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PREM 19/3587

Confidential Filing

Calls on the Prime Minister by
Mr David Rockefeller

USA

JUNE 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
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	11.2.88						
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	25.10.91						
	29.10.91						
	15.11.91						

PREM 19/3587



Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

November 1991

Dominic Morris Esq
Private Secretary to the
Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Rockefeller mtg off.

PA

Dear Dominic at first

Your letter of 25 October requested briefing for a meeting the Prime Minister is holding with Mr David Rockefeller tomorrow.

... I attach a short brief covering Chase Manhattan and the proposed
... US banking reforms. I also attach a short biography of Mr Rockefeller and a note of a recent meeting between the Chancellor and members of Chase Manhattan, including Mr Rockefeller.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office).

Gans ev

Owen Barder

OWEN BARDER
Assistant Private Secretary

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BANKING ACT 1987

CHASE MANHATTAN

With \$99 bn assets as at June 1991, Chase Manhattan Bank (CMB) is currently the third largest bank holding company in the US, though it will slip into fifth place behind the new merged Chemical and NationsBank (NCNB) entities once the agreed mergers have taken place. The performance of CMB itself has shown distinct signs of improvement after a worrying period in the second half of last year, when large restructuring and provisioning costs weakened its earnings and seriously undermined investor confidence in the bank. This year the bank's results have surprised the market to such an extent that its share price has risen by 78% since 1 January to \$19 a share (over the same period the S&P 500 index has increased 18% and a Bank of England index of 21 bank shares by 44%).

2. The global rationalisation programme instigated by CMB last autumn has continued to result in the shedding of non-core businesses. In August CMB announced that it was selling its US and Canadian leasing units, and in July the bank completed the sale of its 14-branch Spanish network to the Portuguese bank Caixa Geral. These developments and a number of other significant asset disposals have reduced the size of CMB's balance sheet to \$99 bn (from \$107 bn at end-1989) and have helped boost its Tier 1 capital ratio to 4.9%. (The Basle ratio is 9.2%). Despite the generally more promising outlook, however, CMB is still under pressure to boost its capital and improve its overall asset quality - not least for competitive reasons in the light of the recent wave of mergers, especially the Chemical Manufacturers Hanover entity which could prove a substantial competitor for CMB in New York. For this reason CMB is still at the heart of merger speculation, with a Bank of New York link still regarded as a strong possibility. CMB itself has been looking further afield, and was recently given permission to buy two small insolvent banks in Connecticut, the first significant move into Connecticut by a moneycentre bank.

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London operations

3. The rationalisation programme has also had the effect of narrowing the focus of business conducted out of Chase's two UK authorised entities (the CMB branch and the Chase Investment Bank subsidiary). Their focus is now on services to wholesale customers in three key operations, corporate finance, risk management and Infoserv (global custody, cash management etc). Retail business has virtually disappeared following the disposal of the Visa and mortgage businesses and the transfer of private banking to Geneva. London has benefited from the rationalisation to the extent that it is increasingly becoming the centre for European operations, although the balance sheets of the UK entities have shrunk also: in particular, the Bournemouth data processing centre now handles most European processing.

Chase Manhattan's third quarter results

4. These were solid for the fourth consecutive period, with net earnings of \$136 mn representing a substantial improvement over the \$623 mn loss made a year earlier. The results were particularly encouraging in two respects - costs and asset quality. The level of non-performing loans showed a quarter-on-quarter decline for the second consecutive period, while the cost-cutting measures instigated last year brought about a useful reduction in non-interest costs from \$1.2 bn to \$0.9 bn in comparison with a year ago. Also contributing to the improved picture were increases in net interest revenue (representing higher spreads between lending and borrowing business) and higher income from fees and investments. Overall Chase seems to be emerging from last year's problems more quickly than expected, and it is certainly leaner, having shed \$10 bn in assets and a number of 'non-core' operations (such as its UK credit card operation) as well as 5,000 staff over the last year.

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US bank Insurance Fund

5. Closely associated with the prospects for a banking reform bill* is the condition of the Bank Insurance Fund. The FDIC and General Accounting Office in August resolved a long-running dispute on the actual size of the Fund, concluding that it was worth around \$4.5 bn as at end-June and in danger of running out by the end of this year. Public attention has once more been focused on this issue by the decision of federal regulators last week to close the troubled Miami bank SouthEast Banking and to sell it to First Union, based in North Carolina. Despite an innovative agreement whereby the closed bank's bad assets will be assumed jointly by the FDIC and First Union, the sale is still expected to cost the Fund £350 mn.

Condition of other US banks

6. Some other large US banks are encountering difficulties: Citicorp and Security Pacific recently became the first major US banks to suspend their common dividends, and the Administration has announced a package of measures designed to ease the regularity and capital environment for US banks.

* - See Annex C.

ROCKEFELLER, David; banker; b New York City, 12 June 1915; s of John Davison Rockefeller, Jr and Abby Greene (Aldrich) Rockefeller; m 1940, Margaret, d of Francis Sims McGrath, Mount Kisco, NY; two s four d. *Educ*: Lincoln School of Columbia University's Teachers College; Harvard Univ. (BS); London School of Economics; Univ. of Chicago (PhD). Sec. to Mayor Fiorello H. LaGuardia, 1940-41; Asst Regional Dir, US Office of Defense Health and Welfare Services, 1941. Served in US Army, N Africa and France, 1942-45 (Captain). Joined Chase National Bank, NYC, 1946; Asst Manager, Foreign Dept, 1946-47; Asst Cashier, 1947-48; Second Vice-Pres., 1948-49; Vice-Pres., 1949-51; Senior Vice-Pres., 1951-55; Chase Manhattan Bank (merger of Chase Nat. Bank and Bank of Manhattan Co.); Exec. Vice Pres., 1955-57; Dir, 1955-81; Vice-Chm., 1957-61; Pres. and Chm., Exec. Cttee, 1961-69; Chm. of Bd, 1969-81; Chief Exec. Officer, 1969-80; Chairman: Chase Internat. Investment Corp., 1961-81; Chase Internat. Adv. Cttee, 1980-; Rockefeller Brothers Fund Inc., 1981-87 (Vice Chm., 1968-80); The Rockefeller Group Inc., 1987. Director: Internat. Exec. Service Corps (Chm., 1964-68); NY Clearing House, 1971-78; Center for Inter-American Relations (Chm. 1966-70); Overseas Develt Council; US-USSR Trade and Econ. Council, Inc.; Chairman: Americas Soc.; Council on Foreign Relations; NY Chamber of Commerce and Industry; Exec. Cttee, Rockefeller Univ., 1950-75; NYC Partnership, 1979-88; US Business Cttee on Jamaica, 1980-; N America Chm., Trilateral Commn; Member: Exec. Cttee, Museum of Modern Art (Chm., 1962-72); Harvard Coll. Bd of Overseers, 1954-60, 1962-68; Urban Develt Corp., NY State, Business Adv. Council, 1968-72; US Adv. Cttee on Reform of Internat. Monetary System, 1973-; Sen. Adv. Gp, Bilderberg Meetings; US Exec. Cttee, Dartmouth Conf.; Bd, Inst. of Internat. Economics. Director: Downtown-Lower Manhattan Assoc., Inc. (Chm., 1958-65); Internat. House, NY, 1940-63; Morningside Heights, 1947-70 (Pres., 1947-57, Chm., 1957-65); B. F. Goodrich Co., 1956-64; Equitable Life Assce Soc. of US, 1960-65. Trustee: Univ. of Chicago, 1947-62 (Life Trustee, 1966); Carnegie Endowment for Internat. Peace, 1947-60; Council of the Americas (Chm., 1965-70); Sleepy Hollow Restorations, 1981-. Member: American Friends of LSE; US Hon. Fellows, LSE; Founding Mem., Business Cttee for the Arts; Hon. Mem., Commn on White House Fellows, 1964-65; Hon. Chm., Japan Soc. World Brotherhood Award, Jewish Theol Seminary, 1953; Gold Medal, Nat. Inst. Social Sciences, 1967; Medal of Honor for city planning, Amer. Inst. Architects, 1968; C. Walter Nichols Award, NY Univ., 1970; Reg. Planning Assoc. Award, 1971. Hon. LLD: Columbia Univ., 1954; Bowdoin Coll., 1958; Jewish Theol Seminary, 1958; Williams Coll., 1966; Wagner Coll., 1967; Harvard, 1969; Pace Coll., 1970; St John's Univ., 1971; Middlebury, 1974; Univ. of Liberia, 1979; Rockefeller Univ., 1980; Hon. DEng: Colorado Sch. of Mines, 1974; Univ. of Notre Dame, 1987. Holds civic awards. Officer, Legion of Honour, France, 1955; Order of Merit of the Republic, Italy; Order of the Southern Cross, Brazil; Order of the White Elephant and Order of the Crown, Thailand; Order of the Cedar, Lebanon; Order of the Sun, Peru; Order of Humane African Redemption, Liberia; Order of the Crown, Belgium; National Order of Ivory Coast. *Publications*: Unused Resources and Economic Waste, 1940; Creative Management in Banking, 1964. *Recreation*: sailing. *Address*: 30 Rockefeller Plaza, New York, NY 10112, USA. *Clubs*: Century, Harvard, River, Knickerbocker, Links, University, Recess (New York); New York Yacht.

WHO'S WHO : 1991 EDITION

DAVID ROCKEFELLER

David Rockefeller is involved in many business activities as well as not-for-profit organizations engaged in a broad range of international, governmental, civic, and cultural issues. He retired as Chairman of the Chase Manhattan Bank in 1981 but currently serves as Chairman of the Bank's International Advisory Committee. In addition, Mr. Rockefeller is the Chairman of the Rockefeller Group, Inc., Rockefeller Center Properties, Inc. and Rockefeller Financial Services, Inc.

Mr. Rockefeller has wide-ranging interests and involvements in the field of international relations. He served as Chairman of the Council on Foreign Relations from 1970 to 1985. He was instrumental in creating the International Executive Service Corps, a volunteer group of retired people that provides technical and managerial assistance to private enterprise in developing nations. He helped to found the Trilateral Commission in 1973 and currently serves as North American Chairman. He is also a member of the Bilderberg Conference.

He is Chairman of the Americas Society and its affiliate, the Council of the Americas, whose objective is to promote close Inter-American cooperation.

Mr. Rockefeller served as Chairman of The Rockefeller University for many years and now chairs its Executive Committee. He is also Chairman of the Museum of Modern Art.

Mr. Rockefeller graduated from Harvard College and holds a PhD in Economics from the University of Chicago. During World War II, he served as an intelligence officer in North Africa and southern France and was an Assistant Military Attache in Paris at the time he was demobilized as a Captain in 1945.

Mr. Rockefeller and his wife, the former Margaret McGrath, have two sons, four daughters, and ten grandchildren.

December 1990

US FINANCIAL/BANKING SCENE

The major issue concerning the US financial/banking scene is the proposed reform of banking. In March the US Treasury published legislative proposals to reform deposit insurance, enable banks to branch freely between states, alter the regulatory structure and remove the barrier between banking and securities operations embodied in the Glass Steagall Act. The UK broadly supported the proposals even though some of them were not necessarily advantageous to UK companies.

