

*Duty Clerk No. 10
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FOCAB 005/30

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FM UKDEL WILLIAMSBURG 300300Z MAY 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 010 OF 30 MAY

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PLEASE ADVANCE FCO NEWS DEPT, O1D, NUMBER 10 AND COI.

ITEM: WESTERN STANCE ON ARMS CONTROL.

BY JOHN BARROWS, LPS CHIEF ECONOMICS CORRESPONDENT WILLIAMSBURG, VIRGINIA (LPS): BRITAIN'S PRIME MINISTER MRS MARGARET THATCHER HAILED AS A 'VERY SIGNIFICANT AND FUNDAMENTAL STATEMENT' A DECLARATION AGREED HERE TODAY 29 MAY BY LEADERS OF THE SEVEN MAJOR WESTERN INDUSTRIALISED NATIONS ON THE SUBJECT OF ARMAMENTS AND ARMS CONTROL NEGOTIATIONS WITH THE SOVIET UNION.

THE STATEMENT, ISSUED BY THE WESTERN ECONOMIC SUMMIT MEETING OF THE LEADERS OF THE USA, UK, FEDERAL GERMANY, FRANCE, ITALY, CANADA AND JAPAN, PLEDGED THAT THESE NATIONS WOULD NEVER USE THEIR ARMAMENTS FOR A FIRST STRIKE AND THAT THEY WOULD STRIVE FOR LOWER LEVELS OF ARMAMENTS THROUGH SERIOUS NEGOTIATIONS.

BUT IT SAID THAT 'AS LEADERS OF OUR SEVEN COUNTRIES IT IS OUR DUTY TO DEFEND THE FREEDOM AND JUSTICE ON WHICH OUR DEMOCRACIES ARE BASED' AND THAT THE SEVEN WOULD THEREFORE MAINTAIN SUFFICIENT MILITARY STRENGTH TO DEFEND THEMSELVES AGAINST ANY ATTACK, COUNTER ANY THREAT AND ENSURE PEACE.

IT CONTINUED: 'OUR ARMS WILL NEVER BE USED EXCEPT IN RESPONSE TO AGGRESSION. WE WISH TO ACHIEVE LOWER LEVELS OF ARMS THROUGH SERIOUS ARMS CONTROL NEGOTIATIONS.'

THE SUMMIT LEADERS REAFFIRMED THEIR DEDICATION TO THE SEARCH FOR PEACE AND MEANINGFUL ARMS REDUCTIONS, AND SAID THEY WERE READY TO WORK WITH THE SOVIET UNION FOR THIS PURPOSE. THEY CALLED UPON THE SOVIET UNION TO WORK WITH THEM, BUT WARNED THAT EFFECTIVE ARMS CONTROL AGREEMENTS MUST BE BASED UPON EQUALITY.

WHILE THEY WERE READY TO PURSUE NEGOTIATION WITH THE SOVIETS WITH IMPETUS AND URGENCY, PARTICULARLY IN THE AREA OF INTERMEDIATE RANGE NUCLEAR FORCES IN EUROPE, THE SEVEN DECLARED THAT SOVIET ATTEMPTS TO DIVIDE THE WEST BY SEEKING THE INCLUSION OF THE DETERRENT FORCES OF THIRD COUNTRIES, SUCH AS THE UK AND FRANCE, IN THE INF NEGOTIATIONS WOULD FAIL. THESE FORCES, THEY DECLARED, HAD NO PLACE IN THESE NEGOTIATIONS.

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THE SEVEN DECLARED THEIR 'STRONG WISH' THAT AN INF AGREEMENT WITH THE SOVIET UNION WOULD BE REACHED SHORTLY AND THAT THESE NEGOTIATIONS WOULD DETERMINE THE LEVEL OF DEPLOYMENT OF SUCH FORCES IN EUROPE.

IF SUCH AN AGREEMENT WAS NOT REACHED, THE STATEMENT SAID, THE WESTERN NATIONS WOULD PROCEED WITH THE DEPLOYMENT OF US SYSETMS (THE PERSHING-2 AND CRUSE MISSILES) IN EUROPE, BEGINNING AT THE END OF 1983.

