

PRIME MINISTER

PRESS CONFERENCE

This note sets out some considerations for your Press Conference with Dr. Kohl at 11.30 - 12.30. A draft speaking note, to the extent that it can be written before today's proceedings, is at Annex I.

The period set aside for the Press Conference is not long, bearing in mind translation. You have agreed to forgo the usual radio and tv interviews for want of time. It is therefore important to be fairly short and to the point with your replies to questions for the benefit of broadcasters recording and filming your answers.

In fact, the bilateral talks, as such, will do well to compete with Berlin where the main media interest is centered. A number of British journalists are leaving early for Berlin and will not be at the Press Conference.

Notwithstanding this, there are two domestic issues on which you may be asked to comment:

- the by-elections; and possibly
- the CBI's gloomy economic trends survey

Briefing on these issues is at Annexes II and III.

My contacts with the Press suggest that the following points may be raised:

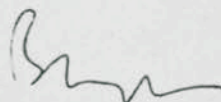
- the effect of the Falklands on BAOR, and on NATO's Naval strength
- Allied (and German) support over the UN resolution on the Falklands and West German arms sales to Argentina

/Siberian pipeline

- Siberian pipeline - where are we?
- Euro-Budget - views of 1982 settlement and prospects for longer term settlement (about which I have been cautious, envisaging a hard fight)
- Franco-German Defence relations; and the
- extent to which Chancellor Kohl's views coincide with yours on East-West relations; economic policy, etc.

TONE

You will recall that you described your talks with Chancellor Kohl on 19 October as a meeting of minds. You will no doubt wish this encounter to be seen in at least as warm a light and to give the impression of a "thickening" of Anglo-German relations. The draft speaking note reflects this objective.



BERNARD INGHAM

29 October 1982

BONN PRESS CONFERENCE - DRAFT SPEAKING NOTE

Chancellor Kohl and I - and a number of our Ministers - have had a most useful bilateral meeting, covering a wide range of issues.

The outcome confirms that our two Governments have a very similar approach to many subjects and has greatly strengthened our relationship.

I described our talks earlier this month as a meeting of minds. That does, in fact, sum up how things are. We are on the same wavelength.

In the course of our talks we have covered, as you would expect,

- international affairs - East/West relations; Poland; trans-Atlantic relations
- Defence matters
- Economic issues - the state of the world economy as well as our own economies, and the central need to maintain the attack on inflation if we are to have a sound basis for recovery and create new jobs

/European

- European Community problems - looking forward, of course, to a long-term settlement of the Budget problem now that we have got 1982 satisfactorily out of the way.

- [UN resolution on Argentina, if appropriate.]

There are no bilateral issues between us, so we were able to have free ranging discussions in a very warm and relaxed atmosphere. This is partly why I think the bilateral has been so useful. I now go on to pay my first visit to Berlin to demonstrate the British Commitment to the City and, after viewing the Wall, to make a speech on the theme of freedom - a freedom which is sadly denied to millions on the other side.

BY-ELECTION RESULTS

PECKHAM

Labour	11,349
SDP	7,018
Conservative	2,800

NORTHFIELD

Labour	15,904
Conservative	15,615
SDP	11,453

SEE OVER FOR COMMENT

BY-ELECTION COMMENTS

COMMENTS IN PRESS THIS MORNING

Times - Tories trail third as Labour hold Peckham

Guardian - Labour win Northfield, hold Peckham

FT - Labour take Northfield by a whisker and hold Peckham

Telegraph - Peckham hold by Labour

Mail - First blood to Labour, low poll in Peckham

Mirror - Labour double victory

Compared with last year, Peckham (37.7%) now 38%.

Percentage changes from last year:

Labour - 9.5%

Alliance + 25.2%

Conservative - 16.4%

BBC radio interview by R. Foster

Cecil Parkinson comments - Peckham not as good as I would have wished. Northfield - a substantial consolation. Very much better than predicted.

Peter Shore comments - acknowledge challenge on Northfield, couldn't expect result to be better. (Peckham) Marks a real turn in the future of the Party.

Foster comments - Foot must have been mightily relieved that he didn't lose Northfield.

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Annex III

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SECRET

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TO FLASH BONN

TELEGRAM NUMBER 471 OF 28 OCTOBER
FOR INGHAM, PRIME MINISTER'S PARTY
BRIEF ON CBI TRENDS.