2. On 4 November, however, the House of Representatives threw out their version of a bank reform bill and on 14 November rejected a narrower version. But, a bank bill must be agreed in the near future to finance the bank insurance fund so it is likely that the House will adopt a relatively narrow bill. Similarly, in the Senate, opinion on whether to stick to a broad reforming bill, or to retreat to a narrower version, is divided. Assuming that the Senate and House eventually each pass a bill, there will then be a Senate-House conference to try to agree a compromise. This compromise, once ratified by the full House and Senate, goes to the President for approval or veto.

3. It is still uncertain what form of bill will be forthcoming, but it is likely to be narrow and contain few, if any, of the reforms proposed by the US Treasury.

Line to take

4. It would be very disappointing if the banking reforms were not carried out. They would be an important step in increasing efficiency in the world-wide financial markets.



FROM: O M BARDER
DATE: 2 October 1991
EXTN: 5004

MR DAGUSTUN (FIM1)

cc Sir T Burns
Mr Wicks
Mr A Budd
Mr H P Evans
Mr Bostock
Mr Gieve
Mr Sedgwick
Mr Mortimer
Mr Pickering
Miss Noble
Miss Wallace

MEETING WITH CHASE MANHATTAN

The Chancellor met Mr Labrecque, Chairman of Chase Manhattan, on Friday, 27 September. Also present were Mr Rockefeller and Mr Swayne of Chase Manhattan, and Miss Wallace. The Chancellor was grateful for your briefing. This minute records the main points of the discussion.

2. Mr Labrecque said that Chase Manhattan was and would remain a global bank. But they were restructuring their business. In the past the bank had been 85 per cent retail, 15 per cent wholesale; 70 per cent overseas, 30 domestic. It was now 50 per cent wholesale, 50 per cent retail; and 50 per cent overseas, 50 per cent domestic. It was building a better base in the US. It had divested its overseas retail market, including its UK credit card and mortgage outlets. But it remained the largest dollar clearer in the world.

3. Continuing, Mr Labrecque said that the answer to the current US recession was not just lower interest rates. Corporate America needed to restructure its balance sheet. This was a secular not a cyclical change. He anticipated growth in the US of only 2 per cent over the next six quarters. He had not been surprised by the



US GDP revision. Mr Greenspan would not have reduced the discount rate unless he thought the provisional figure had been too high.

4. Continuing, Mr Labrecque said that middle managers and professionals were facing higher unemployment in the US. These were groups which conventionally had high disposable incomes. The risk to their incomes would hold down consumer spending. Mr Swayne said that the downturn in the commercial and domestic property market meant that personal sector assets were (a) less liquid; and (b) worth less. Mr Rockefeller said that there had been eight years of uninterrupted growth, and people were not used to recessions, so that the impact of the downturn had been greater. And sharply reduced inflationary expectations were encouraging people to defer major purchases.

5. Mr Swayne noted that there had been very slow growth of the money supply in the UK, and some talk of a credit crunch. He asked if the Chancellor was worried by this. The Chancellor said that he was a little. The money growth figures were very low. But this was a global phenomenon. Broad money had growth fast over a long period, because of financial liberalisation and intermediation. It had not been possible to attach much weight to the figures during that period; and it was possible that the downturn in growth was also not greatly significant. Viewed alongside rights and bonds issues, the figures were less worrying. Looking at the growth rates of components of M4 also provided some reassurance. The private sector was rebuilding its balance sheets, and it was impossible to say how far they still had to go. But the M0 figures were a little worrying; M0 appeared to have picked up and then fallen again.

6. Mr Swayne asked if the Chancellor expected some components of inflation to pick up early in the following year. The Chancellor said that the headline rate might rise because it was measured on



a year ago. The inclusion of mortgage interest rates also gave a misleading impression.

7. Mr Labrecque said that Britain's attitude to monetary union now appeared more positive, and that of the other member states appeared more balanced. This would benefit the UK in the long run. The Chancellor said that there was a desire to be constructive and positive in the talks. But the British people did not see Europe in the same way as many other European people. There remained therefore a deep tension. Mr Rockefeller said that in recent meetings with Mr Schlesinger and Mr Larosière, they had both said that they were aware of a subtle but significant change in the UK position; they had expressed an anxiety to sustain and support the UK position. The Chancellor noted that the political IGC would be very difficult for us.

8. The Chancellor asked how involved Chase Manhattan would become in the restructuring of Eastern Europe. Mr Labrecque said that they had no bank in Eastern Europe, although they had a representative office in Moscow. They had no plans to buy a bank. However, if a customer with a good project in Eastern Europe sought help, they would be willing to provide funds. They were uninterested in lending money to governments. They hoped to use their petroleum team in London to build up a business advising the USSR. Mr Rockefeller retained good contacts in the Soviet Union; he would be seeing Popov at the weekend in the US.

Owen Barder
OWEN BARDER

USA: visits of D. Rockefeller
June 79



To Her Majesty p. a. 5/18/11



10 DOWNING STREET

Prime Minister

I have explained to Lord Cannington's Office the tertiary problems (exacerbated by the Euro debate) with which we are, with many apologies, compelled to call on you by David Rockefeller. I have suggested that he get in touch when he is next in this country.

S. 15/11

CF
4
per

Lord C. informed.
p.a. 529/10



[Handwritten flourish]

10 DOWNING STREET

~~Dominic~~

Re Lord Carrington
& David Rockefeller
call on 19 Nov at
1700

Lord C now wants
to invite Tom
Swayne as well.
He's apparently
Vice President,
Chase Manhattan
Bank, & the person
who originally suggested
D. Rockefeller call in PM.
OK? 529/10



KW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

25 October 1991

The Prime Minister has agreed to see Mr David Rockefeller on 19 November. I should be grateful for a short brief, to reach here by lunchtime on 18 November, which should also cover the position of Chase and the US financial/banking scene.

I am copying this letter to Richard Gozney (Foreign and Commonwealth Office).

DOMINIC MORRIS

Owen Barder Esq
HM Treasury

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PRIME MINISTER

Lord Carrington telephoned this afternoon in his capacity as a Non-Executive Director of the Chase Manhattan Bank. David Rockefeller, the former President of the Bank, and still in Lord Carrington's words "a big man on the US scene", will be in London on 18/19 November, has never before met you, and is deeply desirous of doing so.

I warned Lord Carrington that the diary was difficult. In fact, it is not impossible. (Relevant extract is attached.)

It is up to you whether you give Mr. Rockefeller 20 minutes as a favour to Lord Carrington. Andrew's view is very much that it is only as a favour to Lord Carrington. Rockefeller is a man of the past, and Chase Manhattan is not the bank it used to be.

The European Debate, for which you will lead, is likely to be on 20/21 November. So if you don't feel like seeing Mr. Rockefeller, I can easily make the excuse that you need every minute of your time to prepare for that debate.

Content to see Mr. Rockefeller?

or

Shall I refuse?

Dominic

DM

24 October 1991

*Dominic
fixed for Tuesday
19 Nov at 1700.
Will you bring?
S 25/10*

1245 Lunch and Questions briefing
 1515 QUESTIONS
 ?1545 DEPART FOR
 1600 HRH THE PRINCE OF WALES + AT, KENSINGTON PALACE
 1730 DEPART FOR NO.10
 1745-1830 Meet Group of War Widows on eve of pilgrimage to
 Far East + JSW
 ? NUMBER EIGHT DINNER (DONALD THOMPSON MP)

Friday 15 November

0900 Foreign Secretary + JSW
 0945 Prepare for:
 1000 Agricultural Seminar +BP
 1300 Host Seminar lunch
 ?1500 DEPART FOR HUNTINGDON
 1815 DEPART THE FININGS
 1830 SPONSORS' RECEPTION BEFORE
 2000 HUNTINGDON CONSTITUENCY BALL + MRS MAJOR (BLACK
 TIE)

Saturday 16 November

CHELSEA -V- NORWICH
 TO HUNTINGDON

Sunday 17 November

HUNTINGDON
 PM TO CHEQUERS
 TO JOIN POLICY UNIT SEMINAR
 1900 WORKING SUPPER
 OVERNIGHT AT CHEQUERS

Monday 18 November

AT CHEQUERS
 1100 DEPART FOR NO.10
 1215 Prepare for
 1230 Talks before
 ?1300 for 1330 Host Lunch for Hungarian President Gocz + JSW
 1515 Sir Robin Butler + AT
 1545 Prepare for
 ?1600-1700 ? Overseas Project Business 1991 Venezuela + JSW
 + S/S DTI and Lord Prior
 1720 DEPART FOR
 1730 ATTEND LAUNCH OF HARRY SIMPSON MEMORIAL TRUST +
 BHP
 1815 DEPART FOR NO 10
 1830-1915 Lord Young of Graffham + JC

Tuesday 19 November ?Euro Debate

0800 Breakfast meeting with SH
 0900 Questions Briefing
 0930-1015 Elected Officers of the Board of Deputies of
 British Jews + WEC
 1015-1115 Keep free for Box
 1245 Lunch and Questions Briefing
 1515 QUESTIONS
 1540? KEEP FREE FOR MPs/?EURO STATEMENT
 1715 RETURN TO NO 10
 1730-1815 Foreign and Commonwealth Secretary + JSW
 1830 AUDIENCE

2000 DINNER WITH MINISTERS IN THE LORDS
ST STEPHEN'S CLUB (LOUNGE SUIT)

Wednesday 20 November

0900-0930 Baroness Faithfull +DM
1100 Prepare for
1200 Talks with President Mitterrand
1300 Lunch for President Mitterrand
?1530 ?EURO DEBATE (FOREIGN SECRETARY'S STATEMENT)
1600 Moderator of the Church of Scotland, Rt Rev
Dr William MacMillan + RC
1630-1730 Chancellor of Exchequer + BHP
1815 DEPART FOR
1830 TROLLOPE SOCIETY PRESENTATION + WEC (NATIONAL
PORTRAIT GALLERY)
1915 DEPART FOR NO 10
2130 HM'S ANNUAL RECEPTION FOR DIPLOMATIC CORPS +
MRS. MAJOR - BUCKINGHAM PALACE (EVENING DRESS)

Thursday 21 November

0900 Questions Briefing
1000 Cabinet
1100 Keep Free for AT
1245 Lunch and Questions Briefing
1515 QUESTIONS
1540 KEEP FREE FOR MPs
1800 DEPART FOR
1830 OFFICIAL OPENING OF C G HEATH
? DINNER WITH AMESBURY GROUP + GB

Friday 22 November

REGIONAL TOUR (NORTH EAST ENGLAND)

Saturday 23 November (Mrs. Major's MENCAP Xmas Fair)

HUNTINGDON
GALA DINNER CAMBRIDGE SYMPHONY ORCHESTRA
(JESUS COLLEGE, CAMBRIDGE)

Sunday 24 November

HUNTINGDON
?1230 DEPART THE FININGS
?1245-1430 STIBBINGTON AND WANSFORD BRANCH ANNUAL LUNCH
+ MRS MAJOR
PM RETURN TO NO.10

Monday 25 November ? Euro Debate

0800 Breakfast Meeting with Sir Leon Brittan + JSW
0915 Sir Robin Butler + AT
0945 Party Chairman, Chief Whip, SH, JC, GB, GO, AT
1030-1100 Parliamentary Business Managers
1100 Sir Angus Fraser to prepare for
1115 Value for Money Seminar + S/S MOD + AT +
Efficiency Unit
1215 Diary Meeting
1300 for
1315-1500 Lunch for colleagues
1500-1830 Keep free for Maastricht briefing + JSW
? MONTE LYNCH BENEFIT YEAR STAG DINNER

Box

30 Rockefeller Plaza
New York, N. Y. 10112

Room 5600

(212) 649-5600

R6/4

March 24, 1988

Dear Margaret:

Thank you ever so much for, once again, permitting me to spend a few minutes with you during my recent visit to London. It is gratifying each time I go there to note the progress which has been made under your leadership in strengthening and building the British economy. People all over the world owe you a debt of gratitude for reinvigorating the spirit of free enterprise.

