The statement is about to be issued. It is quite a detailed statement. Mr George Schultz will be issuing it shortly. It goes over the whole field of disarmament pointing out the first duty of a nation is to defend its way of life. Therefore you have to have strong forces, sufficient to defend that and to deter any aggressor. Nevertheless we wish to secure that defence at a lower level of weaponry and expenditure and therefore we wish to ensure that the many levels of disarmament are pursued rather more vigorously than they have been. It is not our fault it is just that the proposals that we have put forward - whether it be in Geneva, Vienna or in Madrid - have not been pursued as vigorously as they should and we do say that we believe that we must continue to pursue these negotiations with impetus and urgency and that attempts to divide the West - and we go on to the INF - that attempts to divide the West by proposing the inclusion of the deterrence forces of third countries such as those of France and the United Kingdom will fail. Consideration of those systems has no claim to the INF negotiations. We also point out that while we hope very earnestly for a balanced INF agreement if there is agreement deployment will take place up to that balance if there is not an agreement by the end of this year then of course the full planned deployment will have to begin.

That is quite a long statement. Like most long statements when you come to draft them they take much longer than you think - particularly when you have to bear in mind that we are not all members of NATO and even those who are members of NATO are fully integrated into the military structure. But it is I think a very significant statement, a very fundamental statement and it is I think a great credit and

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advantage to President Reagan that he managed to secure such a statement at this Summit. I think it is of considerable importance. The Economic Communique of course will be drafted overnight and will be considered in detail by the Chancellor of the Exchequer and Foreign Secretary tomorrow.

Shall we have your questions now please?

Q. Have you changed your perceptions of economic policy at all as a result of the last day and a half of meetings?

PM: No. Our perceptions of economic policy have been reinforced by these discussions.

Q: Does this mean you are taking no new measures to deal with the unemployment situation in Britain?

PM: All our measures are, as you know, very well laid out. We have got the new training scheme coming in in September which we have had to find 460,000 places in industry and commerce. Industry and commerce responded magnificently and the purpose of that scheme is not really to train young people to a higher level of training than they would have had before but also to try and ensure that unemployment is not an option for school leavers. Either they go into a job or else they go into further education or else they go into a year's training. Added to that we believe that our financial policies, coupled with tax incentives for small business, coupled with help to bring innovative new products to the market, are those which form together the best possible strategy for jobs and I think that colleagues here today would agree with that.

Q: Do you think you have made any progress in persuading the other nations to your views?

PM: They don't need persuading. It has been right at the heart of the reason why inflation has gone down, productivity has improved and interest rates have fallen by several points since the Summit last year. They are still high in real terms but inflation has fallen particularly sharply in some countries. But those achievements have been secured by strong financial disciplines and strong financial disciplines are doubly emphasised because to have a stable exchange rate you have to have strong financial discipline if you .....

Q. Do other countries share your objectives in your Election Manifesto in getting down to zero inflation?

PM: I think we are trying to get inflation down as fast as we can. I think all the countries there would like to feel that



we could have stable currencies. Germany and the United States' inflation rates are both below us and so is Japan. France as you know has a target I think to get down to 5% as soon as possible. Italy is having considerable difficulty. All of them are pursuing the same kind of objective with regard to inflation and interest rates as we are.

Q. You have recommended strong financial discipline to all the other countries at the Summit but the fact that the recession in Britain has been a good deal deeper than any other country, that unemployment there is a good deal higher and that our interest rates are still among the highest in the world does not necessarily seem like a very good recommendation ....

PM: It is not I who recommended financial discipline solely. I certainly am recommending it but so are a number of other people there. This is the point that I want to get across. I think everyone there recognised that if you are to get stable exchange rates you have to operate within certain financial disciplines and you won't find that the idea comes exclusively from me. You will find it had enormously wide, almost universal, support there. With regard to our having been hit rather harder by the recession. On the unemployment side, with the exception of some countries in Europe, Holland for example, Belgium, have had even more difficulty than we have. Point number 1 - we have had the worst overmanning and restrictive practices so therefore we were the most inefficient and the recession hit us badly. We had a bad record on strikes - that again hit us. We had a very bad record of paying ourselves regardless of output and if you look at the two you will find that we pay ourselves more compared with output than almost any other country. Japan's pay and output went hand in hand. Germany's pay only went slightly ahead of output and it was interesting that Germany told us that they had secured a pay agreement in the public sector something like 2 or 2½%. Now here are we saying we are doing rather well with 4 - 5%. There's one of our rival countries saying that they have got an agreement in the public sector at 2%. Their inflation is about 3½, 3.9 - not very different from ours. The other thing of course is why our unemployment figures are higher - we do not have compulsory conscription. Almost every other European country does - with the exception of Ireland - and that takes up a whole generation of young people for a whole year. That also helps with the unemployment figures. I hasten to say that I am not thinking of introducing conscription!

Q. Is there nobody at the Summit who has some doubts about

your economic strategy?

PM: They certainly haven't expressed it. France too is now having started off with a different strategy, is trying to get inflation down. She is having to get her balance of payments and trade into balance and also is very anxious to get her interest rates down, to pursue a different policy with regard to revision of wages and taking people on to the bureaucratic payroll. But on the financial side she has come to pursue policies which they said she was not pursuing when the present Government took over.

Q: Did your plea for financial discipline fall on deaf ears?

