

Subject a matter



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10 DOWNING STREET

*From the Private Secretary*

MR. HATFIELD  
CABINET OFFICE

Meeting with the International TUC  
Delegation

I enclose a copy of the record of the meeting between Ministers and the International TUC Delegation, which took place at Downing Street this morning.

I am sending copies of this minute and the record to Len Appleyard (Foreign and Commonwealth Office), David Peretz (HM Treasury) and David Normington (Department of Employment).

MR. D. BARCLAY

31 May 1984

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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND AN  
INTERNATIONAL TUC DELEGATION AT 10 DOWNING STREET ON  
THURSDAY 31 MAY 1984 AT 1030 HOURS.

Present:

Prime Minister  
Chancellor of the Exchequer  
Secretary of State for Employment  
Minister of State, FCO  
Sir Crispin Tickell

A list of those  
representing the  
delegation is at  
Annex A

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The Prime Minister welcomed the International Trade Union delegation to 10 Downing Street. She was glad of the opportunity to meet them before the 10th Economic Summit, and she extended a special welcome to Mr. Len Murray since this would be the last Summit during his term of office as General Secretary of the TUC.

The Prime Minister said that it would be wrong to expect sudden and miraculous solutions to the world's economic problems to emerge from the Summit. Such solutions did not exist. The Summit nations had to work together to find realistic and practical policies, and to apply them. The Prime Minister then invited Mr. Basnett as

/President



President of the Trade Union Advisory Committee to OECD, to speak on behalf of the delegation.

Mr. Basnett thanked the Prime Minister for her welcome. He and his colleagues valued the opportunity to put directly to the Prime Minister the main concerns of the trade union movement about international economic development. Their written statement for the Summit had been sent to all Heads of Government. It represented the agreed view of national trade union bodies in OECD countries, all of which shared a common understanding of the need for coordinated policies and action.

The trade union statement was built around two central objectives: the generation of productive employment, with decent wages and living conditions; and a process of social, economic and structural development which reinforced and complemented the creation of jobs. Within this context, the delegation wished to raise certain specific issues.

- (i) Economic activity in OECD countries was currently too weak to generate sufficient new employment. There was a need both for faster growth, and a reduction in working time.
- (ii) Accelerated economic growth should be combined with the repair and modernisation of infra-structure. The trade union movement advocated an internationally coordinated programme of public infra-structure projects; and their view was shared by employers' organisations. By coordination of public investment, the West could achieve the maximum benefits in terms of jobs and output, at the minimum public cost.
- (iii) The way forward did not lie in real wage cuts, or the reduction of workers' rights implied by terms

/ such as



such as "labour market flexibility". This was clearly demonstrated by recent European experience: for example, real wages fell in the Federal Republic of Germany between 1980 and 1982 yet unemployment rose faster than in France, where real wages had risen over the same period.

- (iv) The trade unions were supporters and not opponents of change. They recognised that economic growth, increased employment, and higher living standards depended on technical and structural change.
- (v) But Governments had to show that the fear of technical change was unfounded, by combining it with enlightened social expenditure, and sensitive industrial relations policies. What Governments should not do was to reinforce the apparent link between technological change and mass unemployment.
- (vi) The Economic Summit should treat the problems of international debt as obstacles to be overcome. Trade unions remained concerned about the effect of high interest rates on the economies of the third world, and they commended to the Summit leaders their recommendations on the international financial system.

Summing up his introduction, Mr. Basnett said that confidence in the reality of the recovery and in the possibility of economic growth had to be shared by all. It was necessary for people to work together, and to acknowledge each other's aspirations, if policies for economic growth were to succeed. He wished above all to stress two points: that the question of employment should be at the very top of the world agenda; and that technological change was entirely welcome provided that the



whole community worked together.