With every good wish for your continued success,

Sincerely,

David

David Rockefeller

The Rt. Honorable Margaret Thatcher
Prime Minister of England
10 Downing Street
London SW1, England

ms

CRANES CREST



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 February 1988

PRIME MINISTER'S MEETING WITH MR. DAVID ROCKEFELLER

The Prime Minister had a talk this afternoon with David Rockefeller. Lord Eccles was also present. Nothing very remarkable passed.

In discussion of Third World debt, Mr. Rockefeller thought it enough for Third World governments to make payments of interest. Repayment of capital was less important. After all, it was many years since the US Government had repaid any of its debt. The Prime Minister said that the commercial banks had lent Third World countries far too much. She was inclined to attach more importance than did Mr. Rockefeller to some repayment of capital.

Mr. Rockefeller lamented the US Administration's inability to get to grips with the federal budget deficit. He would like to see a tax imposed on gasoline at the pump, and action taken to reduce welfare entitlements. The Prime Minister said that there was no substitute for orthodox financing. She could not understand the President's reluctance to increase indirect taxation. She would like to see the Economic Summit countries discuss ways to tackle the costs of health and social security, although she recognised that this was not feasible until the French and American elections were out of the way. She was concerned at the growth of protectionist sentiment in the United States. Among other things this would worsen the debt problem. Third World countries had to be able to export if they were to grow and repay their debts. Mr. Rockefeller agreed and held out Turkey as a successful example of economic adjustment, based on export growth and privatisation.

Mr. Rockefeller asked what was the main task still confronting the Government in the United Kingdom. The Prime Minister said that it was to entrench in people the reality

RESTRICTED

- 2 -

that they must look to their own efforts and not to government to ensure their standard of living. it was the task of government to provide opportunity, but people must be responsible for their own future.

I am copying this letter to Tony Galsworthy (Foreign and Commonwealth Office).

your diary,
Charles Powell

CHARLES POWELL

Alex Allan, Esq.,
H.M. Treasury.

REMARKS BY DAVID ROCKEFELLER
CHAIRMAN, INTERNATIONAL ADVISORY COMMITTEE
CHASE MANHATTAN BANK
AT AMERICAN CHAMBER OF COMMERCE
LONDON, U.K.
FEBRUARY 28, 1988

Resolving the Global Economic Crisis

Thank you for that gracious introduction and good afternoon ladies and gentlemen.

In my role as chairman of Chase's International Advisory Committee, once a year I visit locations that are very important to Chase. It's a chance to witness first hand the tremendous changes taking place in the financial markets and to renew old friendships. The bank defrays some of my expenses and that is not unimportant for a pensioner.

Being retired gives me a bit more time to think so trips like this give me an opportunity to share my ideas and concerns with distinguished groups such as yourselves whose opinions count. I suppose I'm speaking out in the spirit of La Rochefoucauld's maxim that giving good advice is solace for no longer being able to set a bad example.

I would like to spend a few minutes with you today discussing the measures I believe the U.S. and other industrialized nations must take to "Resolve the Global Economic Crisis."

That's a pretty ambitious undertaking but my title as well as a number of the ideas I would like to advance come from a special report of the Institute for International Economics. 33 economists from 13 countries, representing a wide variety of philosophical positions, got together after the worldwide plunge in equity prices to develop an economic agenda. Their number included two Nobel Prize winners and five British economists. Their proposals are designed to assure that the October market drop goes down in history as an effective warning -- a spur to positive action -- and not as a harbinger of an extended economic downturn.

The economists were in remarkable agreement on the fundamental problems and solutions. Indeed, it's remarkable that 33 economists from 13 countries can agree on anything. As an economist by training myself, I'm familiar with the axiom that one could stretch all the economists of the world from end to end and they still wouldn't reach a conclusion.

The unanimity achieved by these 33 very able and independent-minded economists reinforces my own belief that the world economy faces serious problems but that the solutions are within our grasp if only we would show the political will to do what is required of us.

All 33 economists who met in November agreed that the persistent failure to correct major, unsustainable international imbalances could lead to a serious recession.

The problem, in their words, is the growing indebtedness of the United States vis-a-vis the three main surplus areas: Japan, Europe -- especially Germany -- and the Asian newly industrializing countries, the so-called "NICs."

The solutions they agreed upon and which I share involve, in the U.S., bringing the fiscal budget back in balance. In Japan, Germany and the Asian NICs, the key is boosting domestic investment and demand. Implicit in these national agendas is the need for much greater international cooperation. We need to resist protectionism and reverse an alarming retreat from our international obligations.

For the United States, the primary economic aim should be a balanced structural budget by 1992. Since 1981, the U.S. has been spending more than it produces and than it can finance with its current inadequate rate of savings. The huge budget deficit has fueled the trade deficit. America's imports are now almost double its exports, and massive borrowing from abroad has converted it in a few short years from the world's largest creditor country to the world's largest debtor.

The equity markets' plunge, the dollar's drop and the sharp decline earlier last year in the U.S. bond market all were saying the same thing. These deficits are unsustainable.

Although balancing the budget is an easy prescription to write, it has proven difficult to fill.

Congress and the President are deadlocked on the issues of both spending cuts and tax increases. Neither raising taxes nor slashing spending offer enticing policy prescriptions for a popular platform in an election year, but it remains a fact that any meaningful attack on the deficit will have to include a combination of higher taxes and reduced spending.

On the spending side our options have narrowed considerably. In the early days of the Reagan Administration defense expenditures grew dramatically. They have been cut back drastically, in the last few years, maybe even too much. so I don't think one can any longer look to the defense area as a source of major budget cuts unless we see a more dependable and more comprehensive arms reduction agreement than seems likely in the near future.

The other two big spending items are interest on the debt and entitlements. Of course, we have little direct control of our interest payments as long as we have deficits. So that leaves entitlements as the largest area to be addressed on the spending side.

Entitlement programs include everything from welfare payments to social security to veterans benefits. They've gone from 20% of the U.S. total budget in 1965 to about half of last year's budget. The growth of entitlements has been propelled by built-in automatic increases tied directly to the consumer price

index. Nobody wants to see spending cutbacks that will hurt truly needy people, but indexing is pushing up all contributions at an unacceptable rate. One way to ease the spiral would be to exempt the first 2 or 3% of inflation from benefit adjustments. If this measure were implemented on a sustained basis, it would have a very dramatic cumulative effect on government spending. By some estimates, exempting just 2% would save \$77 billion in five years. In my judgement this is a step the Congress and the President must face up to.

Turning to the revenue side, any tax increases in the U.S. need to take into account our very low rate of savings and the implications this has for our competitive position in the world. Americans last year saved 4% of their income, down from 9% in 1973. This compares to Germany's 14% and Japan's 16% savings rates. The gap is intolerable if the U.S. hopes to enhance or even maintain its standard of living. Even though American manufacturing productivity has gained 4% a year for the last five years, our savings rate has to increase significantly or this rate will not be sustained into the future.

Any tax increases, therefore, should be designed to encourage saving over spending. Unfortunately, a lot of the recent changes in tax law have had the opposite effect. For example, taxing capital gains at the same rate as income actually has the effect of discouraging savings.

On the other hand, a tax on consumption would help narrow the deficit while at the same time promoting savings over investment.

To me, the most obvious answer would be a tax on gasoline at the pump. It would cut back on gasoline consumption which we need to do anyway as we are, once again, becoming more and more dependent on foreign oil. Furthermore, gasoline prices are lower now than they were just a few years ago and are much lower in the United States than in most other countries. So this represents a fairly painless tax. Another virtue of a gas tax is that it would be relatively easy to collect. Again, we need to take precautions to make sure that the very poor are not hurt and there are a number of ways to protect lower income drivers dependent on gasoline consumption for their jobs.

Unfortunately, a gas tax is an unpopular idea and is especially difficult to impose in an election year. A value-added tax would probably be even more unpopular politically. But it addresses the need to encourage saving over consumption. And if it were tied to a reduction in income taxes and were properly explained the American people might be willing to give it a fair hearing.

Whatever the specifics we finally agree upon, we have to face up to dealing with our mountain of debt very soon. The United States cannot be a leader in the world -- and I think the world still needs our leadership -- if we continue to be the world's biggest debtor.

Japan faces the opposite challenge of the United States -- continuing to convert its export-driven economy with a huge surplus into one powered more by domestic demand. The Japanese have already started to do this, with domestic demand up about 1% of GNP for each of the last two years. They need to do more. Japan must put its massive domestic savings to work for its own people, investing in neglected sections such as housing. This will require changes in the Japanese culture, but I believe a growing number of Japanese are coming to see that it must happen.

Europe, with its high unemployment and slow growth, is exporting capital that, with the right incentives, might be deployed better at home. A country such as Germany has the capacity for higher growth and Europe as a whole could be a spur to the global economy through greater imports.

The Asian NICs have grown and prospered to a remarkable degree, most notably Korea, Taiwan, Singapore and Hong Kong. Yet their currencies thus far haven't adjusted to reflect their large trade surpluses. Nor in the case of Korea and Taiwan have they opened their economies in line with the powerful world role they've achieved.

If adjustments such as these can be made in the United States, Europe and Asia, there is hope that the world economy can continue to prosper.

I believe there is some reason to be cautiously optimistic in anticipating that many of the right steps will be taken, if for no other reason than because it is clear that addressing the imbalances is in the vital interest of each of the economies involved, as well as of the world at large.

Of course, there is always a temptation to throw up one's hands and assume that because the current imbalances have been going on for several years and are now more pronounced than ever before, they will go on forever.

But in this regard it is worth remembering that as recently as 1984 the U.S. had a record current account surplus.

Only three years ago, the dollar was tremendously strong, damaging many U.S. industries and paving the way for our excessive current trade deficit.

And we sometimes forget that in 1979 it was the dollar's weakness that raised a clamor among European bankers at the IMF meetings in Belgrade. They told Paul Volker, who had just been named Fed Chairman, the dollar's drop was a disaster and something must be done about it immediately. Indeed, he left the meetings a day early to embark on the policy which materially strengthened the dollar.

