

PRIME MINISTER

YOUR VISIT TO SOUTH EAST ASIA AND SRI LANKA: SPEECHES

You have three main speeches on your visit:

- Institute of Public Administration in Kuala Lumpur. You have agreed that this should focus on international economic issues.
- British Business Association in Singapore. You agreed this should be a speech about Britain and its achievements.
- Parliament in Sri Lanka. This was to be a reflective speech on democracy and freedom.

I have had some expanded synopses prepared for them. They are attached.

It would be very helpful to have your general reactions on substance and structure (not language at this stage). That way I can get further work done in August and let you see fuller drafts when you return from holiday.

C.D.P.

*Go ahead with
more detailed
work
ms*

3 August 1984



10 DOWNING STREET

From the Private Secretary

8 August 1984

Dear Peter,

Prime Minister's Visit to South East Asia
and Sri Lanka

With your letter of 3 August to Charles Powell, you kindly enclosed synopses of the three major speeches which the Prime Minister will be making during her Far East tour.

The Prime Minister did not have an opportunity to consider these synopses before leaving for her holiday. I should be grateful if you could arrange for them to be expanded into full drafts which she can consider on her return.

Yours ever,

David

(David Barclay)

Peter Ricketts, Esq.,
Foreign and Commonwealth Office

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*Minute Copied to
Admin File*



Foreign and Commonwealth Office

London SW1A 2AH

3 August 1984

Dear Charles,

*Draft with speedes
& programme. Objectives
not shown to PM at
this stage. CDJ
→ 5/2*

Prime Minister's Visit to South East Asia and Sri Lanka:
14-27 September

Thank you for your letter of 16 July about the preparations for the Prime Minister's visit.

/ As requested I now enclose synopses of the three
/ major speeches which the Prime Minister will be making
/ during her visit; a consolidated draft programme; and,
/ in case they are useful, a statement of British objectives
/ and likely objectives of the countries which the Prime
/ Minister will be visiting. I also enclose a list of the
briefing which it is proposed we should prepare for the
Prime Minister's use.

Apart from the specific objectives set out in the attachment below, the visit will enable the Prime Minister to express political support for ASEAN as a force for stability in the region, and help strengthen Britain's economic and commercial relations with ASEAN. There is also one particular point on Malaysia of which you should be aware at this stage. The current air services dispute between Malaysian Airlines and British Airways, which is receiving widespread coverage in the Malaysian press, may well be raised fairly strongly by Dr Mahathir. We shall ensure that the Prime Minister is well briefed on this point.

There are a couple of points on the Sri Lanka programme on which I would welcome your comments in due course. There is no provision in the programme at present for a formal bilateral meeting with either the President or the Prime Minister. The Prime Minister will however be dining with the President as well as visiting the Victoria Dam with him. She will also be dining with the Prime Minister. In our view this will provide sufficient opportunity to cover the main points that we shall be recommending the Prime Minister should make to the Sri Lankans. The two outstanding bilateral issues (shipping problems and the US/Sri Lanka Defence Agreement of 1947) are both best raised informally with the

/President.

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President. If however the Prime Minister wished to have a formal session with either the President or the Prime Minister, this could be fitted in on the afternoon of 26 September.

As a more general comment on the Sri Lanka programme, both 25 and 26 September are tightly packed. The High Commissioner has suggested that we should ask for the State Banquet on 25 September to be delayed until 2030 to allow a little more time to prepare beforehand. We suggest that the dinner given by the Prime Minister, Mr Premadasa, on 26 September should be kept relatively small and informal, without speeches.

