

cc Mr. Ingham

PRIME MINISTER

VENICE ECONOMIC SUMMIT

I attach a note of points which you might make to the press on departure tomorrow (and on Panorama if appropriate). It supplements the ~~very~~ Election/Summit questions which Bernard has already prepared for you.

CDP

(C. D. POWELL)

7 June 1987

SUMMIT: POINTS FOR THE PRESS

- Of course I am attending the Summit. It is the occasion, not so much for decisions, but very important discussions among world leaders on matters which crucially affect Britain's interests. These Summits have done a great deal to help manage world problems like inflation, the rise in oil prices and international debt. This is my ninth Economic Summit and I think I can say that Britain always has a strong influence on the proceedings.
- I shall be there for the crucial sessions where Heads of Government meet alone. The Foreign Secretary and the Chancellor will handle the closing stages of the meeting, and very well they will do it.
- The main issue will be the world economy. We shall want to see the economic strategy which has proved successful in all our countries confirmed.
- We shall be looking in particular to Japan to give a firm undertaking to expand the Japanese economy and import more. It is not the first time that a Japanese Government has produced a package of measures on the eve of an Economic Summit. We shall want to hear from Mr. Nakasone what effect he expects these to have on imports. We shall also want a clear commitment to remove import barriers and deregulate markets.
- All these discussions on the economy come down to one very simple point: jobs. My purpose in going to Venice is to work for policies which produce non-inflationary growth and thus more jobs in Britain.
- Then we shall be discussing the dangerous situation in the Gulf and agreeing among ourselves how we can ensure free navigation there. As you know it is a vital route for the world's oil, and we in Britain already have a small naval force there to protect British merchant

ships. We shall want to hear what others are prepared to do, and see to what extent we can co-ordinate our efforts.

- We shall also be talking about East/West relations and the prospects for an arms control agreement to eliminate medium and shorter-range nuclear missiles in Europe. This would be a tremendously important step, the first agreement ever actually to reduce nuclear weapons.
- We shall also be looking for ways to strengthen our co-operation in dealing with terrorism and making it even more effective. We have already made considerable progress here, but there is always room for improvement. It is vital that we should all endorse the policy of making no concessions to terrorism.
- So its jobs, peace in the Gulf, ^{Strong action} ~~strength~~ against the terrorists and reductions in the numbers of nuclear weapons which are the main issues at this summit: a very important indeed vital agenda.

[If asked about Mr. Callaghan's statement that your decision to attend the summit is shameful]

- Remind Mr. Callaghan that I am able to attend this Summit against a background of solid economic achievement and success. It is rather a different picture from the time when he had to come back from a meeting of world leaders asking "Crisis? What Crisis?". Or when Mr. Healey had to turn back from the airport.

V E N I C E E C O N O M I C S U M M I T

I think people expect me to be there, despite the Election, because it is a very important meeting. The Heads of Government of the seven great industrialised nations meet only once a year, and our discussions affect our economy, our defences, our relations with the rest of the world. Obviously it is essential that Britain's interests should be strongly represented, and that is why I shall be attending for the crucial sessions in which Heads of Government meet on their own. It is of course my ninth Economic Summit, indeed I think I have the longest record of continuous attendance at them since the Summits were started in the mid-1970s. That is bound to be an advantage.

There are several important issues to be considered this time. First, on the economy, all the Summit countries have pursued a broadly similar economic strategy in recent years. The key notes have been prudent management of finances, a climate of incentives and greater self-reliance and a commitment to free markets. The results have been seen in sustained growth and reduced inflation. No country has benefited more than Britain. At the Summit we shall want to discuss how to ensure that good record is maintained and try to co-ordinate our policies to achieve that. In particular we shall look to Japan for a commitment to expand the Japanese economy and import more. There may also be more that the US and Germany can do to ensure continued growth. These discussions all come down to one very simple point : jobs. My purpose in going to Venice is to see policies agreed which lead to more jobs in Britain.

8/ Then we shall be discussing the dangerous situation in the Gulf and agreeing among ourselves how we can ensure free navigation there. As you know it is a vital route for the world's oil, and we in Britain already have a small naval force there to protect British merchant ships. We shall want to hear what others are prepared to do, and see to what extent

we can co-ordinate our efforts. 15

9) We shall also be talking about East/West relations and the prospects for an arms control agreement to eliminate medium and shorter-range nuclear missiles in Europe. This would be a tremendously important step, the first agreement ever actually to reduce nuclear weapons. Britain has played a very active part in progress towards it, both in NATO and in my discussions with Mr. Gorbachev in Moscow. It is important to ensure that the main Western countries represented at Venice have a common approach to an agreement, while reaffirming the continuing role of nuclear weapons in preserving peace.