At some point between these extremes, the dollar must have reached equilibrium and had a value that was satisfactory to everyone. Unfortunately, no one took the trouble to let us know when we were there!

The point I am making is that trade balances and relative currency values do tend to fluctuate. But the imbalances will not go away on their own. Decisive action on the deficits along the lines I have suggested needs to be taken.

The stakes in the global economy are greater than ever before and are still growing. In five years, the exports of the industrialized countries have grown 30%. A third of U.S. corporate profits now come from trade and international investment compared with 18% 20 years ago.

These statistics don't reveal the underlying fact that entire regions and industries throughout the world are undergoing fundamental changes as a result of the restructuring of the global economy. As we know, the automotive, electronics, pharmaceutical, and petroleum industries have diversified well beyond their old national boundaries and now compete, manufacture and source parts and components on a global basis.

Bankers have been following these customers overseas and now the entire financial services industry is undergoing a radical transformation induced by globalization and deregulation. Heightened competition is spurring innovation and cutting costs

for financial service users. The products offered today by banks and non-banking financial intermediaries are very different from what they were a decade ago as is their packaging and delivery.

And the trend is accelerating. By 1992, local regulatory barriers to cross-border banking in the European Economic Community could virtually be gone. It might be as easy then for Credit Lyonnais to open a branch in Birmingham as in Boulogne.

To remain competitive and profitable, financial service companies, in turn, have been obliged to rethink the way they conduct their business and focus on what they do best.

Long gone are the days when the United States was the principal capital-rich nation when the leading American banks were the principal agents for giving Europe and Japan access to that capital. Today, Europe and Japan and even some NICs have become net capital exporters, and dollar-based U.S. banks no longer play the same role they did in the 50s, 60s and 70s. For their part, European and Japanese banks now compete globally and today a sizeable majority of the world's largest banks are to be found outside the U.S. Part of this change is to be explained by more restrictive banking laws in the U.S., part is due to the weakening of the dollar, but in large measure it reflects the growing relative strength of several of our trading partners.

At Chase, the changes have been dramatic in the seven years since I left the day-to-day business of banking.

To reinforce its ongoing international banking commitment, Chase's task has been to identify changing customer needs and in turn to create a product portfolio that will satisfy those current needs. These include new areas such as investment banking, risk management and advisory services more than lending to satisfy the traditional needs of corporate customers. Often, new financing vehicles have been put together in a modified network that can deliver these new capabilities to a variety of customers more effectively and profitably. In short, changes reflect a play off of new customer requirements which can be satisfied through Chase's truly global reach.

The result has been a highly targeted approach to the individual market and a wholesale focus on "corporate finance" -- a full menu of financing vehicles, securities, merchant banking, advisory services, foreign exchange, currency, and interest rate protection products.

In a sense, Chase is bridging global commercial banking and global investment banking.

To serve these markets profitably, Chase has had to alter its branch network, building additional capabilities in some locations, and closing offices entirely in others. In every location Chase's aim is to enhance its effectiveness in serving client needs.

For example:

- o Chase closed its Finland office, where returns failed to justify the investment, about a year ago. But one month after the shingle came down, the bank underwrote a Finnish debt issue, engineered from an off-shore location.
- o Chase sold its Netherlands bank when it became apparent that being the sixth-ranked traditional commercial bank in Europe's sixth largest economy made no economic sense for Chase. Yet immediately it opened an office engaged in corporate finance and trading.
- o Pursuing traditional commercial banking business in Dusseldorf, Hamburg, Munich, and Lyon also didn't make sense -- or profits -- for Chase, so it closed branches in these locations. But it aggressively and effectively pursues trading and corporate finance business for customers throughout Germany and France through its Frankfurt and Paris hubs as well as out of London, New York and Tokyo.

- o To support these focused strategies, Chase has added about 1,000 corporate finance, investment banking, and trading specialists to its global network over the past two years.

I share with you this capsule look at Chase's international transformation to illustrate the point that globalization is much more than a statistical amalgam. The way we do business and the way we live are fundamentally changing. There is no turning back from the world economy.

As obvious as this might be to most of you, it's alarming that many of our leaders, both in the United States and in other nations, appear intent on retreating to an isolationism that may have been possible a century ago but certainly is not today.

Isolationism manifests itself in a new threat of protectionism. President Reagan deserves high marks for having resisted protectionism in the United States up to this point but the threat is still with us and is to be found not only in the United States. Certainly Europe is no exception. Although the GATT talks in Punta del Este last year went better than many had feared, GATT has yet to come to grips with many tough and unpopular issues such as agriculture, patents and intellectual property.

Apart from trade, we in the U.S. seem to be less willing now to support international agencies, such as United Nations and regional organizations, and less willing to provide foreign assistance to those nations such as Africa which most desperately need it than we were a decade ago.

The troublesome problems of the third world debtor nations also illustrate the need for imaginative multilateral leadership which thus far has been insufficient.

It is evident that environmental threats to our world don't respect political boundaries. Yet international efforts to relieve problems such as the destruction of our rain forests and the encroaching Sahara are few and fragmented.

In short, we're closer than ever to having a one world economy and a one world environment thrust upon us, but we've barely begun to do what we must to safeguard and enhance that economy and environment for ourselves and our children. Those of us who profit from world trade and global finance have a special opportunity and obligation to help.

Since my last visit to London, you've had to contend with a stock market crash, a hurricane and an invasion of American football. I don't want to add "Rockefeller's sermonizing" to the discomforts you've already had to endure. So I'll conclude directly by saying, thank you.

* * *



Rb

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

8 February 1988

Thank you very much for your
letter of 4 February confirming
the arrangements for Mr. Rockefeller's
meeting with the Prime Minister.

TESSA GAISMAN (Mrs.)

Miss Jill M. Hurden.

✓



CHASE

The Chase Manhattan Bank, N.A.

Woolgate House, Coleman Street
London EC2P 2HD

Telephone: 01-726 7640

Chris J. Matlon
Senior Vice President
Country Manager

Acc

4 February, 1988

Ms Tessa Gaisman,
The Prime Minister's Office,
10 Downing Street
London SW1

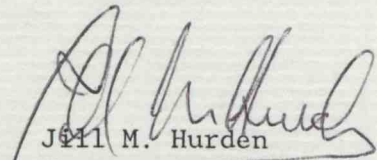
R 8/2

Dear Tessa,

This is just to confirm the arrangements that we made for Mr. David Rockefeller to meet with the Prime Minister on Monday 29th February at 3.30 p.m. for half an hour. As I understand it the meeting will be at 10 Downing Street.

Please call me if you need any further information.

Yours sincerely,


Jill M. Hurden

Secretary to Mr. C.J. Matlon

3.30 pm.
BF || Monday 29th Feb.
King's back
✓ 19/1

PRIME MINISTER

POSSIBLE MEETING WITH DAVID ROCKEFELLER

Lord Eccles rang earlier in the week, following your recent correspondence with him. He said that David Rockefeller, head of the Chase Manhattan Bank, would be in London between 26 February and 1 March and would very much like to see you to discuss the US budget deficit.

Do you wish to see him?

Yes - I usually do not

PLC6.

PAUL GRAY

5 January 1988

SLHARE

010

cc: [unclear]
R. [unclear]
COP 24/3

30 Rockefeller Plaza
New York, N. Y. 10112

Room 5600

247-3700

March 18, 1987

mt

Dear Prime Minister Thatcher:

I was delighted that you could spare a few minutes to see me during my recent trip to London. I valued your views on a broad range of subjects we covered and was especially pleased to find you in good spirits and viewing the future with a fair degree of confidence. Your leadership during these past several years has been a strong and stabilizing force not only in the UK but in the world at large.

It would be a pleasure to welcome you again here in New York when you are able to return. Meanwhile, my very best wishes for your ongoing success in the leadership of your great country.

Sincerely,

David Rockefeller

The Right Honorable Margaret Thatcher
Prime Minister
10 Downing Street
London SW1, England

SUBJECT
cc master

PERSONAL AND CONFIDENTIAL

FILE
ECL
bcp



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

2 March 1987

Dear Alex,

Mr. David Rockefeller came to see the Prime Minister this afternoon for what turned out to be a very general talk, mostly concerned with developments in Washington following the Tower Commission report. Mr. Rockefeller thought that the President could recover his standing but did not rule out the possibility that both Secretary Shultz and Secretary Weinberger would both have to go.

Mr. Rockefeller complimented the Prime Minister on the vitality of the City. The Prime Minister commented that there had been one or two serious problems. But you could not close a motorway just because there had been one or two accidents.

Mr. Rockefeller said that he was very worried about the failure of the United States' Administration to get to grips with the US budget deficit. The level of indebtedness of corporations and individuals was also a matter of concern.

The ratio of debt to income was higher than ever. Mr. Rockefeller thought that the Japanese were beginning to play a more constructive role in international economic questions. Both Nakasone and Miyazawa had a considerably better understanding of world problems than their predecessors. But there was still a long way to go before we could be satisfied that the Japanese were dealing fairly with their trade partners. The Prime Minister complained at the perennial tendency of other Heads of Government to be nice to Japan at Economic Summit meetings. It always ended with her being the only one prepared to criticise the Japanese.

There was a brief discussion of drug and other problems in Latin America and the Caribbean. Mr. Rockefeller expressed particular concern about Jamaica.

Commenting on the prospects for the United States' Presidential elections, Mr. Rockefeller thought that Gary Hart was well ahead among the Democratic contenders. His own preference would have been for Sam Nunn but he did not really have a national political base. He thought that Vice-President Bush still had a reasonable chance of securing the Republican nomination.

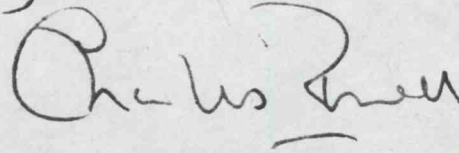
Mr. Rockefeller reminded the Prime Minister that she had an open invitation to address the Council on Foreign

PERSONAL AND CONFIDENTIAL

Relations in New York. He would be happy to organise a lunch or dinner when she was able to do so. The Prime Minister said that she would keep the invitation in mind.

The Prime Minister would regard this as a private conversation. I should be grateful if my note of it could be given only a very limited circulation.

I am copying this letter to Tony Galsworthy (Foreign and Commonwealth Office).

Yours sincerely,


CHARLES POWELL

Alex Allan, Esq.,
H.M. Treasury.

UNCLASSIFIED



gCBkup
Prime Minister
You are seeing
Mr. Rockefeller

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

on
Monday.

24 February 1987

ewb.

Charles Powell Esq
No 10 Downing Street

Dear Charles,

Thank you for your letter of 10 February to Alex Allan, about Mr David Rockefeller's forthcoming call on the Prime Minister.

We think that the Prime Minister might raise the following subjects with Mr Rockefeller:

- i. The sustainability of the world debt situation and the related issue of the health of the US banking system. (My letter to you of 10 February, attaching the regular debt report, is relevant as is the recent flurry of telegrams on Brazilian debt*.)
- ii. The outlook for protectionism in the United States, and in particular the shape of any trade bill that might be passed by Congress next spring.
- iii. The outlook for US financial legislation, particularly that affecting the ability of US and foreign banks to participate in the US real estate, insurance and (especially) securities industries.