Yes we,

Peter Ricketts

(P F Ricketts)
Private Secretary

C D Powell Esq
10 Downing Street

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OBJECTIVES

A) MALAYSIA

Broad Objectives (UK)

1. To build on the improvement in UK/Malaysian relations which followed Dr Mahathir's visit to the UK in March 1983 and to convince the Malaysians that we seek an equitable modern relationship which looks to the future not the past.
2. To convince the Malaysians that we do not seek to "change the rules" to Malaysia's disadvantage e.g. on air service agreements and overseas students' fees.
3. To convey the importance we attach to collaboration with the Malaysians on political as well as economic issues.
4. To confirm the UK's continuing commitment to the Five Power Defence Agreement and to the development of bilateral military collaboration.
5. To welcome the steady development of EC/ASEAN relations.

Specific Objectives (UK)

Economic and Commercial

1. To promote increased investment in Malaysia's manufacturing industry and reverse the decline of our market share.
2. To promote defence sales, sales of industrial equipment and British efforts in major Malaysian projects.

Political

3. To encourage Dr Mahathir to pay an official visit to the UK.
4. To develop a dialogue on major international issues.

/Likely Malaysian Objectives

Likely Malaysian Objectives

1. To consolidate improvement in Malaysian/UK relations, but on Malaysia's terms.
2. To press for a solution favourable to Malaysia on an additional weekly flight to London for Malaysian Airlines.
3. To see increased UK involvement in Malaysia's economic development and specifically in investment, education and training.
4. To seek UK's support for better access into the EC for Malaysia's primary commodities.

B) SINGAPORE

Broad Objectives (UK)

1. To renew personal contact with Mr Lee, to consolidate present good British/Singapore relations and to project the image of present British economic strength and technical innovation and of future promise.
2. To encourage Singapore to continue her role as a force for stability in the South East Asian area, and as an influence for moderation in the UN, the NAM and the Commonwealth.

Specific UK Objectives

1. To obtain at first hand Mr Lee's assessment of developments in and prospects for South East Asia, as well as his views on wider international issues of mutual concern, including world financial and economic problems (Mr Lee's views on Hong Kong and Brunei may be of particular interest).
2. Within the context of the Five Power Defence Arrangement to obtain comprehensive assurances of Singapore's continuing interest to provide logistic support to British forces if they had to deploy in the region.

3. To impress on the Singaporeans Britain's success in the development of new industries, particularly in areas of high technology, and hence the value of Britain as a partner for trade and investment.

Likely Singapore Objectives

1. To lobby for continuing British support for ASEAN's policies on Cambodia.
2. To press for fullest implementation of all measures and recommendations aimed at removal of artificial barriers to free world trade.
3. To encourage British business to invest in Singapore and to compete for major Singapore projects.
4. To encourage us to continue to make available to the Singaporeans, on the most favourable possible terms, maximum facilities for education and training of all kinds.

C) INDONESIA

Broad Objectives (UK)

1. To reaffirm that the UK sees Indonesia as a stable, well-managed, strategically important country, a lynch-pin of ASEAN and a valued EC dialogue partner.
2. To demonstrate that the UK is worth taking seriously. To correct the existing impression that Britain is fundamentally uninterested in Indonesia's problems, except in so far as we stand to gain commercially, and to impress Indonesia's opinion makers with our know-how, skill and reliability.
3. To begin the active promotion of increased cooperation over a range of mutual political, commercial and cultural concerns, including transfer of technology, training, education and defence.

/Specific Objectives (UK)

Specific Objectives (UK)

1. With the President:

- a) To hear his view of Indonesia's role in the region, its political and economic development, and where Indonesia's friends can help.
- b) To confirm against this background Britain's strong interest in Indonesia and ASEAN as a whole, giving credit to Indonesia's (and the President's personal) achievements.

2. With other Ministers:

To identify broad areas for increasing technological, industrial and scientific collaboration from which both sides can benefit.

3. With Press and Public contacts:

To avoid being drawn on sensitive political and security issues which the Indonesians regard as entirely their own affair e.g. human rights generally and the law and order campaign, particularly in East Timor and Irian Jaya.

