

PRIME MINISTERWALL STREET JOURNAL

You are to give an interview to the Wall Street Journal tomorrow for an hour from 8.45. I will accompany you.

As usual, the Wall Street Journal is sending a strong team:

- Kathryn Christensen, London Bureau Chief
- Karen House, Foreign Editor
- Robert Keatley, European Editor

The COI will record.

Your interviewers have indicated five broad areas of interest:

- Economic trends incorporating:

The prospects for international monetary reform.

Danger of global recession.

The threats posed by increasing turbulence in financial markets that cut across political frontiers.

Can or should we return to a system of fixed exchange rates and, if so, fixed to what?

How concerned are you that political pressures in the US to avoid a mild recession this year could bring on a far deeper one next year?

Can - and should - financial markets continue to be controlled by single governments? ?

- East/West

How should the Western Alliance handle the effects of the INF agreement and more broadly, deal with Mr Gorbachev?

How committed are Britain and other Europeans to modernizing short-range systems?

How significant is Franco-German cooperation?

How does the Alliance handle growing concerns that America is retrenching at Europe's expense?

How do you analyse the internal economic and political pressures on Gorbachev? \_\_\_\_\_

- Global Trends

What, if any, broad trends you see in shifting global power relationships? \_\_\_\_\_

Does Japan's growing economic power portend some significantly larger political/military role?

Do the economic changes embarked upon by the Soviet Union and China make these nations in the long run more or less threatening to the West? \_\_\_\_\_

- Britain

Here they wish to discuss your plans for Britain:

- What kind of a society are you working towards? \_\_\_\_\_
- How far do you think you still have to go - bearing in mind eg strikes? \_\_\_\_\_

- Personal

Your assessment of the lasting legacy of Ronald Reagan and Margaret Thatcher.

I do not think you need much briefing for this. It is pretty standard stuff. Paul Gray has, however done a note on exchange rates etc at Annex I. \_\_\_\_\_

Charles Powell and I will be available from 8.30am if you would like to chat about any issues.

Content?



**BERNARD INGHAM**  
9 February 1988

WALL STREET JOURNAL INTERVIEW - ECONOMIC ISSUES

Exchange Rates

There is a danger that the questioner may try to drive a wedge between your views and those of the Chancellor. You might like to handle questions on the following lines:

- it is clear we can never return to a Bretton Woods style fixed system;
- recognise the benefits to industry and others of periods of reasonable stability;
- but can only have that if there is stability and soundness in the economic policies of all the major countries; a point the Chancellor has stressed;
- however, at the end of the day it is pointless to try to hold exchange rates at levels the market does not believe are sustainable;

If you are pressed on whether there is an appropriate role for intervention, you might point to the dangers of conflict with domestic monetary objectives and repeat that at the end of the day you cannot sensibly try to buck the market.

Dangers of Recession

You might stress that the key requirement is for the US Government - and others - to address fundamental imbalances in Government financing and external trade. If they are not tackled there is the ever-present threat of retreats into protectionism and major market disturbances which will bring in their wake the dangers of recession. At the same time, you might give a very cautious welcome to the modest improvement in the US external deficit.

## Control of Financial Markets

You might question the concept of "controlling" financial markets, whether undertaken by single governments or multi-national agencies. The need is to provide an appropriate framework of regulation within which market forces can operate fairly and effectively. National governments must continue to play a major role in setting the regulatory framework in order to reflect differences of custom and practice between countries. But clearly in an increasingly open world cooperation between different national agencies is of growing importance.

PRIME MINISTER

The result of your Wall Street Journal interview

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# Bonn Indecision Hinders NATO, Thatcher Says

## In Interview, British Leader Also Doubtful Germans Will Stimulate Economy

LONDON—British Prime Minister Margaret Thatcher said the West Germans are failing to make either economic or military decisions needed to strengthen the Western alliance.