There are other important issues on which we shall want to consult - our commitment to deal firmly with terrorism, and the problems associated with AIDS.

But I don't want to give you too long a list. I think that what I have said is enough to show that discussions at the Summit are of crucial concern to people in this country, that Britain has a major contribution to make to them, and that it is important that I should take some time off from the election campaign to ensure that Britain's interests are very clearly represented.

[To charges that you are just going to create photo-opportunities] I don't think the opportunities are any more or any less than if I stayed here. It's just that the background is different.

LINE TO TAKE ON ELECTION/SUMMIT QUESTIONS

Q: Why are you going to Venice?

A: This is my ninth Economic Summit. I believe that the record of Economic Summits from the mid-1970s when they started shows that they have made a big contribution to managing some enormous world problems like inflation, unemployment, oil prices, recession and international debt. I believe the economic summits I have been associated with have helped to produce the continuous growth over most of the 1980s. That growth has begun to turn the tide of unemployment in Britain. So my prime interest in going to Venice is jobs - British jobs. - I look forward to our reaffirming in Venice the policies we have persevered with over a number of years - as I am sure we will.

Q: You are only going to hob-nob with Presidents and Prime Ministers to get pictures on TV?

A: Oh, they said that in 1983 when I went to Williamsburg during the election. No. I am going to Venice for the Summit sessions specifically for Heads of State or Government - dinner tonight and Tuesday morning's session - for a serious discussion of a whole range of issues: East-West relations; arms control; no doubt the Gulf and the Middle East; and not least, of course, the international economic situation which affects British growth and jobs. I shall also be having a separate meeting with President Reagan. It will be a very busy 24 hours.

Q: What do you say to the argument that your visit is a piece of bravado to try to display a spurious confidence in the outcome of the election?

A: There's nothing spurious about my confidence in the outcome of the election. I believe we shall win - and win handsomely. I think it important that Britain should be represented at the highest level at Economic Summits - all 9 of which I have attended since 1979.

Q: What do you say to the claim that you are only going to get Summit backing for your economic policies?

A: I don't need to go to Venice to do that. Economic Summits have endorsed our policies for years by consistently endorsing a similar strategy - and a strategy, I may say, which has produced steady and sustained economic growth. I think it's important for those reasons that Venice should reaffirm that strategy, as I am sure it will.

Q: Do you see this as a welcome break from the election or would you prefer it wasn't interrupting your election campaign?

A: Well it will be a bit of a change from electioneering in Britain, but it won't be a break from work. It will be a very busy 24 hours indeed in Venice. I can't really grumble about its interrupting the election when I called that election in the full knowledge that Venice would take place in the final week and knowing I would be attending.

Q: Is your journey really necessary?

A: Yes. There are some very serious issues to be discussed. If I weren't attending you would say I was running scared in the election. You lot have it both ways. I get on with the job. Britain is a major power once again in the world and our views are listened to with respect.

DRAFT LANGUAGE ON THE WORLD ECONOMY

2.1 Our medium term priority is to sustain non-inflationary growth while correcting external imbalances. This will help to reduce unemployment in our countries, improve the developing countries' situation and alleviate tensions in world trade. Correcting payments imbalances will be a long and difficult process. Exchange rate changes alone will not solve this problem while sustaining growth. In present circumstances further significant changes in exchange rates could indeed be counterproductive.

2.2 We shall take a number of complementary steps to sustain economic activity worldwide. Deficit countries, while following policies designed to encourage steady low inflation growth, will focus on reducing their domestic imbalances and external deficits. The United States, in particular, will take early and vigorous action to reduce its budgetary deficit by whatever means are most appropriate. Surplus countries will design their policies to strengthen domestic demand significantly, and to reduce their external surpluses while maintaining price stability. Japan will shortly implement a large supplementary budget to expand domestic demand; will take further steps to improve access to its domestic markets for foreign goods and services; and as part of its continuing efforts to reorient the Japanese economy will promote the channelling of savings into domestic investment. The Federal Republic of Germany will promote stronger growth in domestic demand to sustain its economic expansion, while reducing its external surplus. These actions, taken together, will reinforce the correction of imbalances that is already taking effect in volume terms, and will help reduce the protectionist pressures to which we are all firmly opposed. We call on other industrial countries to participate in this effort.

2.3 [May need some consequential amendment, and space should be found for the last sentence of 2.2 on NICs.]