Likely Indonesian Objectives

1. To press Indonesia's actual and potential importance as a trading partner, as a stable member of ASEAN and as an increasingly prosperous developing nation.
2. To put the case for a more forthcoming attitude by the UK (and the other developed nations) towards the developing countries in general, and Indonesia and ASEAN in particular over a range of aid, trade and political issues.
3. To identify areas for increasing cooperation that will be of maximum benefit to Indonesia at minimum cost.

D) SRI LANKA

Broad Objectives

1. To give publicity to the British aid programme and the achievements of British companies involved in the construction of the Victoria Dam.

2. To reiterate to the Sri Lankan Government HMG's hope that a solution to Sri Lanka's inter-communal problems can be sought through a policy of reconciliation so as to safeguard the human rights of all communities, and to express understanding for the Sri Lankan Government's efforts to combat terrorism.

3. To express HMG's appreciation for the Sri Lankan Government's pro-Western and pro-British stance on certain international issues, in particular Afghanistan and the Falklands.

Likely Sri Lankan Objectives

1. To express appreciation for the British aid contribution to Sri Lanka's economic development and to seek an assurance of further aid following completion of the Victoria Dam project.

2. To explain, and to obtain HMG's support for, the Sri Lankan Government's approach to the inter-communal problem and Tamil terrorism.

LIST OF BRIEFSLEAD DEPTIN CONNECTION
WITHA) LIST OF GENERAL BRIEFS

- | | | |
|---|--------------------------------|----------|
| 1. Outline Programme | FCO (SEAD) | |
| 2. ASEAN and EC/ASEAN relations | FCO (SEAD & ECD (E)) | DTI |
| 3. Cambodia, Vietnam and South East Asia Refugees | FCO (SEAD) | |
| 4. Soviet policies in South East Asia | FCO (Soviet Dept/ SEAD) | |
| 5. Other international issues (Middle East, East/West relations, Afghanistan) | FCO (NENAD, MED & Soviet Dept) | |
| 6. International Economic Issues | FCO (ERD) | Treasury |
| 7. Commonwealth Matters | FCO (CCD/SEAD) | |
| 8. Falkland Islands | FCO (FID) | |

B) MALAYSIA

- | | | |
|--|------------|--|
| 1. Steering Brief (together with programmes and personality notes) | FCO (SEAD) | |
|--|------------|--|

Bilateral Matters

- | | | |
|---|--------------------------|-----------------------------|
| 2. UK/Malaysia trade/ economic co-operation | DTI | FCO (SEAD/ERD) and Treasury |
| 3. Air Services | FCO (MAED/SEAD) | Dept of Transport, DTI |
| 4. Student Fees | FCO (CRD/SEAD) | |
| 5. Defence Matters | FCO (Defence Dept/ SEAD) | MOD |



<u>LIST OF BRIEFS</u>	<u>LEAD DEPT</u>	<u>IN CONNECTION WITH</u>
6. Aid	ODA	FCO (SEAD)
7. Diplomatic Estate	FCO (OED)	
<u>Background Briefs</u>		
8. Malaysia/UK political relations	FCO (SEAD)	
9. Malaysia Internal	FCO (SEAD)	
10. Malaysia Foreign Policy	FCO (SEAD)	
11. Malaysia Economy	FCO (SEAD) Economists	Treasury, DTI
12. Malaysia History	FCO (Research Dept)	
<u>C) SINGAPORE</u>		
1. Steering Brief (together with programmes and personality notes)	FCO (SEAD)	
<u>Bilateral Matters</u>		
2. UK/Singapore Trade/Economic Co-operation	DTI	FCO (SEAD) Treasury
3. Defence Matters	FCO (Defence Dept/ SEAD)	MOD
4. Falkland Islands	FCO (FID)	
<u>Background Briefs</u>		
5. Singapore/UK political relations	FCO (SEAD)	
6. Singapore Internal	FCO (SEAD)	
7. Singapore Foreign Policy	FCO (SEAD)	
8. Singapore Economy	DTI	FCO (SEAD)
9. Aid	ODA	
10. Singapore History	FCO (Research Dept)	