THE SEVEN DECLARED THAT SOVIET ATTEMPTS TO INFLUENCE PUBLIC OPINION IN THEIR COUNTRIES WOULD FAIL, AND COMMITTED THEMSELVES TO DEVOTE ALL THEIR POLITCAL RESOURCES TO REDUCING THE THREAT OF WAR.

THEY HAD A VISION, THEY DECLARED, OF A WORLD IN WHICH THE SHADOW OF WAR HAD BEEN LIFTED FROM ALL MANKIND, AND WERE DETERMINED TO PURSUE THE VISION.

ECONOMIC IMPROVEMENT

MRS THATCHER, WHO LEFT HERE TO FLY BACK TO THE UK A DAY BEFORE THE END OF THE SUMMIT, SAID AT A PRESS CONFERENCE THAT THE SEVEN HAD NOTED A CONSIDERABLE IMPROVEMENT IN THE ECONOMIES OF A NUMBER OF COUNTRIES SINCE THE LAST SUMMIT IN VERSAILLES.

THERE HAD BEEN IMPROVEMENTS IN REDUCING LEVELS OF INFLATION IN SEVERAL COUNTRIES, IMPROVEMENTS IN PRODUCTIVITY, AND IMPROVEMENTS IN GETTING INTEREST RATES LOWER ALTHOUGH IT WAS RECOGNISED THAT IT WAS IMPORTANT TO GET INTEREST RATES DOWN FURTHER IF THE WORLD ECONOMIC RECOVERY WAS TO BE REINFORCED.

ALL OF THE LEADERS OF THE SEVEN, SHE SAID, HAD SEEN SIGNS OF RECOVERY IN THE WORLD ECONOMY, CHARACTERISING IT IN SUCH TERMS AS 'REALISTIC OPTIMISM, REASONABLE OPTIMISM, OR CAUTIONS OPTIMISM' ABOUT THE PROSPECTS.

THEY WERE AGREED TOO, THAT THIS RECOVERY COULD BE SUSTAINED AND ENHANCED THROUGH THE PURSUANCE OF SOUND FINANCIAL POLICIES - CONTINUING TO LOWER INFLATION, KEEPING BUDGETARY DEFICITS DOWN, AND REDUCING INTEREST RATES.

MRS THATCHER SAID IT HAD BEEN GENERALLY RECOGNISED THAT THE ACHIEVEMENT OF GREATER EXCHANGE RATE STABILITY HINGED UPON THE IMPOSITION OF FINANCIAL DISCIPLINE.

IMPLICITLY REJECTING THE IDEA, REPORTEDLY FLOATED BY THE FRENCH, OF A NEW BRETTON WOODS TYPE CONFERENCE DIRECTED AT CONTROL OF EXCHANGE RATES, MRS THATCHER SAID THERE APPEARED TO BE A GENERAL ACCEPTANCE THAT FURTHER STABILISATION OF EXCHANGE RATES SHOULD BE ACHIEVED THROUGH CONTACTS BETWEEN FINANCE MINISTERS RATHER THAN THROUGH A SPECIAL FORUM.

MRS THATCHER SAID THERE ALSO APPEARED TO BE A GENERAL RECOGNITION THAT FREER WORLD TRADE WAS ANOTHER IMPORTANT ELEMENT IN WORLD ECONOMIC RECOVERY. PRACTICALLY EVERY COUNTRY WAS ENGAGING IN A CERTAIN AMOUNT OF PROTECTIONISM AND THERE WAS A DESIRE TO DIMINISH THIS.

THERE WAS NO 'QUICK OR QUACK' CURE FOR WORLD ECONOMIC PROBLEMS, THE BRITISH PRIME MINISTER SAID. SOUND FISCAL AND MONETARY POLICIES, THE CONVERGENCE OF THE ECONOMIC POLICIES OF THE LEADING INDUSTRIALISED COUNTRIES, INCENTIVES FOR NEW BUSINESSES AND NEW TECHNOLOGY, WERE ALL NECESSARY IF RECOVERY WAS TO BE STRENGTHENED.

THE SUMMIT IS EXPECTED TOMORROW (30 MAY) TO ISSUE A FINAL COMMUNIQUE REFLECTING THE CAUTIOUS OPTIMISM ABOUT WORLD ECONOMIC PROSPECTS WHICH HAS CHARACTERISED THE LENGTHY DELIBERATIONS HERE. (LPS)

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SENT AT 0515