I attach a note of a recent meeting between the Economic Secretary and Mr Willard Butcher, the present Chairman and Chief Executive of Chase Manhattan.

The Prime Minister may also wish to be aware that Mr Rockefeller has recently lobbied on behalf of Chevron against a US trade embargo in Angola, because of the risk that European companies would move in to take over Chevron's interests in the aftermath of any embargo.

Yours sincerely
Tony Kuczys

A W KUCZYS

* Telnos 50 & 52 from Brasilia, dated 20 and 21 February, are the most recent.



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 February 1987

Mr. David Rockefeller is paying a private call on the Prime Minister on 2 March. It would be helpful to have a very brief note of any particular points which you think the Prime Minister could usefully raise by Friday 27 February if possible.

(Charles Powell)

Alex Allan, Esq.,
H.M. Treasury.

50



CHASE

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HD
Telex: 8954681CMB G
Cables: Chamanbank, London EC2

Dennis C. Longwell
Senior Vice President &
General Manager

Telephone: 01-726 5200

January 27, 1987

Mrs. Caroline Ryder
Private Secretary to
The Rt. Hon. Margaret Thatcher, MP
Prime Minister and
First Lord of the Treasury
10 Downing Street
London SW1

CAP

Dear Mrs. Ryder,

Thank you for your letter of January 7, 1987
regarding an appointment for Mr. David Rockefeller
to meet with the Prime Minister.

Mr. Rockefeller is very pleased to hear that a
meeting will be possible and looks forward to
seeing Mrs. Thatcher at 4 pm on Monday,
2 March.

Yours sincerely,

Dennis C. Longwell

DN
Briefing?
J. 7/12

CONFIDENTIAL



FROM: P D P BARNES
DATE: 14 January 1987

NOTE OF A MEETING HELD IN ROOM 51/2 TREASURY CHAMBERS
PARLIAMENT STREET AT 5.30PM ON MONDAY 12 JANUARY 1987

Those Present: Economic Secretary
Mr Willard Butcher, Chairman and Chief Executive
Chase Manhattan Bank
Mr Dennis C Longwell, Chairman
Chase Manhattan Bank NA
Lord Redesdale, Vice President,
Chase Manhattan Bank NA

ECONOMIC SECRETARY'S MEETING WITH CHASE MANHATTAN BANK

Mr Willard Butcher, Chairman and Chief Executive Officer, Chase Manhattan Bank, paid a courtesy call on the Economic Secretary.

2. Mr Butcher made the following points of interest:-

- (i) An oil price of US \$20 would be necessary to return stability to the oil sector in the US, and a price of at least US \$25 - 30 would be necessary to promote further exploration and development in the free world;
- (ii) On the US trade position, Mr Butcher said that the fall of the US dollar had cut imports, although the extent of this had been mitigated by the Japanese tendency to hedge their currency by use of forward contracts, and by the German ability to accept slimmer margins. Mr Butcher was, however, worried by the failure of exports to react significantly to the increased competitiveness of the dollar. He thought that the J - curve effect might take up to 1½ years to work through. In the longer term, Mr Butcher remained bearish about the US balance of payments situation, pointing

CONFIDENTIAL

to the perhaps irretrievable loss of manufacturing capacity, the lack of surpluses elsewhere to offset the trades deficit with Japan, and the increased dependence on foreign oil. For these reasons, he thought the dollar likely to decline further;

(iii) On US financial legislation, Mr Butcher saw some signs of progress but remained sceptical. But there were hopeful signs; first, in improved relations between the Senate and Congressional Banking Committees; secondly, in indications that some, such as Mr Volcker, might follow the UK's lead; and, thirdly, in the added impetus given to reform by the Boesky affair.

(iv) On Big Bang, Mr Butcher thought that the system was operating well, after the initial hiccups. The authorities' informal and "hands-off" approach to regulation had ensured London's place as a financial centre and he hoped it would remain so. And although Big Bang was providing problems, in the shape of smaller margins (offset to some extent by higher volume) and the clash of commercial cultures, these were no greater than had been expected.

3. Mr Butcher's questions about the UK centred on the Government's confidence in the Economy, particularly the balance of payments and the rate of job creation.

hg

P D P BARNES
Private Secretary

CONFIDENTIAL

cc PS/Chancellor

Mr Evans

Mrs Lomax

Mr Mountfield

Mr Hall

Mr Walsh

Mr Board

Mr Roberts - IR

CONFIDENTIAL



EL

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

9 January 1987

Dear Mr. Rockefeller.

Many thanks for your letter of 24 December.

I shall be delighted to see you when you are over here in March and my office are arranging the meeting through Mr. Longwell's office in London. Warm regards

Yours sincerely

Margaret Thatcher

Mr. David Rockefeller

BM



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 January 1987

The Prime Minister has asked me to thank you for your letter of 18 December.

Mrs. Thatcher would be delighted to see Mr. David Rockefeller for a private chat when he is in London in March. Perhaps your Secretary would like to ring me on 930-4433 to arrange a mutually convenient time. 4 o'clock on Monday 2 March would be convenient for Mrs. Thatcher if that would suit Mr. Rockefeller.

(Mrs Caroline Ryder)

Dennis Longwell, Esq.

1. MR NORGROVE

2. MR POWELL

3. PRIME MINISTER

David Rockefeller will be in London on Monday 2 and Tuesday 3 March. He has asked to see you to "exchange thoughts on the many events which have taken place in our world since we last met". Your diary is busy but not excessively so.

Would you like to see him?

Caroline Ryder

6 January 1987

MRS. RYDER

I have discussed with the Prime Minister whether she should see David Rockefeller when he comes. She is adamant that she will do so because he was always very kind and considerate to her in Opposition when she visited New York. Unless there is a suitable lunch or dinner on the dates in question (2 and 3 March) to which he could be invited, could you arrange for him to call for half an hour on his own?

CJP

Charles Powell

5 January 1987

P.S. He has now written himself,
so we shall need to reply
direct.
CJP.

30 Rockefeller Plaza
New York, N. Y. 10112

Room 5600

247-3700

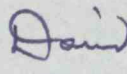
December 24, 1986

RS/1
PPD?

Dear Margaret:

As Chairman of the Chase Manhattan Bank International Advisory Committee, I am going to be in London on Monday, March 2nd, and Tuesday, March 3rd, 1987. It would give me great pleasure to have the opportunity to call on you during my visit. It has been a long time since we last met in June of 1982 and I would welcome the chance to exchange thoughts with you on the many events which have taken place in our world since that time. I hope you will be able to spare some time in your busy schedule. In the meantime, this letter comes with my very best wishes for the New Year.

Sincerely,



David Rockefeller

The Rt. Honorable Margaret Thatcher
Prime Minister and First Lord of the Treasury
10 Downing Street
London SW1
ENGLAND



10 DOWNING STREET

MR. POWELL

Should the Prime
Minister see David Rockefeller
remembering that he does not
have a vote. It is a normal
working week. Busy, but not
excessively so.

CAROLINE RYDER

22 December 1986



LG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

22 December 1986

The Prime Minister has asked me to thank you for your letter of 18 December.

This is receiving attention and a reply will be sent to you as soon as possible.

CAROLINE RYDER

Mr. Dennis C. Longwell.



CHASE

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2 2HD
Telex: 8954681CMB G
Cables: Chamanbank, London EC2

Dennis C. Longwell
Senior Vice President &
General Manager

Telephone: 01-726 5200

DL
December 18, 1986

The Rt Hon. Margaret Thatcher MP
Prime Minister and
First Lord of the Treasury
10 Downing Street
London SW1

Dear Prime Minister,

Mr. David Rockefeller will be visiting London on Monday March 2 and Tuesday March 3, 1987 and would very much appreciate an opportunity to see you. I do understand this is a very busy parliamentary time but really would be most grateful if you could spare the time.

Best wishes,

*Yours sincerely,
Dennis Longwell*

SUBJECT

NOTE FOR THE RECORD

Mr. David Rockefeller called on the Prime Minister yesterday afternoon, for a brief talk.

Mr. Rockefeller began by assuring the Prime Minister of the strength of US support for the British Government's policy on the Falkland Islands. He enquired whether the British Government was getting all the assistance it needed from the US administration. The Prime Minister spoke warmly of American help, singling out Mr. Haig's efforts. There followed a general discussion of the Falkland Islands situation.

Mr. Rockefeller went on to describe the purpose of his present visit, which was to launch a major drive to attract industrial development from Great Britain and West Germany to the City of New York. Mr. Rockefeller explained that the aim was not to attract employment away from the UK, but to encourage British companies to set up subsidiaries in New York City, to take advantage of the US market from a manufacturing base within the United States. There followed a general discussion of the role of the private sector in regenerating inner cities in the US and in the UK.

The meeting, which had begun just after 4.30 pm ended at 4.55 pm.

MUS

13 May 1982

1. MR. WHITMORE
 2. PRIME MINISTER
-

c.c. Mr. Coles
Mr. Scholar ✓

David Rockefeller is coming to London to head a New York trade mission. He will be in London on the evening of 11 May and during the day of 12 May. He asks whether he might see you.

On the evening of 11 May you are dining with the Committee of Vice Chancellors and Principals. On Wednesday 12 May you have various meetings and it is the day before you go to Scotland for the Scottish Conference and the Franco/British Council. You will have two major speeches to make that weekend. By way of background, you will in fact be seeing Mr. Rockefeller on Friday 18 June when you meet with the Chase Manhattan Board.

Can we send your regrets this time to Mr. Rockefeller?

20 April 1982

John Coles

I really am sorry to bother you with this one.

David McDonough telephoned this morning, as he said he would do when I spoke to him on Friday afternoon.

He is helping to organise the Rockefeller trip at the end of May and I attach ^{inside front cover} the Press Release and Information which he sent today.

The reason for him contacting us, is that they would very much like to arrange either a telephone conversation between the PM and Mr Rockefeller, or a presentation at No. 10.

When I spoke to David McDonough this morning, I only explained that Ian had felt it best for you to deal with this matter and that I was passing it on to you. I also said that he would be hearing from you. Would it be at all possible to telephone him today?

352-5964

Tessa

19.4.82

**David
McDonough &
Associates Limited**



New York
Chamber of Commerce
and Industry

NEWS RELEASE

FOR RELEASE: April 6 1982

CONTACT: David McDonough
01-352 5964/1647
(see Press Office address below)

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Vice Chairman

JOSEPH A. HEALEY
President

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CLAIRE MCCARTHY
ELLEN L. SCHREIBER
LOUIS P. VENECH
Vice Presidents

European Office:

25 Haymarket
London SW1,
England
Tel: 01-839 1148, 486 6140
Telex: 88 33 22 HASTIN-G

"MAKE IT IN NEW YORK CITY" TRADE MISSION TO
COME TO BRITAIN IN MAY 1982, LED BY DAVID
ROCKEFELLER AND EX-MAYOR JOHN LINDSAY.

