

INTERVIEW WITH THE PRIME MINISTER AT OTTAWA SUMMIT, 21 JULY, 1981

(Interviewer: John Timpson, BBC Radio 4 "Today" programme)

Interviewer:

Prime Minister, we've heard about the discussions on the high interest rates between the European countries and President Reagan. Can I ask where you stood in those discussions - on which side?

Prime Minister:

Well. The discussions did not take up that much of the time ...  
..... Start again. Ask you question.

Interviewer:

Prime Minister, in the discussions on high interest rates in America, which side did you stand on - the side of the European countries or with President Reagan?

Prime Minister:

But, you see, the European countries weren't making any conditions that the United States reduced her interest rates. On the contrary, all of the European countries said the important thing is to fight inflation. That is the most important thing of all. And high interest rates may be a way of fighting inflation until President Reagan manages to get his programme through Congress. He was the first to say 'Look, I inherited high interest rates'. They were high under President Carter under his policies. You'll remember they were. They went up then to 20%. So it isn't his policy. He is saying 'Look, I want them down. And I am trying to get my programme of public spending through Congress and I'm making strenuous efforts to do it'. So he's doing, in a way, the things which are in the Communique. You must, if you want to get inflation down, keep tight control of monetary policies. You must keep down your public spending. You must try to keep down your public borrowing. He's doing everything he can to get them down. And I thought he made an extremely good point. He said 'Well, don't you realise that high interest rates are just as tough on my small businesses and my housing and construction industries and any industry which wants to invest as they are on yours!'. He said 'I'm the first to want them down and I'm

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doing my level best to get them down. But I've only been there six months. Give me time!.

Interviewer:

Well, the Communique seems to indicate that there is equal precedence to dealing with unemployment as well as dealing with inflation. You have always maintained inflation comes first. If you get similar views from your colleagues ...

Prime Minister:

Every single person agreed that you must fight inflation if you're ever to get down unemployment. They've all made that perfectly clear - absolutely clear. But most of us said we must fight inflation but in the meantime we are trying to do something about unemployment. After all, in Great Britain we have very considerable programmes for relieving unemployment. We also have short time working compensation to try to help people who can't work full-time. We have apprenticeships and we have training schemes. All of these are to try to relieve unemployment. And particularly we put emphasis on youth unemployment.

Interviewer:

Do you see anyone altering their policies as a result of this Summit?

Prime Minister:

No. I don't think so. I think we've just had a very much greater understanding of what has to be done. We all recognise that, whereas two years ago we were meeting at the same time as OPEC and OPEC was putting up the oil prices, we are now in the trough of the recession caused by that sharp increase in oil prices and we really now have to find a way of coming out of it. But coming out of it in such a way that we get sound expansion. It's really like building a house. You have to build it on rock and not on sand. If you try temporarily to get more jobs

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by reflating, it would just be like building a house on sand. We should finish up with much bigger inflation and ultimately much higher unemployment. So there was a remarkable degree of unanimity on exactly how to tackle our current problems.

Interviewer:

Just one final thought on protectionism. The Communique makes it very clear that everyone is against protectionism. But was there any pressure put on the Japanese so far as their exports to Europe were concerned? What reaction did you get?

Prime Minister:

Oh, yes. We are all, as a principle, against protectionism. We all want open trading. After all, we in Great Britain export between 30 and 33% of our gross domestic product so we need an open trading system to get those exports. We say two things to the Japanese. First, your system has got to be as open as ours and it doesn't seem to us that it is. Secondly, we say that you do tend to concentrate your exports in particular sectors on particular industries with great harm and damage to those industries. Now, it's very tough if you do that, particularly in a world recession. We accept, therefore, that we simply must have quotas with them, as we have a quota on cars and that those must continue, otherwise the demand for protectionism will become enormous and we'd find it difficult to resist. And I think they accept that those voluntary quotas must continue.