/D) INDONESIA



<u>LIST OF BRIEFS</u>	<u>LEAD DEPT</u>	<u>IN CONNECTION WITH</u>
<u>D) INDONESIA</u>		
1. Steering Brief (together with programmes and personality notes)	FCO (SEAD)	
<u>Bilateral Matters</u>		
2. UK/Indonesia Trade/Economic Co-operation	DTI	FCO (SEAD) and Treasury
3. Defence Matters	FCO (Defence Dept)	MOD
4. Aid	ODA	FCO (SEAD)
5. UK-Indonesia shipping	Dept of Transport	FCO (MAED)
<u>Background Briefs</u>		
6. Indonesia/UK political	FCO (SEAD)	
7. Indonesia Internal	FCO (SEAD)	
8. Indonesia Foreign Policy	FCO (SEAD)	
9. Indonesia Economy	DTI	FCO (SEAD)
10. Indonesia History	FCO (Research Dept)	
11. Indonesia and OPEC	FCO (ESSD)	
<u>E) SRI LANKA</u>		
1. Steering Brief (together with programme and personality notes)	FCO (SAD)	
<u>Bilateral Matters</u>		
2. Victoria Dam project	ODA	
3. Future UK aid programme	ODA	FCO (SAD)
4. UK-Sri Lanka Defence Agreement	FCO (SAD)	MOD
5. UK-Sri Lankan Shipping	FCO (MAED)	Dept of Transport



<u>LIST OF BRIEFS</u>	<u>LEAD DEPT</u>	<u>IN CONNECTION WITH</u>
6. UK-Sri Lanka Air Services	FCO (MAED)	Dept of Transport
<u>International Matters</u>		
7. Indian Ocean Peace Zone/ Diego Garcia	FCO (ACCD)	
8. Falkland Islands	FCO (FID)	
<u>Background Briefs</u>		
9. Sri Lankan Inter- Communal Problem and Indian Involvement	FCO (SAD)	
10. Sri Lanka - Bilateral and Foreign Relations	FCO (SAD)	DTI
11. British Council in Sri Lanka	FCO (CRD/SAD)	
12. Sri Lankan Economy	FCO (SAD)	
13. Sri Lanka - History	FCO (Research Dept)	

Draft attached to FCO to CAH 3/8/84

[D R A F T]

PRIME MINISTER'S SPEECH TO INSTITUTE OF PUBLIC
ADMINISTRATION, KUALA LUMPUR: SYNOPSIS.

PROSPECTS FOR THE WORLD ECONOMY

1. The last 40 years have seen major changes in the world economy. Industrialised countries have seen sustained economic growth and rapid rise in living standards; American money and technology led way in post-war reconstruction but Japan and Europe now challenge American predominance. Decolonisation and growth in world trade have opened door for other parts of world to share in growing prosperity. The more successful developing countries - among who Malaysia and other free market economies in region conspicuous - have made enormous strides in short time and transformed standard of living.

2. In last 10 of these 40 years there have been some hiccups in this success story. Industrialised countries' growth has slowed and inflationary problems increased; LDCs have suffered as a result and many have severe debt problems. Last few years of slow growth, stagnant world trade, and high interest rates have been particularly difficult. But we should not think that this means the end of sustained economic progress. Problems of industrialised countries are tractable, and policies now widely in place which should promote sustainable, non-inflationary growth. This in turn should ease problems of major debtors, though big risks remain; and need hardly remind audience of ability of likes of Malaysia to continue to profit from world trade

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growth.

3. In industrialised countries the problems have been partly ones of success. 1950s and 1960s were so successful that when special factors like reduction of trading barriers and European catching up with American technology ran their course, people behaved as if rapid rise in living standards they had made possible would continue automatically. So interest groups resisted structural adjustments thus contributing to inflation and unemployment. For a while Governments tried to spend their way to rapid growth with insufficient care for inflationary consequences; and inflation, of course, increased uncertainty and depressed growth. But now, thanks in part to Summit consultations, most Governments in industrialised countries understand dangers of inflation and need to overcome inflation and promote necessary structural adjustments if sustained growth is to be possible. There has been unwelcome recession, and Europe in particular is suffering unconscionably high unemployment, but recovery is spreading and I am cautiously optimistic about prospects.