1. THE RESULTS SUGGEST THAT BOTH ORDERS AND OUTPUT DECLINED OVER THE PAST FOUR MONTHS: AND THAT SOME FURTHER, SMALL DROP IS LIKELY FOR THE NEXT FOUR. STOCK LEVELS ARE STILL BEING REDUCED.
2. THERE HAS BEEN A MARGINAL DECLINE IN CAPACITY UTILISATION, WITH 76 PERCENT OF FIRMS REPORTED TO BE WORKING BELOW A QUOTE SATISFACTORY FULL RATE OF OPERATION UNQUOTE. NINETY FOUR PERCENT OF PARTICIPANTS EXPECT A SHORTAGE OF ORDERS OR SALES TO LIMIT OUTPUT OVER THE NEXT FOUR MONTHS.
3. LESS OPTIMISM COMPARED TO FOUR MONTHS AGO HAS BECOME APPARENT ABOUT BOTH THE GENERAL BUSINESS SITUATION IN PARTICIPANTS' OWN INDUSTRIES AND FIRMS' EXPORT PROSPECTS OVER THE NEXT TWELVE MONTHS.
4. ANALYSIS OF THE RESULTS AT A DISAGGREGATED LEVEL POINTS TO THE CONSUMER GOODS INDUSTRIES EXPERIENCING RELATIVELY STRONGER TRENDS, WHILE THE INTERMEDIATE GOODS INDUSTRIES, AND MOST NOTABLY QUOTE METAL MANUFACTURE UNQUOTE, AND THE CAPITAL GOODS SECTOR REPORT AND EXPECT A WEAKER PERFORMANCE.
5. NEW EXPORT ORDERS AND DELIVERIES ARE REPORTED TO HAVE DECLINED OVER THE PAST FOUR MONTHS AND A FURTHER SMALL DECLINE IS PREDICTED FOR THE NEXT FOUR.
6. SIXTY EIGHT PERCENT OF FIRMS EXPECT THEIR PRICES RELATIVE TO THOSE OF OVERSEAS COMPETITORS TO LIMIT NEW EXPORT ORDERS, DESPITE A STABILISATION OF EXPORT PRICES: AND 47 PERCENT ITEMISE POLITICAL OR ECONOMIC CONDITIONS ABROAD AS A LIKELY CONSTRAINT.
7. FROM THE SECOND SUCCESSIVE SURVEY, PARTICIPANTS' INVESTMENT INTENTIONS HAVE DECLINED.
8. AVERAGE UNIT COSTS AND FIRMS' DOMESTIC SELLING PRICES ARE INCREASING HISTORICALLY VERY SLOWLY AND A FURTHER SLOWING DOWN IS INDICATED.
9. NUMBERS EMPLOYED ARE REPORTED TO BE CONTINUING TO DECLINE AND A FURTHER REDUCTION IS LIKELY TO OCCUR OVER THE NEXT FOUR MONTHS AT THE SAME RATE. THIS IMPLIES IMPROVEMENTS IN OUTPUT PER HEAD.
10. THE RESULTS OF THE SPECIAL SIX MONTHLY QUESTIONS ON CORPORATE LIQUIDITY SHOW NO CHANGE IN FIRMS' LIQUIDITY OVER THE PAST YEAR WITH THE PROSPECT OF A SLIGHT IMPROVEMENT BETWEEN APRIL 1982 AND APRIL 1983.

NOTE

A TOTAL OF 1700 FIRMS PARTICIPATED IN OUR LATEST QUARTERLY SURVEY. THE QUESTIONNAIRES WERE DESPATCHED TO RESPONDENTS ON 24 SEPTEMBER AND THE CLOSING DATE FOR REPLIES WAS 13 OCTOBER. THE SPECIAL SIX-MONTHLY QUESTIONS ON CORPORATE LIQUIDITY, WHICH WERE FIRST ASKED IN OCTOBER 1974, WERE INCLUDED. THE REDUCTION IN THE CLEARING BANK BASE RATES TO 10 PERCENT WAS ANNOUNCED ON 6 OCTOBER: THE SUBSEQUENT FALL TO 9-1/2 PERCENT OCCURRED ON 13 OCTOBER. THE AVERAGE TRADE-WEIGHTED VALUE OF STERLING DURING THE SURVEY PERIOD WAS ABOUT 1 PERCENT HIGHER THAN DURING THE JULY SURVEY.
NOT FOR PUBLICATION BEFORE 0030 HOURS, FRIDAY 29 OCTOBER 1982.

P.Y.

N.I.V.