The City of New York has announced a major drive to attract industrial development from Great Britain and West Germany. In mid-May, an important delegation of business leaders and City officials, led by David Rockefeller and John Lindsay, will be bringing a "Make it in New York City" trade mission to London and Chester.

Announcing the forthcoming mission in New York, Mayor Ed Koch said: "Foreign businessmen recognise our City as the country's business and financial centre. They are much more surprised when they realise what a huge manufacturing environment it is - with over 20,000 plants spread over the five boroughs."

David Rockefeller, Chairman of the New York Chamber of Commerce and Industry and also of the New York Partnership - a unique fusion of private enterprise and City government - emphasised the enormous size of New York City's market place:

"Our marketing slogan is 'Make it where the market is', which encapsulates the extraordinary fact that within sixty miles of the City centre there is a purchasing power of \$150 billion - roughly half that of the whole of Britain. One day's delivery time lifts the figure to \$600 billion, equivalent to the combined purchasing power of Britain and West Germany".

The mission will be in London on May 11 - 13 and Chester on May 14, including conferences at The Churchill Hotel, Portman Square, London W.1. (May 12) and The Grosvenor Hotel, Chester (May 14).

Through research by Arthur D. Little Inc., the City has identified special advantages for manufacturers of, among others, pharmaceuticals, medical equipment, plastic products and sporting goods.

The mission, combined with its substantial advertising and marketing programme, is the first drive ever undertaken by the City to attract foreign manufacturers. It is a combined effort

Press Offices:

London:
David McDonough & Associates Limited
2 Henniker Mews
London, SW3 6BL
Tel: 01-352 5964
01-352 1647

North West:
Elliott-Smith Partnership Limited
Gallowsclough Lane
Oakmere
Northwich
Cheshire, CW8 2TG
Tel: Sandiway (0606) 888 307

- see over -

by the City, the State of New York and the Port Authority of New York and New Jersey, which is a major owner of industrial property in the City and plays a major role in its infrastructure.

Officials in the group include: Joseph A. Healey, President of the Chamber; Peter C. Goldmark, Jr., Executive Director, The Port Authority of New York and New Jersey; and George Dempster, Acting Commissioner, New York State Department of Commerce. Former Mayor Lindsay is Special Trade Representative for the City of New York.

Leading businessmen on the mission include: Richard R. Shinn, Chairman and CEO, Metropolitan Life Insurance Co.; Preston R. Tisch, President, Loews Corporation; George Bugliarello, President, Brooklyn Polytechnic Institute; Elwin S. Larson, Executive Vice President and CEO, Brooklyn Union Gas; John Thompson, Managing Partner, Main Hurdman, and various representatives from New York Telephone, Philip Morris, Bache, and General Electric Corporation.

Euro Center Communications Inc., a New York City based advertising agency, whose European co-ordinating office is in London, has created the campaign and is implementing it both in Britain and West Germany.

OFFICIAL BRITISH GOVERNMENT WELCOME

In welcoming the delegation on behalf of the Government, Mr. Peter Rees Q.C. M.P., Minister for Trade - who will be opening the mission's London conference on May 12 - emphasised the two benefits which could result from the planned conferences in London and Chester.

"At a time of recession, when an open trading system, which serves the world so well, is under threat from a number of quarters, I am pleased to welcome a delegation whose purpose is to benefit from, and build on, that system. The volume of trade between the U.S.A. and the U.K. is very large and growing, and investment in both directions is a vital contribution to its development. We must let our trading relations continue to develop freely and resist both the protectionist pressures which beset us at present and the temptations to look for an artificial balance in these relations.

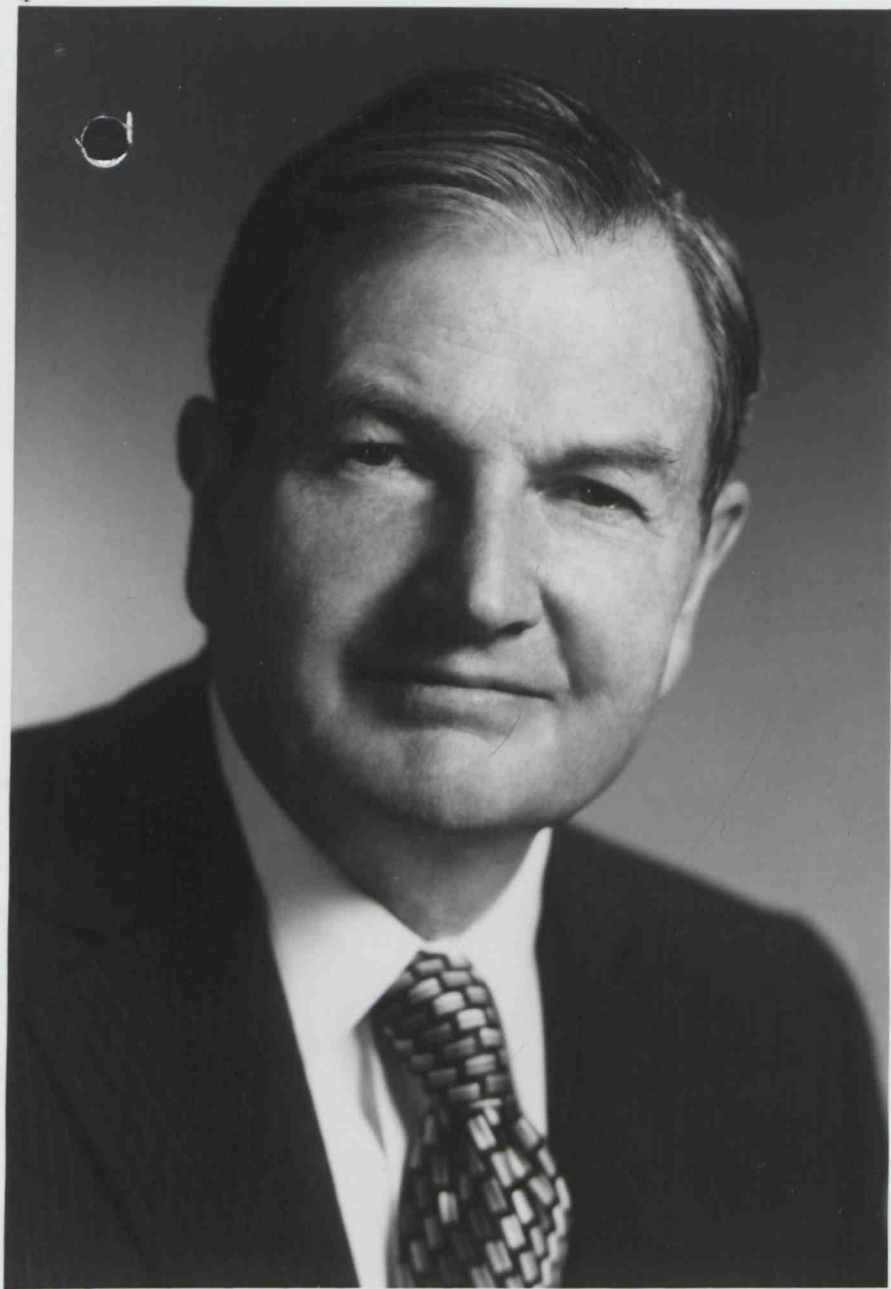
We hope our friends from the New York Chamber of Commerce will encourage British companies to extend their operations to New York. Providing such moves reflect real growth, they will increase profitability and so help to build employment on both sides of the Atlantic".

- ENDS -

Please Note: * David Rockefeller will be holding a Press Conference at The Churchill Hotel, Portman Square, London W.1., in The Library, at 10.30 a.m. on Wednesday May 12, 1982.

* The Hon. John Lindsay will be holding a Press Conference at The Grosvenor Hotel, Chester at 10.30 a.m. on Friday May 14, 1982.

*Carlos Basaldua, European Director of the New York Chamber of Commerce Business Marketing Department, is available for pre-trade mission press interviews. Please ring David McDonough & Associates to arrange this.



DAVID ROCKEFELLER

(Biographical Summary)

David Rockefeller, 67, is former Chairman and Chief Executive Officer of The Chase Manhattan Bank - a position he held from 1969 to January 1980. He is now Chairman of Chase's International Advisory Committee.

Mr. Rockefeller, youngest son of the late John D. Rockefeller, Jr., and brother of the late Vice-President Nelson Rockefeller, is Chairman of the New York Chamber of Commerce and Industry. He is also Chairman of the New York City Partnership, an association of business and civic leaders dedicated to improving economic and social conditions in the City. Organized in 1979, it responds to the growing need to strengthen and unify the public voice of business in New York City by creating more effective public positions on major urban issues. The Partnership has a board of 100 business leaders.

He has been, and is, a leader in many public and private projects, reflecting his wide-ranging interests in international, governmental, civic and cultural affairs. Among these are:

- Chairman - U.S. Business Committee on Jamaica
- Chairman (North America) - Trilateral Commission
- Hon. Chairman - The Japan Society
- Chairman - Council on Foreign Relations Inc.
- Hon. Chairman - Council of the Americas
- Hon. Chairman and Director - Center for Inter-American Relations
- Chairman - Rockefeller Brothers Fund
- Chairman (1950-75) - Board of Trustees - The Rockefeller University in New York City
- Chairman - The Rockefeller University Executive Committee
- Director - Rockefeller Center Inc.
- Director - International Executive Service Corps.
- Director - The Business Committee for the Arts.



JOHN V. LINDSAY

(Biographical Summary)

John V. Lindsay, born New York City 1921, BA Yale '43; LLB Yale Law '48; Hon. LLB Harvard '69; Williams '67; Oakland '64; Manhattanville '69; Pace '66; Trustee Yale '64-70.

Exec. Asst to U.S. Attorney General, Washington, D.C. '55-57. Argued three Constitutional cases U.S. Supreme Court; Member Eisenhower Cabinet staff; represented Attorney General and U.S. in Vienna, Austria, during Oct. '56 Hungarian revolt setting up machinery to admit 30,000 Hungarians to U.S.

Member U.S. Congress '59-66; Member House of Representatives Judiciary Committee '59-66; U.S. delegate to NATO Parliamentarians Conference, Paris, France '64-66; Chairman, Political Committee of Conference '65-66.

Mayor New York City '66-74; Chairman Urban Action Committee U.S. Conference of Mayors '68-72; Vice Chairman U.S. Commission of Civil Disorders by appointment Pres. Johnson '68-69.

Chairman, Richard Tucker Foundation; Board Member: Phelps Stokes Foundation, Police Foundation, Association for a Better New York, Korn/Ferry International.

Gunnery Officer U.S.S. Swanson '43-46 combat duty Mediterranean, South West, Central and Northern Pacific, five battle stars.

Webster & Sheffield '48-present, except dates noted above for public service, named partner '53. Member N.Y. Bar, D.C. Bar, U.S. Supreme Court Bar.