4. For developing countries in general sustained growth in industrialised countries, particularly if supported by the further reduction in protectionism to which we are pledged, will permit export-led growth. This will lead over time to a strengthening of their own economies and a further breaking down of the never watertight distinction between


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industrialised countries and the rest. Responsible domestic policies will be called for from all developing countries. Where, as here, responsible macroeconomic policy and encouragement of the private sector are combined with the good endowment of resources, countries will enjoy sustained growth.

5. Free trade crucial to all of us. High value of free and open market economy. International specialisation major ingredient of sustained stable growth. Open international trading system essential. Major threat to this from protectionism. Summit participants committed to resist it. EC provides freer access to its markets than any other industrialised country or bloc. Undertakings on rolling back protectionism include elimination, as far as possible, of quotas on imports from less developed countries. London Summit participants agreed to work with other countries to accelerate current trade liberalisation programme. But new trade negotiations will need lot of care in setting up if they are to be successful. Current work must form basis of any new negotiations. Areas where we want to see future progress include agriculture and services.

6. Industrialised countries must pursue structural change in outdated industries. Britain is doing so. Jobs shed in textiles, steel, shipbuilding and other 'traditional' industries. More jobs in high technology industries. To be



successful others must also do likewise. Recognise that key factors in this are generating climate of confidence that will attract foreign capital and technology. Malaysians policy of restructuring through growth an example we should all try to follow. Impressive Malaysian growth rates despite world recession.

7. Recognise importance of commodities especially for Malaysia and other developing countries. Emphasis on commodities in ASEAN/Malaysian exports. Support International Commodity Agreements including Tin, Rubber. Soundly based economic recovery provides best prospects for improved commodity prices.

8. Sustained world growth also depends on stable international capital flows. Higher international interest rates are not conducive to this. High levels of indebtedness act as constraint to world trade and recovery. Recognise that high interest rates exacerbate problem. Summit participants pledged to maintain policies to reduce interest rates. Specific measures agreed at London Summit to help debtor countries. Also recognised distinction between problem debtors and poorest countries. Committed to maintaining and where possible increasing flow of resources, including development assistance to the poorest countries.

9. One of best ways of easing problem of debt repayment burden lies in encouraging long term direct investment.

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Transfer of capital is a major factor in economic growth. Just as protectionism is a barrier to economic recovery so restrictions on investment can be. Important to create right climate of confidence for it, as countries in SE Asia have realised. Transfer of capital has played important role in economic growth in region. Countries which want and appreciate foreign investment have shown more impressive growth rates. Malaysia an example. Negotiation of Investment Promotion and Protection Agreements, which we are actively pursuing is another way of creating right climate.

10. Developing countries have important role to play. Readiness of countries like Malaysia to adopt new techniques and new technologies noteworthy. Reflected in growing UK imports of Malaysian manufactured goods. Western countries must encourage this by not persevering with outdated technology but by encouraging industrial change and efficient working of labour market. Private sector important - most successful developing countries have fully utilised it, less successful ones often have bloated, counterproductive public sectors. Recognise and understand concerns and aspirations of developing countries. But interdependence depends on two way cooperation. Trade negotiations not zero sum game. Objective is to increase overall economic levels of activity by allowing more trade in both directions. Cannot to expect industrialised

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countries to liberalise most sensitive sectors while developing countries maintain existing levels of barriers.

11. Best prospects lie in stable, sustained growth. Have outlined key ways to achieve this. Common factor is interdependence, cooperation, recognition of harmony of interests.