PM: I don't know why both of you keep suggesting that it was I who made the sole plea for financial discipline. No it did not fall on deaf ears in the United States. The US pointed out that they have got their inflation rates very sharply down. It is below ours. Their interest rate is several points below what it was - it was right up in the 20s it is now down at about 10 - slightly less. They are just as anxious as we are to try and get their interest rates down. And no-one could have tried harder of course to curb public spending than President Reagan and he has indeed managed to get down some of the enormous inbuilt increases that had been present in the United States budget.

Q. What do you think you have really achieved by this Summit that you couldn't have achieved by what you might call the normal processes - discussion between leaders?

PM: First, when you come here you do have separate discussions with the leaders, either in full scale bilaterals or in the margins and I think that in itself is tremendously valuable and the discussion together is tremendously valuable - what is enormously valuable at the moment is to get the kind of reinforcement of one's own policies that we have secured merely because other people believe those to be the right policies - the ones which are beginning to show results and the beginning of a recovery and the ones which, if sustained, will produce a recovery which is the way to get extra jobs and in the meantime we go for a considerable programme of training for young people and special help towards small businesses and towards new technology also which helps to produce jobs for the future.

Q. When do you expect that the cautious optimism you have noted will be reflected in a fall in unemployment?

PM: I am frequently asked this - almost every morning

in press conference. I don't know any Government that has actually predicted the unemployment figures. I only know that if we continue with these policies those offer the best hope for reducing unemployment. How far and when the reduction comes depends not only on Government policies, it depends on the extent to which industry and individuals take advantage of the opportunities and if people go on strike when they have got good jobs and also very considerable Government help that isn't action on their part which helps to keep jobs or helps to induce confidence in people who would otherwise buy from Britain. There is greater demand in Britain at the moment showing in the retail sales. How far our goods are of a design and of the price which attracts British people to buy with the wage packets they earn in Britain I cannot say. It's a combination of whether people will buy British and secondly whether the goods we produce are so good that people here and overseas will buy them too. All of these factors are determine in the end how fast unemployment comes down and I was at one of the big new technology factories on Friday and again they stressed that of course they have a fantastic record of creating new products creating new jobs, very highly skilled jobs and some less skilled. They stressed once again how successful we are will depend on how many customers we can get and that will in turn decide how many extra people we can employ, We had what I call a high technology day on Friday and went to many firms who are very successful, some of which didn't exist or were only one person - in one case three years ago in another ten years ago, and are now expanding. So the opportunities are there. I can't say how fast they will be taken up or how fast people will come to realise that strikes do not help they only lose jobs they don't gain them. Or how fast people will understand that you have got to keep pay in line with output if you really are to gain the orders for the future.

Q. Is there an important difference between you and President Reagan on the role of deficit?

PM: President Reagan and his financial adviser, Mr Regan, would not argue about financial discipline in any way. I think in many ways they would prefer to have their deficit lower than it is. They have after all tried very hard in Congress to try to get it down. They have not met with as much success as they would wish. They will of course argue that as a percentage of GNP their deficit is not unusually high. They also will argue that their savings ratio has improved but none of them will suggest that you do not need financial discipline. They are the first to try and secure financial discipline.

You can go  
stronger  
than this.  
Q

Q. Was any part of the hold up on the defence statement an objection by others that it was being unduly rushed to accommodate your early departure?

PM: Not in any way. I would not say that the communique towards the end of day one was unduly rushed. If my recollection is correct you usually do have one at that time and it is usually on some aspect of foreign affairs. Thinking back we have had one on Afghanistan, on Poland, at Venice we had a major one which also took a very considerable time on the Middle East - the Venice Declaration.

Q. One final point on the economic side. What are your impressions as to when a fall in American interest rates is likely if at all - either in your conversations with President Reagan or in the Plenary?

PM: I don't think that they have changed. You are very well aware of the combination of problems which, were it not for that combination, interest rates would probably be lower now because of the problems - the banking problem, the extensive amounts loaned to other countries who cannot afford either to repay the loan or the interest on the time. Partly because of that the money supply has been up for a number of weeks and that as you know is unlikely to lead to a rapid fall in interest rates. They are caught in a very very difficult position, they'd like interest rates down lower. They don't try to force - you couldn't force interest rates down lower with your money supply rising, it's just not possible to do. You have got to have a look and see what is affecting the market so although they too would like interest rates down lower and the inflation rate itself would warrant a lower interest rate you have still got people worried about two things - about the deficit, whether it is actually going to be reduced in size ..... secondly about the money supply and third that although I think the banking problems with the countries Mexico, Brazil, Argentine and Nigeria, Venezuela, Chile and so on have in fact been handled very well for through the international institutions and the Central Bank and the Commercial Bank, there are still a number of difficulties and all of that has an impact on the interest rates. Otherwise the interest rate, I believe, would be lower than it is.

Q. How concerned are you at the US Export Administration Act?

PM: Very concerned indeed. I have made that concern known. So have a number of other colleagues at the Summit. Very concerned indeed.

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Q. Have you managed to ameliorate the US position on this?

PM: I hope that many of us making our views known very forcefully might help to ameliorate the position. I understand that the proposals in one house are rather different from those in another but I hope that what we said will help to make it clear that if it went through as it is at the moment we should have to consider very carefully what we would do. As you know we had to take legislative action before on the original one.