



10 DOWNING STREET

From the Private Secretary

13 October, 1982

LORD MAYOR'S BANQUET: 15 NOVEMBER

The Prime Minister will be making her annual speech at the Lord Mayor's Banquet on 15 November.

In a preliminary discussion today Mrs Thatcher said that she would like this year to make a major speech on international political and economic issues. The principal purpose would be to advocate a strategy for the West over the next few years. The first half of the speech might describe the current problems; the second would suggest how those problems should be approached.

I enclose an outline which shows the type of themes which the Prime Minister is inclined to address. It need not, of course, be followed too rigidly. I am sure that the Prime Minister will be glad to receive additional ideas - and she would welcome any views which the Foreign and Commonwealth Secretary and the Chancellor may wish to offer on the general approach.

I should be grateful if in consultation with the Treasury, who will no doubt take the lead on 1c and 2c of the enclosed outline, and in consultation with other departments as necessary, you could let me have a draft speech on the above lines by 29 October. It would be very helpful if the draft could be in clearly identified sections corresponding with the headings in the enclosure.

*I am copying this letter to the Treasury.
(+attachment)*

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LORD MAYOR'S BANQUET: POSSIBLE OUTLINE FOR PRIME MINISTER'S SPEECH

A Strategy for the Alliance

Analyse the changes of
the last 10 years

Broad brush

Strategic change

The backcloth

Speak out as leader of West
How should all
S.E. of Europe - political flux
Big Atlantic
Bi-economic problem

(a) Political flux in Europe - new Governments in Bonn, Madrid, Denmark, Sweden

(b) A Community falling short of its potential

(c) High and growing unemployment in Europe and North America; free trade in difficulty; international banking problems

(d) Transatlantic disputes

Post-Vietnam inflation + inflation
of expectations.

Inflated through that.

(e) Soviet bloc in crisis

Yom. Kippur war. Increase in
price of oil.

- Soviet economic problems

Sharp increase in oil price.

- Rigid leadership bereft of ideas

Another inflation.

- Debt problems in Eastern Europe

Iran/Iraq oil. Another sharp
increase.

- The challenge of Poland

Economic/political.

Now Another crisis on Lebanon.

Internal economic situation: risk of
overriding it.

In 1920: Argentina had higher income per head than US.

Star Iran could disturb strategic
East-West balance.

The imperatives

RFE v. disappointing. European states
quarrelling.

US looks not only West but to Pacific
& South. Indonesia, Taiwan, S. Korea, Malaysia.
China & India governed by free society.

(a) An alliance strategy for relations with the Soviet bloc which

1. maximises our political goals and values

2. rewards good behaviour, and

3. avoids economic exchanges which give advantage to the

Soviet Union.

/(b)

- (b) Steady nerves throughout next period of arms control negotiations. Maintain double decision. Keep strong defences.

- (c) Follow sound and disciplined financial and economic policies; and free trade but fair trade (Japan, NIC's)
 - (i) budget deficits and overseas borrowings to be contained and controlled; no competitive devaluations and exported unemployment
 - (ii) prudent banking and banking supervision
 - (iii) appropriate role for IMF and IBRD

- (d) A stronger European Community
 - 1. with problems solved (Budget, fish)
 - 2. an expanded membership (and enlarged area of democracy)
 - 3. a stronger contribution to solution of international problems (Middle East)
 - 4. a better partner for the United States

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Lord Mayor's speech

3 pages of courtesy to Lord Mayor & Archbishop

5 pages on Northern Ireland and bomb attacks

10 pages of - international markets - one world

preeminence of London

free trade

decade of change - inflation; oil price rise; shift in pattern of trade

4 pages of -

free societies do better