PRIME MINISTER'S VISIT TO SRI LANKA : SPEECH TO THE
SRI LANKAN PARLIAMENT : SYNOPSIS

1. [Complimentary opening remarks].
2. Follow line of awe inspiring visitors to your shores : from legendary visit of Adam, who is said to have set his foot on peak named after him, to Emperor Ashoka's son, Mahindra, who brought Buddhism here in 3rd Century BC and so established that central strand in your ancient civilisation.
3. British by comparison late arrivals, setting firm foot here merely 200 years ago. Nevertheless, believe legacy of our presence has contributed both to strength of your State and the democracy you represent, and to the warmth between our peoples.

The British Democratic Legacy

4. 150 years ago (1833) Legislative Council established in Sri Lanka. First of its kind in Britain's non-European colonies. Thus began tradition of Government continued today. [Very brief sketch of development of democratic tradition in Sri Lanka]. That was our contribution. Know your scholars trace the origins of Sri Lankan democracy back into ancient times. [Example]. Indeed, over 600 years ago a British scholar, John Mandeville, wrote that in Ceylon was 'a noble King and a rich ... chosen by election'.

The Challenges to Democracy

5. Democratic values we share too precious to be taken for

granted. Too rare in today's world to be left unguarded. Precious because only democratic rule of law - which protects without fear or favour the rights of every citizen - allows the human spirit to develop its full potential. Rare because those democratic rights and liberties are always and everywhere under attack from enemies of true democracy. In face of this must never tire of saying what we believe in, and doing what is necessary to preserve it. Cannot afford to sit back and watch lights of freedom extinguished around the globe.

6. Threats many and various. They can stem - as our people in the Falklands know all too well - from the blinkered ambitions of military regimes, insensitive to the democratically expressed wishes of peoples. Or they may arise, as in Afghanistan, from a determination by totalitarian states to impose from outside an unrepresentative regime on a fiercely independent people. Even more dangerous is the attack on democracy by subversion. Those who seek to overturn democratic institutions by undermining them from within.

7. [Passage on Threats to smaller States, referring to the Commonwealth Study, and indicating the answer as we see it].

The Threat of Terrorism

8. Terrorism represents threat to democracy which is both external and internal. One of which we in UK have recent and painful experience. Our determination never to yield in fight against evil and unprincipled men ready to use violence in pursuit of their purposes made clear at

Economic Summit. Believe widest possible co-operation among interested Governments vital to defend interests all have at stake. Pursuing this vigorously. Always interested in others' ideas.

9. Know our abhorrence of terrorism shared by your Government. Understand efforts your Government making to combat terrorism here in Sri Lanka. End to the problem essential if your several communities to be able to live in harmony and with democratic rights and liberties of all fully protected. Have followed All-Party Conference with close attention. Believe policy of reconciliation only answer to problem of this complexity. Terrorism cannot flourish in democratic environment permitting all citizens to express their concerns and aspirations freely and without fear.

Democracy and Freedom of Economic Choice

10. Democracy more than political freedom. True democracy creates conditions in which every individual enjoys real freedom of choice across whole range of human activity. True democracy foundation on which enterprises can build, and innovation flourish. Provides opportunities for all, and care for those who suffer or are in need. Can true democracy take root among people without hope, without food, without shelter, without the possibility of improving their lot. It is because I believe that economic growth is essential to stable democracy that I so much admire the bold economic policies which your Government introduced when it was first elected in 1977. Sure you are right to look for economic growth through relaxation of Government controls and the stimulation provided by market forces.

How Aid Helps

11. Ernest Bevin - great Foreign Secretary and staunch defender of democracy - and, like your Prime Minister, long an active trade unionist - told House of Commons in 1945 that British Government regarded 'the economic reconstruction of the world as a primary object of their foreign policy'. These not mere words. Three years later Bevin came here to launch Colombo Plan, visionary attempt to promote economic development through Commonwealth co-operation. Today we continue to see steady economic development as essential to the survival of democracy. Proud to contribute to your country's economic growth through our aid programme. Victoria Dam, at the heart of the great Maheweli scheme, is a symbol now and for future of abiding friendship between our two countries. [Short passage describing benefits of Victoria Dam].