Author "Journey into Politics", Dodd Mead '66; "The City", W.W. Norton '69; "The Edge", W.W. Norton, '75. Articles: Harpers, Foreign Affairs; Atlantic Monthly, N.Y. Times Magazine, The Saturday Review, Contributing Editor WNET Channel 13 '75-present, ABC Network '74-78.

NEW YORK CITY AS A MANUFACTURING
LOCATION FOR FOREIGN-OWNED
SPORTING AND ATHLETIC EQUIPMENT
COMPANIES

THE EXECUTIVE SUMMARY
OF A REPORT FOR

THE BUSINESS MARKETING DEPARTMENT
NEW YORK CITY CHAMBER OF COMMERCE AND INDUSTRY

STATE OF NEW YORK DEPARTMENT OF COMMERCE

PORT AUTHORITY OF NEW YORK/NEW JERSEY

BY

ARTHUR D. LITTLE, INC.

A. INTRODUCTION

Arthur D. Little, Inc. has been retained by the Business Marketing Department of the New York City Chamber of Commerce and the Port Authority of New York and New Jersey to evaluate the New York area as a location for foreign-owned companies manufacturing sporting and athletic equipment.

This evaluation is based on an analysis by Arthur D. Little specialists of the operating and locational characteristics of firms in the industry, the nature of the market for sporting and athletic products in various component parts of the industry, and the characteristics of the New York area that would suit the industry's locational and operational criteria.

B. THE U.S. MARKET FOR SPORTING AND ATHLETIC EQUIPMENT ATHLETIC EQUIPMENT

The manufacture of sporting and athletic equipment is expected to be a strong and important component of the U.S. economy in the 1980's. Past experience shows that the market for this equipment shifts rapidly with the changing trends in the leisure time behaviour of the U.S. population. In recent years, for example, there has been an important shift away from certain leisure activities that were booming in the early 70's (before the energy crisis) like skiing, fishing and other activities which required travel to a specific resort area, to activities that can take place closer to home, such as jogging and physical fitness. Despite these shifts total sporting equipment sales are expected to grow at a rate of over 10% per year in the 1980's.

C. CONCLUSIONS

Arthur D. Little, Inc. examined the locational and operational characteristics of firms in the sporting and athletic equipment industry and concluded that New York would be a particularly good location for foreign firms interested in manufacturing products for the expanding "urban oriented" leisure time market. Foreign firms have products that would appeal to the growing interest in physical fitness should find a New York location particularly attractive. The most important advantages of a New York location are summarized below:

- * Because of the size of the urban population residing in the New York metropolitan region, the market for "urban orientated" sporting and athletic equipment is particularly large (jogging, bicycling, skating, exercising, racquet sports, and team sports equipment). As the nation's largest metropolitan area (16 million population and over \$130 billion in disposable income), it represents the largest single consumer market for urban orientated sports equipment.

- * For an industry which responds to the leisure time fashions of the moment and relies on trends in consumer behaviour, New York represents a location where new products manufactured can have a maximum exposure to potential customers; through the television and print media which are headquartered in New York City, through the City's extensive retail store network - the nation's largest - and through the attraction that the City has for conventions and trade shows which bring buyers from all over the world to view new products.
- * As an industry requiring relatively unskilled labour available at reasonably moderate cost, New York City is particularly well situated. At \$6.78 per hour, New York City has the fifth lowest average hourly earnings for production workers among a group of 22 metropolitan areas in the U.S. considered to be the key locations for manufacturing. In addition, the size of the labour pool in New York City and the low level of labour turnover make the city a desirable location for firms in the sporting and athletic equipment industry which have 24% of their costs in labour.
- * The transportation services available in New York make it a favoured location for firms in the industry. The availability of good contract trucking services and access to markets are listed as the most important locational requirements of U.S. firms manufacturing sporting and athletic equipment. On both counts, the New York area ranks very high. For foreign firms, the availability of the widest range of international passenger and air cargo services of any U.S. city will be a major asset.
- * New York City as a manufacturing center is geared to the needs of small manufacturing establishments. The sporting and athletic equipment manufacturing industry is characterized by establishments having an average of 30 employees. New York has both an inventory of available manufacturing space in existing buildings or in new industrial parks and the mix of business services catering to smaller establishments.
- * For foreign firms, New York City is particularly attractive since it is the prime international business center in the U.S. It is the City in the U.S. with the largest volume and variety of contacts to international banking, shipping and other institutions.
- * The application of New York's business development incentives can reduce state and local taxes to a point where the City is in a very favourable position when its taxes are compared with those in other U.S. locations.

NEW YORK CITY AS A MANUFACTURING
LOCATION FOR FOREIGN-OWNED
PHARMACEUTICAL COMPANIES

THE EXECUTIVE SUMMARY
OF A REPORT FOR

THE BUSINESS MARKETING DEPARTMENT
NEW YORK CITY CHAMBER OF COMMERCE AND INDUSTRY
STATE OF NEW YORK DEPARTMENT OF COMMERCE
PORT AUTHORITY OF NEW YORK/NEW JERSEY

BY
ARTHUR D. LITTLE, INC.

A. INTRODUCTION

Arthur D. Little Inc. has been retained by the Business Marketing Department of the New York City Chamber of Commerce and Industry in cooperation with the New York State Department of Commerce and the Port Authority of New York and New Jersey to evaluate the New York area as a location for foreign-owned companies manufacturing pharmaceutical products.

This evaluation is based on a analysis by Arthur D. Little specialists of the operating and locational characteristics of firms in the industry, the nature of the market for pharmaceutical products in various component parts of the industry, and the characteristics of the New York area that would suit the industry's locational and operational criteria.

B. THE U.S. MARKET FOR PHARMACEUTICAL PRODUCTS

The pharmaceutical industry is one of the most dynamic and profitable of any component of the U.S. economy, even though its growth trends have fluctuated widely over the past decade. At present, annual sales are in the range of \$20 billion per year. After tax return on capital averages close to 15% per year, making it one of the most profitable of U.S. industries. During the 1980's the industry is expected to exhibit strong growth trends, particularly in areas where new drugs that have been through the rigorous testing process are introduced to the U.S. markets. Imports of pharmaceutical products into the U.S., which in the past have been a small component of total U.S. sales, have grown dramatically in recent years. This is evidence of continued and increasing interest in the U.S. market.

C. CONCLUSIONS

Arthur D. Little, Inc., examined the location and operating characteristics of firms in the pharmaceutical industry and concluded that the New York area should be the prime location for foreign firms wishing to manufacture drug products for the U.S. market. The most important advantages of a location in the New York area are summarized below:

The U.S. pharmaceutical industry is already centred in the New York area. This means that foreign manufacturers locating in the area would be able to take advantage of the characteristics of the region that have attracted the industry since its inception. These include:

- the largest single U.S. market for drug products in the U.S. The close to 20 million people living in the New York and directly contiguous metropolitan areas, generate close to \$170 billion in personal income, making it the largest single consumer market for pharmaceutical preparations in the U.S.
- the largest concentration of health services of any region in the U.S. The New York area's 350,000 people employed in the health services industry represents the largest health service system in the nation. In an industry strongly linked to medical services, the proximity to this massive health service system is an important advantage.
- a sizeable pool of skilled labor required to operate pharmaceutical plants. For an industry in which skilled labor is an important requirement, the size of the skilled labor force in the New York region is a very important asset.
- the transportation services available in the New York area, the availability of good contract trucking services and access to markets are listed as the most important locational requirements of firms in the pharmaceutical industry. On both counts, the New York area ranks very high. For foreign firms, the availability of the widest range of international passenger and air cargo services of any U.S. city will be a major asset.

For foreign manufacturers with new products not now available on the U.S. market, a New York area location would appear to be a distinct advantage not only because of the characteristics of the regional market, but also because other manufacturers which supply required materials and have marketing networks already available are also located in the area. Since the industry is highly interrelated, many foreign manufacturers will probably seek production and marketing arrangements with existing U.S. producers, the most important of which are already based in the New York and adjacent regions.

For foreign firms, New York is particularly attractive since it is the prime international business center in the U.S. It is the region in the U.S. with the largest volume and variety of contracts to international banking shipping, and other institutions.

The application of New York's business development incentives can reduce state and local taxes to a point where the area is in a very favourable position when its taxes are compared with those in other U.S. locations.

NEW YORK CITY AS A MANUFACTURING
LOCATION FOR FOREIGN-OWNED
PLASTICS PRODUCTS COMPANIES

THE EXECUTIVE SUMMARY
OF A REPORT FOR

THE BUSINESS MARKETING DEPARTMENT
NEW YORK CITY CHAMBER OF COMMERCE AND INDUSTRY
STATE OF NEW YORK DEPARTMENT OF COMMERCE
PORT AUTHORITY OF NEW YORK/NEW JERSEY

BY

ARTHUR D. LITTLE, INC.

A. INTRODUCTION

Arthur D. Little, Inc. has been retained by the Business Marketing Department of the New York City Chamber of Commerce and Industry in cooperation with the New York State Department of Commerce and the Port Authority of New York and New Jersey to evaluate the New York area as a location for foreign-owned companies manufacturing plastic products.

This evaluation is based on an analysis by Arthur D. Little specialists of the operating and locational characteristics of firms in the industry, the nature of the market for plastic products in various component parts of the industry, and the characteristics of the New York area that would suit the Industry's locational and operational criteria.

B. THE U.S. MARKET FOR PLASTIC PRODUCTS

The U.S. plastic products industry is one of the nation's largest and fastest growing. At the present time, the total value of shipments in the industry is about \$32 billion annually and is expected to grow to \$13 billion by 1985. This represents a growth rate of about 18% per year, which is faster than the 16% rate that the industry sustained in the 1970's. The after-tax return on capital for the plastic products industry as a whole is above the average for the U.S. manufacturing industry generally. Imports of plastic products into the U.S. are also increasing rapidly - by about 15% per year at the end of the 1970's. This is evidence of continued foreign interest in the U.S. market.

C. CONCLUSIONS

Arthur D. Little, Inc. examined the locational and operating characteristics of firms in the plastic products industry, and concluded that New York would be a particularly good location for foreign firms wishing to manufacture plastic products for the U.S. market. The most important advantages of a New York location are summarized below:

- * The market for plastic products in the New York region is particularly large. As the nation's largest metropolitan area (16 million population and over \$100 billion in disposable income), it represents the largest single consumer market for plastic products. In addition, the over 45,000 manufacturing firms represent one of the three largest markets for plastics products used by industry in the U.S.
- * Foreign firms producing miscellaneous plastic products for both industry and households and plastic packaging products should find the New York area a prime location because of the size of their particular markets in the region. The New York area is already the nation's major location for these two product lines, constituting close to one fourth of U.S. production of miscellaneous plastic products and about 17% of plastic packaging products.

