

1. MR INGHAM

2. PRIME MINISTER

*I hope you will go on the record*

*8/13/6*

*On the record*

*mb*

TOM VAIL, CLEVELAND "PLAIN DEALER" - WEDNESDAY, 14 SEPTEMBER AT 5.00PM

The Prime Minister is due to see Tom Vail, Editor and Publisher of the Cleveland, Ohio, "Plain Dealer", for one hour at 5.00pm on Wednesday.

Mr Vail has interviewed most British Prime Ministers since the war as well as a great number of other statesmen throughout the world. He sees President Reagan next month. He is a great enthusiast of the Prime Minister.

The Prime Minister will recall that Princess Michael of Kent and Sir Keith Joseph both suggested she see Vail. He is also a good friend of Lady Glover.

The Cleveland Plain Dealer is the largest and most influential paper in Ohio. Unlike many American newspapers it gives a lot of coverage to international affairs.

As Editor and Publisher Vail is not looking for an immediate news story; he is more concerned to give his readers the flavour and background to the news. In respect of his interview with the Prime Minister he has said that he is interested in the following:

- how she sees the future and what she hopes to accomplish;
- what are the major problems in domestic and foreign affairs;
- has socialism run its course and is Labour on the decline;
- the long-term problem of unemployment and its demands on the welfare state;
- the Prime Minister's approach to her job: what does she like and dislike about her daily work and responsibilities.

Vail saw the Chancellor on Monday. This was a straightforward interview which covered, amongst other things, the Government's economic achievements; the international debt situation; and the outcome of the

general election. He will also be seeing Lady Young.

Vail would prefer the interview to be on-the-record but is ready to go off-the-record if the Prime Minister wishes. My own view and recommendation is that the Prime Minister should give the interview on-the-record. Vail has requested us to provide a transcript and I have therefore made special arrangements for a recording to be made.

Photographer

Vail would also like a photographer to be present for a few minutes at the beginning of the interview to take a few pictures of him in conversation with the Prime Minister.



IAN KYDD

13 September 1983



## 10 DOWNING STREET

9 September 1983

When we spoke on Thursday I promised to let you have a note in respect of the forthcoming events at which we would appreciate your help.

Wednesday, 14 September, 1500 hours: A one-hour interview with the Prime Minister by Tom Vail, publisher and editor of the Cleveland Plain Dealer. We would like this recorded for James Lee to transcribe overnight on behalf of Tom Vail. James Lee's charges will be met by Tom Vail although we would, of course, also want a copy of the transcript. How much does James charge?

Thursday, 22 September, 1430 hours: The Prime Minister will see the London-based Canadian media for 30 minutes. This is in advance of her visit the following week to Canada and the USA. The session will be on-the-record although only the Prime Minister's opening remarks will be available for television and radio broadcast. We would like you to handle all the audio arrangements, including amplification and TV feeds. I would expect radio either to patch in to your system or to obtain a tape-dub from you afterwards. We will also require a fast transcript but please do not make any transcription arrangements for the moment as we might be able to handle it ourselves although we will of course require a tape. I am expecting up to 15 correspondents to be present. It will take place in the Pillared Room.

Friday, 23 September, 1030 hours: The Prime Minister will see the London-based American correspondents for about 30 minutes. We would like the same arrangements as for the Canadians but there will be many more correspondents present - possibly between 30 and 40.

Very many thanks again for your help on these.

IAN KYDD

Bob Gair, Esq.,  
COI.

MR TOM VAIL OF THE CLEVELAND PLAIN DEALER

CHANCELLOR'S OFF-THE-RECORD INTERVIEW 13 SEPTEMBER

1. Achievements?

Inflation had been brought down, productivity was rising significantly; many economic controls had been lifted; the process of privatisation was under way; tough measures had been and were being taken but there was an altogether more realistic mood in the country - see the election result.

2. The Falklands factor?

The Falklands conflict had assisted in rallying popular support for the Prime Minister, but public opinion was already moving her way before the conflict. The lasting impact of the Falklands factor was probably because the Government's conduct of the conflict was all of a piece with its firm handling in other directions - eg economic policy. In the economic field there were problems, but the current recovery would help. It was essential to keep inflation down and if possible to get it down further.

3. UK fiscal deficit disappeared?

The Government had inherited in 1979 a ratio of PSBR to GDP of 6 per cent. This had been reduced to about 3 per cent despite the recession. The Chancellor would like to see it a little bit lower, though it was pretty nearly as low as one could get. It would be hard to keep it down given the upward trend of public spending. Here the aim and task was to keep public spending stable in real terms - otherwise there would be little if any room for growth/ Holding public spending stable would be hard, not least because of demographic factors (eg the growing number of pensioners living longer). The Chancellor anticipated vigorous debate in Cabinet, and was not absolutely certain of success.