On behalf of the Japanese representatives, Mr. Usami said that the workers in his country had great hopes for the Summit under United Kingdom chairmanship. He too felt that the most important problem facing the world leaders was unemployment. In order to tackle it, economic growth rates had to be improved - it was encouraging that in the United States in the first quarter the rate of growth had reached 8.8% per annum. The Japanese economy was planned to grow at 4.1% this year, a figure which he believed to be too low. The Japanese trade unions had asked their government to consider measures to stimulate domestic demand further, as the only route to greater stability of employment.

Continuing, Mr. Usami said that he recognised that the process of growth would require additional investment. Given current financial difficulties, there was a clear need to harness the vitality of the private sector, for example in the service industries. He wished to make two further points. First, the West had to bear in mind the pressures on developing economies and the need to promote price stability in the agricultural sector. Secondly, the maintenance of peace was a pre-requisite for economic progress - too much money was spent for military purposes, when it could be better used to relieve poverty and hunger.

On behalf of the German participants, Herr Breit said that he wished to concentrate on the reduction of working time. Whilst he welcomed the attention which OECD Ministers were giving to the prospects for economic growth, the fact was that growth alone would be insufficient to combat unemployment on the current scale. There were 35 million unemployed people in the OECD countries, and the chances were that this total would continue to grow since productivity tended to increase at least as fast as economic activity. The social consequences of unemployment on this



scale could not be ignored. The economic waste was unacceptable, and - as the history of his own nation showed - long term unemployment could all too easily sow the seeds of political radicalism. He therefore hoped that the Summit would consider seriously the possibility of setting up a common employment policy, designed to overcome the problem of unemployment in the foreseeable future. He greatly feared for the consequences if this were not done, since unemployment was the key problem both for the developed world itself and for its relationship with the developing world.

Responding to the points that had been made, the Prime Minister said that the aims of the Summit participants and of the trade union delegation were fundamentally the same, though - not surprisingly - there was disagreement about methods of achieving them. Such differences could arise from differences of personal experience or from differences of history. There were two major points in what Mr. Basnett had said which she wished to underline. First, she shared the trade unions' concern to see new jobs created - that is to say genuine jobs which gave young people hope for the future, and a sense of personal responsibility. Secondly, she agreed that the achievements of a rising standard of living and of rising employment meant making use of technological change. Japanese experience proved this conclusively. Throughout history, technical change had created more jobs in the long-run than it had destroyed in the short-run. She recognised that account had to be taken of the initial dislocation, and indeed Western Governments had tried hard to develop an effective response.

As regards the other points raised, the Prime Minister said that the working week would be discussed by the Council of Ministers the following week. She had listened with interest to what Herr Breit had said. She agreed with what had been said about the need to act together internationally



on some issues, though this did not obviate the need for individual countries to take action themselves where action was needed. She shared the delegation's concern about the problems of the under-developed world. Above all, the world needed a continuing and sustained recovery, not a series of stop-go measures. Countries which were in difficulty with their debts should be encouraged to agree with the IMF on sound economic policies which could help them towards recovery. They would then find other nations and the banks willing to help them through a difficult period. As regards infra-structure, the Prime Minister noted that there were several international agencies (including the World Bank) already active in this field, financed through multi-lateral aid programmes. It was essential to avoid economic aid degenerating into competition between lending countries on interest rates.

The Prime Minister continued that she agreed with what had been said about the need to rebuild confidence. The underlying economies of the Summit nations were healthy; they were embracing new technology; and providing for retraining and new skills. The overwhelming need was for prudent financial policies to provide both help for countries in debt and a basis for confidence at home.

The Chancellor of the Exchequer commented that all the Summit nations shared the desire to see unemployment come down. There were two forms of unemployment to tackle - cyclical, and structural - and both were present in the Western world. The West was now recovering from the worst recession since the 1930s, and as a result cyclical unemployment pressures were subsiding. This process could continue providing rates of inflation were held down, notwithstanding the problems of high interest rates which were associated with the size of the US budget deficit. Structural unemployment was more obdurate, and could only be tackled by a variety of careful counter-measures designed to



improve the workings of the economy. The Summit governments were at one with the trade unions in accepting the prime importance of bringing unemployment down.