Commonwealth and other links

12. Admire your deep commitment to the Commonwealth, and the firm and principled way in which you assert your country's non-alignment. [Expanded comments on Commonwealth] It gives me great comfort that your Government shares our concern about the many threats to the democratic rights of peoples freely expressed. In Britain we are particularly grateful for your Government's support in maintaining the right to self-determination of the Falkland Islands' people.
13. Much else unites us. Shared legal system. [Reference

/to

to centenary of the creation of the office of Attorney General in Sri Lanka]. Our common commitment to an equitable and just system of law helps under-pin the democracy our peoples enjoy. Important these traditions should be maintained whatever the difficulties that sometimes confront our societies. This belief is one I am sure you share. English language and all that goes with it another bond uniting us. Your President has, I believe, recently suggested that English should be given the status of an official language. We place great importance on the cultural and educational links between our two countries [reference to British Council and Sri Lankan community in the UK].

14. Many personal contacts between our two countries. [Examples: eg Visits by The Queen in 1954 and 1981 and President to the UK]. Such contacts make little of the thousands of miles between us.

15. Have touched on the democratic traditions and practice which bring us together. Here in your Parliament much is familiar to/^a visitor from Westminster. It is this sense of familiarity and of understanding which is fundamental to trust between two countries. Therefore gives me great pleasure, as one parliamentarian to another, to bring you the greetings of the British people, and, more particularly, the British Parliament.

Draft attached to FCO to CAP 3/8/84

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PRIME MINISTER'S SPEECH TO BRITISH BUSINESS
ASSOCIATION: SINGAPORE: 21 SEPTEMBER 1984

Synopsis

1. [Opening courtesies] Breakfast a good time to talk about Britain - as she really is today. Not as she was, or seems to be through the distorting prism of the press. Essence of message this morning simple: Britain means business.

British Values

2. What does Britain stand for in today's world? What does being British mean to others? What does a Singaporean, for instance, associate with Britain? Throughout history our nation has stood for individual freedom, for justice and commonsense, hard work and a sense of responsibility. For an outgoing approach to wider horizons of world beyond our shores. In a changing world, these essentially British values are as potent as ever.

3. Abroad, confidence in our achievements rests first and foremost in the strength of our values at home. Freedom and justice begin there. So do hard work and the shared responsibilities of building economic success. No doubt that the British people recognise

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this fundamental truth: prosperity, like political freedom and the nation's security, must be earned. The myth that governments have it on their power to bestow ⁱⁿ the fruits of material success without the people paying for them in one way or another has been laid to rest.

Real Recovery

4. No one can ignore the total transformation in British economic climate over past five years: inflation down sharply; government borrowing among lowest in industrialised world; foreign debts paid off; and economic efficiency dramatically improved.

5. All this equals winning combination of low inflation and sustainable growth, a combination which Singapore mastered some time ago. UK recovery fastest in EC. Every sign that it will continue into 1985; no sign of rapid price rises which choked off earlier recoveries.

6. Matching improvement in industrial climate has raised profits - and employment (260,000 more people in work in the year up to March). Progress on the continuing tragedy of unemployment (not a peculiarly British phenomenon) depends on getting the conditions right for enterprise and industry. That is what the

government is doing, that is where earlier efforts are now bearing fruit.

Innovation and Achievement

7. Britain's record of achievement in science and technology one of continuing - and unparalleled - excellence. 61 Nobel prizes for science since they began; Britain second only to the US in numbers won. [? Reference to PM's own scientific work, now a major area of enquiry]. In physics, for instance, and astrophysics, or molecular biology and bio-chemistry, or medicine and physiology, Britain leads world. But only half the story.