In an interview yesterday on the eve of today's Common Market summit meeting in Brussels, where she is expected to clash once again with Germany on the cost of the European Community's farm policy, she appeared to have given up trying to convince Bonn to adopt stimulative economic policies to promote world growth. Asked if there is anything Western governments can do to make Germany take such action, she said, "I do not think so."



Margaret Thatcher

Mrs. Thatcher said Britain's annual economic growth will slow to 2.5% or 3% but said this "will be the maximum rate at which anyone will grow."

The prime minister repeatedly declined to say if she anticipates a global recession

Mrs. Thatcher spoke with the Journal's Kathryn Christensen, Robert Keatley and Karen Elliott House.

in 1988. But she did say, "I am not as fearful as many people. I am much more fearful of the protectionist factor which could slow down trade, rather more than the economic factor. . . . You could really shoot world trade in the foot by getting a round of protectionism, and that would be very serious."

### Controlled and Confident

Mrs. Thatcher, interviewed in her study at 10 Downing St., was characteristically controlled and confident. Now the Western world's longest-serving head of government, she appeared free of doubt as she responded to questions.

What seemed to concern her most was Western security, particularly the German attitude toward nuclear issues. She said the Germans aren't focusing on the basic defense needs of the North Atlantic Treaty Organization but instead are concentrating on secondary arms-control issues. "I am fed up with people starting way, way, way down with small things in disarmament."

Now that the superpowers have negotiated the removal from Europe of intermediate-range nuclear weapons, there is a growing debate in West Germany about whether the alliance should retain short-range nuclear weapons in Europe, particularly those based on German territory. Mrs. Thatcher made clear she believes such weapons are essential. She said, "We are not interested in a nuclear-free Europe, but in a war-free Europe. . . . The nuclear weapon is the greatest deterrent to war. . . . If by getting rid of your own you tempt a third conventional war, it would be infinitely more terrible—do not think that conventional war is cozy!—than anything we have ever known."

Many German politicians want to rid West Germany of all nuclear weapons, but Mrs. Thatcher said she is "absolutely certain" that Chancellor Helmut Kohl doesn't share that view and will prevail. "If you lead firmly enough, you will carry the day. If you are weak or practice followership you will not." Mrs. Thatcher hastened to add, "Chancellor Kohl does not practice followership, he really does not."

### Doubts on Gorbachev

Mrs. Thatcher said it is "tremendously encouraging" that Soviet leader Mikhail Gorbachev said Soviet troops could begin leaving Afghanistan by May 15. But she cautioned the West against concluding that withdrawal will lead to a more benign Soviet foreign policy. "We do not see signs of it at the moment," she said. For example, she said, she doesn't expect Mr. Gorbachev to drop ideas of "extending Communist influence to other countries. The tendency," she said, "is to draw too much conclusion from too little evidence."

In fact, the prime minister stressed, basic Soviet foreign policy hasn't changed under Mr. Gorbachev. Moscow's goals, she said, still include trying to divide Europe from the U.S., "which it will not succeed in doing," and exploiting differences within Europe.

Mrs. Thatcher was at her most animated when describing her quarrelsome domestic political opposition. Although her third term has brought labor unrest as well as criticism of taxes and social policy, she brushed these aside as "the normal business of politics."

"If we had [an election] today we might win with an even bigger majority because the parties which have put themselves up as possible governing parties, goodness me, people have just seen the crumbling state which they are in, and the fact that they are not right for Britain," she said. "They just have not any cohesiveness, any sense of direction, at all."

### IMF Approves Funds to Uganda

WASHINGTON—The International Monetary Fund approved lending Uganda the equivalent of \$33.7 million to help the African country cope with a decline in its coffee exports.

The funds will be drawn from a special IMF account reserved for countries whose exports falls short of expectations through no fault of their own. The IMF said depressed coffee prices were the primary cause of Uganda's trade reversal.

Uganda also is entitled to additional funds from an earlier \$85.9 million IMF loan. The IMF approved that loan last June to support Uganda while it is undergoing a number of economic reforms.