Mr. Murray said that he did not doubt that the British Government, just as much as the TUC, wished to see economic growth and the reduction of unemployment. Their differences about methods could be discussed elsewhere. He recognised also that the British Government, like other Western governments, was anxious not to get out of line with its competitors. This anxiety became particularly important on issues such as the reduction of working hours where no country wished to be first to incur the additional costs. For that reason, the TUC felt that the issue should be pursued on a European basis. Equally, he hoped that the Summit leaders would lay emphasis on joint action to promote economic recovery. The Prime Minister commented that whilst she was not opposed to joint action where appropriate, she had no wish to see a "carve up" of the market. She believed in competition.

Concluding the meeting, the Prime Minister said that the Western nations would continue to work together without submerging each other's individuality. Every nation had its own special character, and had its special contribution and wisdom to bring. The Prime Minister undertook to convey to her Summit colleagues both the paper which the trade unions had prepared, and the views which they had expressed at the meeting

A copy of the agreed press statement which was released after the meeting was attached.

31 May 1984



Trade Union SummitPARTICIPANTS

- Canada      Mr. R. Lang, Director of Legislation and Research,  
Canadian Labour Congress
- France      Mr. E. Maire, General Secretary,  
Confédération Démocratique du Travail,  
accompanied by Mr. A. Mercier and Mr. H. Bertrand.
- Germany      Mr. E. Breit, President,  
Deutscher Gewerkschaftsbund,  
accompanied by Mr. E. Kristoffersen.
- Italy      Mr. L. Lama, General Secretary,  
Confederazione Generale del Lavoro,  
accompanied by Mr. O. Del Turco, and Mr. C. Gilmore.
- Mr. P. Camiti, General Secretary,  
Confederazione Italiana Sindacati Lavoratori,  
accompanied by Mr. A. Gennari.
- Mr. G. Benvenuto, General Secretary,  
Unione Italiana del Lavoro,  
accompanied by Mr. M. Scarpellini and Ms. P. Terzoli.
- Japan      Mr. T. Usami, President,  
DOMEI,  
accompanied by Mr. M. Aihara.
- Mr. T. Kurokawa, President,  
SOHYO,  
accompanied by Mr. Y. Yamada.
- Mr. T. Tateyama, President,  
Churitsuroren,  
accompanied by Mr. M. Fujino.
- UK      Mr. D. Basnett, President,  
Trade Union Advisory Committee to OECD,
- Mr. L. Murray, General Secretary,  
TUC,  
accompanied by Mr. D. E. Lea, Mr. B. Callaghan, Mr. M. Walsh,  
Mr. B. Barber, Mrs. M. Barber.
- TUAC      Mr. K. Tapiola, General Secretary,  
accompanied by Mr. S. McClelland.
- ICFTU      Mr. J. Vanderveken, General Secretary,  
International Confederation of Free Trade Unions.
- ETUC      Mr. M. Hinterscheid, General Secretary,  
European Trade Union Confederation.
- WCL      Mr. J. Kulakowski, General Secretary,  
World Confederation of Labour.

(16) Principal  
(16) Accompanying Adviser



SUMMARY OF MEETING BETWEEN PRIME MINISTER AND  
INTERNATIONAL TRADE UNION DELEGATION

On 31 May 1984 the Prime Minister, the Rt Hon Margaret Thatcher, FRS, MP, received a delegation of leaders of the trade unions in the major industrial countries participating in the London Economic Summit. The delegation, which was led by Mr David Basnett, presented a submission prepared in the framework of the TUAC (Trade Union Advisory Committee of the OECD) to the Summit on the main issues facing the international economy. Other members of the delegation were:

- Canada: Mr R Lang, Director of Legislation and Research, Canadian Labour Congress.
- France: Mr E Maire, General Secretary, Confédération Démocratique du Travail.
- Germany: Mr E Breit, President, Deutscher Gewerkschaftsbund.
- Italy: Mr L Lama, General Secretary, Confederazione Generale del Lavoro.  
Mr P Carniti, General Secretary, Confederazione Italiana Sindacati Lavoratori.  
Mr G Benvenuto, General Secretary, Unione Italiana del Lavoro.
- Japan: Mr T Usami, President, DOMEI.  
Mr T Kurokawa, President, SOHYO.  
Mr T Tateyama, President, Churitsuroren.
- UK: Mr L Murray, General Secretary, TUC.
- TUAC: Mr K Tapiola, General Secretary.
- ICFTU: Mr J Vanderveken, General Secretary, International Confederation of Free Trade Unions.
- ETUC: Mr M Hinterscheid, General Secretary, European Trade Union Confederation.
- WCL: Mr J Kulakowski, General Secretary, World Confederation of Labour.

The Prime Minister, opening the discussion, welcomed the delegation to 10 Downing Street. As Chairman of the London Economic



Summit she valued the opportunity of hearing the views of the international trade union movement on the issues facing the world economy, and particularly the industrialised countries. The Summit came at a crucial time: the economic recovery foreseen at Williamsburg is now underway. What is important now is to establish it as a basis for sustainable growth and to spread its benefits widely not only in the industrialised countries but in the rest of the free world. That would be the best possible basis for creating new and lasting jobs and reducing the levels of unemployment about which she and other Heads of State or Government were no less concerned than the trade unions. But the achievement of sustainable growth would entail unremitting efforts to bring inflation down still further and to reduce the levels of interest rates, which were too high.

Mr Basnett, introducing the TUAC submission, said that it was based on the main objectives of creating jobs, and achieving technological and structural change in a way which enhances people's lives. The trade unions remained deeply concerned about the high levels of unemployment. They agreed that recovery and growth were essential conditions for reducing unemployment; they were not convinced that they were sufficient conditions, or that market forces alone would bring about the fall in unemployment which all desired to see. They emphasised the need for an internationally co-ordinated approach, with particular reference to investment in infrastructure, and the need to avoid cuts in wages or undermining of workers' rights in the name of labour market flexibility. They said that reductions in working hours needed to accompany higher growth levels if lower unemployment rates are to be achieved. They also stressed the need for co-operation with and support for the developing countries, so that those countries too could enjoy the benefits of economic recovery and growth.

Mr Basnett emphasised that the trade unions were the supporters, not the opponents, of change. They recognised that growth, employment and living standards depended on technological and structural change; they stressed that change could be successful only if it was based on understanding and at least some degree of consensus.

After other members of the delegation had spoken, the Prime Minister, summing up the discussion, once again thanked the delegation



for coming and for the clear expression of their views. The delegation would not be surprised if she said that she would herself part company with them on some aspects of their diagnosis and prescription; but on the main objectives, as defined by Mr Basnett (creating jobs and facilitating technological change), there was a large measure of agreement. It was necessary to secure and establish the recovery, and to achieve sustainable growth. This was a necessary condition of bringing down levels of unemployment. The Prime Minister very much endorsed what had been said about the importance of technological and structural change in the creation of new jobs, and about the need to increase public understanding and acceptance of change: this had been a theme which she herself had stressed at the Versailles and Williamsburg Summits, and would stress again in London.

She also endorsed what had been said about the need to spread the benefits of growth to the developing countries. They stood to gain just as much as industrialised countries from economic recovery, since a growth in the world trade associated with economic recovery would enable them to increase their exports to the industrialised countries; and (in the case of the debtor countries) would help them to meet the cost of servicing the debts which they had incurred. In this connection it was much to be hoped that the benefits of increasing exports would not be eroded by increasing debt service costs as a result of rises in interest rates: another reason why it should be an object of policy in the industrialised countries to create the conditions in which interest rates would fall rather than rise.

The Prime Minister concluded the meeting by repeating her thanks to the delegation for their visit, and her assurance that she would convey their views to her colleagues at the London Economic Summit.

31 May 1984

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