4. New policies? New mandate for examination of welfare system?

There were pledges in the Manifesto which had to be honoured - it would be completely out of keeping for this Government to override them. The pledges did

not in fact extend before the life of this Parliament - and some of the most costly, eg in social security, did not arise until then.

The privatisation process was also being actively developed.

5. Public reaction?

The British people were very conservative (a very good thing too!), but one effect of this was that they tended not to show overwhelming support for the privatisation process - many of them having known the nationalised industries all their lives. But the British people were also very dissatisfied with the performance of the nationalised industries, so any opposition to privatisation was substantially tempered; and as the process of privatisation took place, the evidence of successful privatisation helped promote acceptance. Even in the TUC, a bastion of opposition to privatisation, there was a growing recognition of the verdict of the election.

6. The UK economy at a threshold?

The last administration had been helped by the feeling that a new approach was needed so in a sense this administration could have a harder task - people might not be so excited as they were by the task ahead.

7. People frightened at large majority?

There was no justification for such fears. There were democratic and Parliamentary constraints; and MPs on the Government side and on the front benches were after all, like anybody else, subject to public opinion.

8. Any changes detected in Mrs Thatcher after the huge majority?

No - it would be easier for Mr Vail to judge anyway, as someone who saw her only from time to time! In any case, the size of the majority had been exaggerated by the state of the Labour Party (a "shambles"). Furthermore, there had been an equally impressive victory in 1979, and the Prime Minister's strength of mandate stemmed as much from that as from the latest election result.

9. The international debt situation - a worry?

Yes, though a way through could be found. Brazil was the largest worry. Here and with other major debtors there had been a combination, perhaps of bad luck but

certainly of economic mismanagement by Governments in those countries and of imprudent commercial bank lending. The solution should involve the banks bearing their share, and the debtor countries accepting tough adjustment. Mexico was fortunate in having a strong President, a factor which no doubt was contributing to her adherence so far to a successful adjustment process. With Brazil it was touch and go: it depended on whether its Government could put through the IMF conditions. If there was failure here, it would certainly do no good for creditor nations to mount a bail-out operation, since such action would dilute the incentive of (other) debtor nations to adjust.

10. Japan: a problem?

Japan was a problem for us all, especially the USA. The British Government would be glad to see the yen appreciate rather than more protectionism - the latter was a slippery slope. One way would be for the Japanese to open her capital markets and so make it easier for people to hold yen - in this way the value of the yen would be pushed up. The US could help here too, by curbing its fiscal deficit, thus making her interest rates lower and the dollar less attractive.

11. The US deficit?

The US deficit, on a structural basis, was grossly excessive, and one of the key worries on the world economic scene. The Chancellor applauded the general economic stance of the USA but regretted the current imbalance between fiscal and monetary policy, a concern shared by other European countries.

12. US President concerned about Russia...

Mr Vail noted that he would be seeing President Reagan in October.

If the West wanted to be militarily strong, its economies had to be strong in turn, in order to sustain its military strength.

13. UK balance of payments - part of the success story?

North Sea oil had certainly made a big difference. Production was near its peak, which would probably be reached within two years; however, there would be no

dramatic decline in production, and there was still a lot of gas to be discovered. One could foresee self-sufficiency lasting into the 1990s.

More generally, the trade surplus, which included significant invisibles earnings, had been declining from a high level. To some extent this reflected currently low growth in export markets and also faster recovery in the UK economy, which tended to suck in imports. But the Government was not worried about the balance of payments; and there was no sterling crisis.

14. World economic prospects?

Brazil and other debtor countries, and the US deficit, were the main overseas worries. At home, the tide of public spending was the principal area of concern. On the whole, however, the Chancellor felt quietly confident.

15. Russia?

The Chancellor had no contact with the Russian Government in the normal course of his work. However it was his impression that Russia could be successful in technology but only where it focused on specific areas, especially in the military field, and/ <sup>that she</sup> was not however achieving across-the-board technological success.

At the conclusion, the Chancellor asked Mr Vail whether he thought the President would run again. Mr Vail said that the indications were that he would. The Democrats were not offering a strong alternative policy, and he suggested that the basic economic thrust of the Reagan Administration - lower taxes, increased initiative - was generally accepted by the US public and indeed was part of a tide running in other countries too.