8. The vital difference today is that now British science is becoming linked more closely than ever before with British enterprise and industry, reaching the parts earlier scientists didn't reach. Today we are learning to apply our scientists' skills to the technologies of now and the future. That is why Britain is up at the leading edge in the new technologies. In IT and electronics (and now molecular electronics). In transport technologies from aerospace to all-wheel drive vehicles. In pharmaceuticals and biotechnology. British developments like monoclonal antibodies or optical fibres means that we are looking not just at the scientific horizon, but beyond.

A Trading Nation

9. Modern Britain more than ever a trading nation: exports of goods and services now account for nearly a third of GDP, compared with less than 20% some 30 years ago. The world's 5th largest trading nation, accounting for nearly 8% of main manufacturing countries' exports of manufactured goods. British entrepreneurs - businessmen like you - sell British goods all over the world, producing real volume rises in exports throughout the worst recession the postwar world has known. You have contributed in no small way to this success: British exports to Singapore rose by 22% last year. And our invisible exports prosper as never before: recent figures confirm that Britain remains the world's second largest invisible surplus country.

10. But exporters without goods to sell as useless as an economy without energy. Over the last few years British industry has undergone profound - and painful - changes. Nothing less than a cultural revolution. Today British industry, freed from crippling dependence on state aids and protected markets, can compete with the world's best. In price, in quality, in delivering. Not so long ago people wrote off our textile industry, or our motor industry. Today they are not just back, but world-beaters. Success of nationalised companies set free proof of this: ABP, C&W, NFC, Britoil and BAE have all seen massive improvements in profits since

privatisation. What was yesterday the workshop of the world is today's high technology plant, manufacturing not just the products of the future - from flat-screen televisions to satellites, but also today's needs - more cheaply, more efficiently, more competitively.

11. Britain's position as a manufacturer of sophisticated electronic equipment is such that we have doubled our use of integrated circuits over the past 2 years. Britain now accounts for 29% of Europe's consumption of ICs - more than any other country. 45% of the UK workforce - some 10 million people - now work in the information sector. Today, one in 10 British households has a home computer, more than any other country in the world. By 1987 50% of British homes will have a microcomputer, compared with 15% in France and 25% in the FRG. And the revolution has only just begun.

Defending what we value

12. Strong in our achievements, we must be staunch in their defence. The British people have always recognised - will always believe - that we must defend freedom, our own and that of others. Our democratic values - on which our freedom and our prosperity depend - too precious to take for granted, too rare to be left unguarded.

13. That is why the United Kingdom spends more on defence than any other European member of NATO, both in absolute terms and per capita. We also spend higher proportion of GDP on defence than any major European ally. In NATO, Britain continues to make a major contribution across the full range of the Alliance's deterrent capabilities.

14. In addition, we remain ready to meet threats to Western interests beyond the NATO Area. British servicemen and women are deployed worldwide, from Belize to Zimbabwe, from the Falklands to Gibraltar: in garrisons, peacekeeping forces, as advisers and trainers. We are strengthening our capacity to intervene to protect our interests, or, with our allies in response to request for help, those of others. One reason why we value our association with Singapore in the Five Power Defence Arrangements; and why our naval deployment last year was a symbol of our determination to defend freedom - wherever it may be threatened.

Britain in the World

15. Britain never a superpower, no longer a world power. But we are a regional power with worldwide interests and assets. Over 3 million Britons live overseas. Nearly 14% of all overseas investment is British, making us the world's second largest overseas investor, and the largest foreign investor in

Singapore. Intend to protect and promote those interests to the best of our ability. That is why HMG spends so much on activity overseas; why Britain remains among the world's top 5 aid donors. Britain is active diplomatically in virtually every area of international affairs.

Change and the Future

16. Last four decades have not been easy ones for Britain. The transition from world to regional power has been at times bumpy. But not as difficult as it might have been without the qualities for which Britain has always stood. Courage, imagination and enterprise, together with a willingness to adapt to the changing circumstances of the world in which we earn our living.