- * New York City as a manufacturing center is geared to the needs of small manufacturing establishments. The plastic products industry is characterized by establishments having fewer than 100 employees with over one third of all establishments having only four employees. New York has both an inventory of available manufacturing space in existing buildings or in new industrial parks and the mix of business services catering to smaller establishments.
- * As an industry requiring relatively unskilled labour available at reasonably moderate cost, New York City is particularly well situated. At \$6.78 per hour (October 1979) New York City has the fifth lowest average hourly earnings for production workers among a group of 22 metropolitan areas in the U.S. considered to be the key locations for manufacturing. In addition, the size of the labour pool in New York City and the low level of labour turnover make the city a desirable location for firms in the plastic products industry which have 21% of their costs in labour.
- * Since firms in the plastic products industry have a major requirement for raw materials in the form of plastic resins and compounds which constitute about 45% of all production costs, the availability of these materials is a key factor in the location of the industry. New York City is located within a short distance of the plastic materials industry on the East Coast of the U.S. which supplies these products. The costs of these products are competitive with those in other locations since they are sold on a delivered basis.
- * For foreign firms, New York City is particularly attractive since it is the prime international business center in the U.S. It is the city in the U.S. with the largest volume and variety of contracts to international banking, shipping and other institutions.
- * The application of New York's business development incentives can reduce the state and local taxes to a point where the City is in a very favourable position when its taxes are compared with those in other U.S. locations.

New York City looks to be an excellent location for foreign-owned firms in the plastics products industry, particularly those producing specific fabricated products. There is no other location in the U.S. where such firms can find the size and variety of markets.

NEW YORK CITY AS A MANUFACTURING
LOCATION FOR FOREIGN-OWNED
MEDICAL EQUIPMENT COMPANIES

THE EXECUTIVE SUMMARY
OF A REPORT FOR

THE BUSINESS MARKETING DEPARTMENT
NEW YORK CITY CHAMBER OF COMMERCE AND INDUSTRY

STATE OF NEW YORK DEPARTMENT OF COMMERCE

PORT AUTHORITY OF NEW YORK/NEW JERSEY

BY
ARTHUR D. LITTLE, INC.

1. INTRODUCTION

Arthur D. Little, Inc. has been retained by the Business Marketing Corporation for New York City, in cooperation with the State of New York Department of Commerce and the Port Authority of New York/New Jersey, to evaluate the New York City Area as a U.S. manufacturing location for foreign-owned medical equipment companies.

This evaluation is based upon operating assumptions and location criteria developed by Arthur D. Little specialists in facilities planning and location, international business, and health industries after consideration of medical equipment companies throughout the world.

2. THE U.S. MEDICAL EQUIPMENT MARKET

In 1979, the U.S. market for medical equipment was approximately \$2.3 billion and was expected to be nearly \$3 billion by 1984. Diagnostic imaging equipment is the largest segment of the medical equipment industry. In 1979, 35 percent of U.S. sales in this relatively fast growing segment were by foreign-owned companies.

3. CONCLUSIONS

Arthur D. Little developed economic and operating profiles of two hypothetical U.S. subsidiaries as the basis for evaluating New York City. The results indicate that the City has important advantages that make it worthy of serious consideration as a U.S. manufacturing location for foreign-owned medical equipment companies.

In summary the most important advantages are:

New York is a major manufacturing city with a large pool of available workers possessing the skills required to produce complex, high quality medical equipment.

The fact that New York's work force is one of the most stable in the United States, mean that employees are likely to stay with their jobs long enough to gain the experience necessary for quality production.

New York City's leading position in domestic and international air passenger service makes it readily accessible from overseas facilities. It also enables sales and technical personnel, as well as critical parts and supplies, to quickly reach present and potential customers. The City's excellent international air and marine cargo service facilitates the receipt of component parts from abroad.

At \$5.90 per hour (October, 1979), New York City has the fifth lowest average hourly earnings for production workers among a group of 22 SMSA's, including many of those most frequently discussed for manufacturing. This is obviously an important location consideration for medical equipment companies where labor costs are often 30 to 50 percent of sales revenues.

Thirty percent of the U.S. medical market is within 500 miles of New York City. This offers an area-based medical equipment company real and perceived advantages in its sales, distribution and service activities.

New York has one of the world's most comprehensive health care systems with a number of institutions of high stature. It therefore offers a New York medical equipment company easier access to new technology, a showcase for its products and potential image enhancement.

In or near the New York metropolitan area are sources for most or all of the materials, components, subassemblies and contract manufacturing services required to produce medical equipment.

No other U.S. city equals New York in facilities for, or activity in, international business.

The application of New York's package of incentives can reduce the burden of state and local taxes to a point where the City is in a very favorable position when its taxes are compared to those of other U.S. areas.

New York City offers residents from other countries the chance to maintain contact with their native cultures. It also offers outstanding access to the arts, education and recreation.

New York City has advantages of which foreign manufacturers of medical equipment can avail themselves. However, because of the urban setting, the manufacturer must accept a higher building-to-land ratio, minimal off-street parking and special security provisions. In this regard, plans are now underway to provide the City with secure suburban-style parks, thereby significantly enhancing its position as an advantageous U.S. location for foreign manufacturers of medical equipment.

"Make It Where the Market Is"

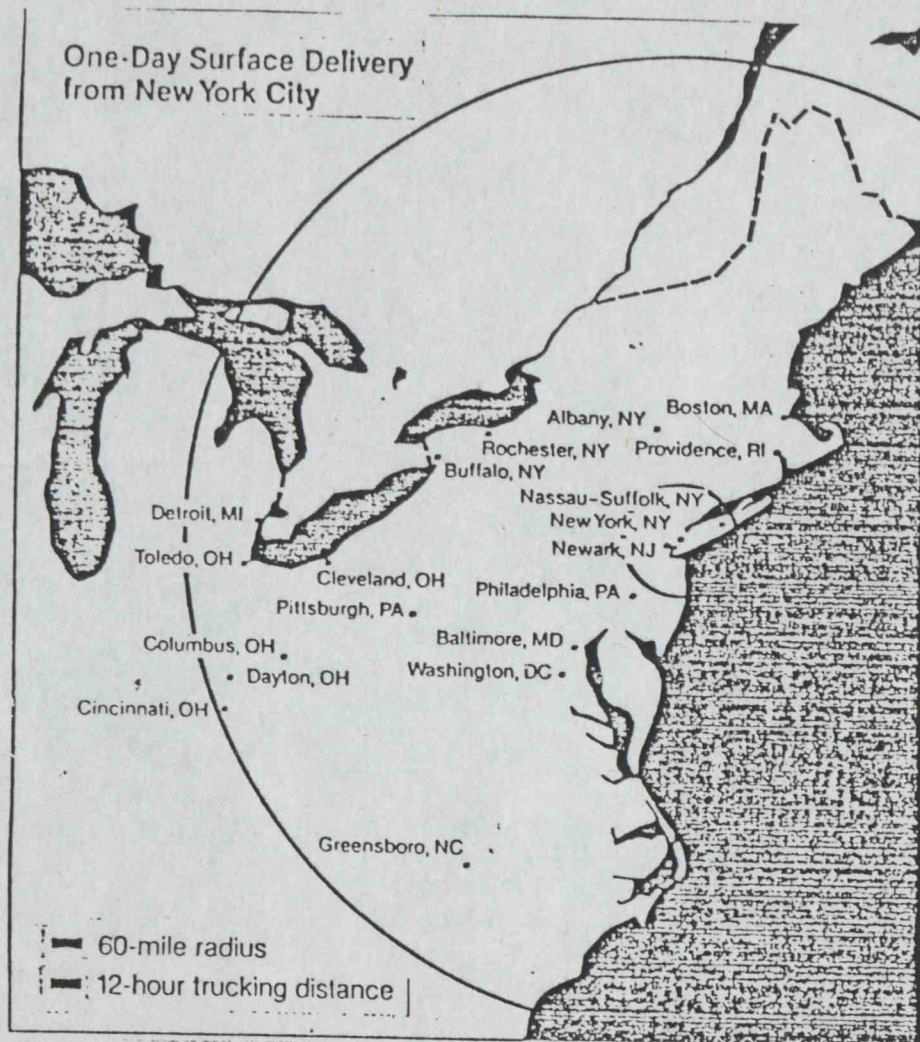
Prime Target Industry Prospects to Make It In
New York City

	Companies in Great Britain:	Companies in Germany
Pharmaceutical Companies	67	34
Medical Equipment	84	65
Sports Equipment	42	66
Plastic Products	67	50

**A National Wage Comparison:
New York City versus Locational Alternatives**

Location		Wage Index	Average Annual % Increase 1975-1981
Seattle, WA	①	135.6	11.2
Cleveland, OH	④	120.0	9.7
Houston, TX	②	119.1	10.3
St. Louis, MO	⑦	113.0	8.8
Philadelphia, PA	⑧	104.3	8.3
Chicago, IL	⑩	103.3	7.5
Los Angeles, CA	⑥	101.0	9.1
Atlanta, GA	⑤	92.9	9.6
Dallas, TX	③	94.1	10.2
Boston, MA	⑨	93.6	7.7
New York, NY		85.3	7.0

Source: Employment and Earnings, December 1981.



The Massive Market Place

Gross National Products, 1980

	Billion US\$
Japan	1000
New York*	906
West Germany	597
France	459
United Kingdom	451
Italy	270
The Netherlands	127
Switzerland	88

*One-day delivery radius in US from New York City.
Source: IMF International Financial Statistics.

ds

26 February 1980

Further to my conversation with your secretary today I am writing to confirm that unfortunately it will not be possible after all for the Prime Minister to meet with Mr. David Rockefeller and Mr. Butcher on Thursday, 27 March. You have probably heard that Herr Helmut Schmidt is paying an official visit to this country at that time and as the Prime Minister is entertaining him at Chequers she will have to leave immediately after Questions on that day. As you know, 26 March is Budget Day so I am not able to offer you an alternative time.

The Prime Minister would be most grateful if you could send her personal apologies to Mr. Rockefeller.

CAROLINE STEPHENS

The Lord Redesdale

KRB
J..



10 DOWNING STREET

PRIME MINISTER

Meeting with
David Rockefeller

You suggested that you might see him at 1900 on Budget evening. I am afraid this will not be possible as you have an Audience at 1830. I really do not think you can see him this time.

Agree?

Yes not

[Signature]

+ Mr Butler.

600.6141

Ld Redersdale

25 February 1980

W/e Box

USA



10 DOWNING STREET

PRIME MINISTER

Meeting with
Mr. David Rockefeller

You are due to see Mr. Rockefeller on Thursday 27 March at 1730. This is the day when you are entertaining Chancellor Schmidt to dinner at Chequers and you will therefore have to leave as soon as possible after Questions. The preceding day is Budget Day so I hope you will agree that this meeting should be cancelled?

7p.m. on Budget evening?

mr

21 February 1980



10 DOWNING STREET

From the Private Secretary

11 February 1980

Many thanks for your further letter of 7 February. I think we must keep to our original plan of having you met in the Central Lobby by one of the Prime Minister's Private Secretaries as members of the public are not allowed to congregate in the Members' Lobby.

I look forward to receiving a list of the topics Mr. Rockefeller and Mr. Butcher wish to discuss with the Prime Minister nearer the time.

CAROLINE STEPHENS

The Lord Redesdale

TR

USA

The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street
London EC2P 2HD
Telephone: 01-600 6141 Telex: 884191
Cables: Chamanbank LondonEC2

Lord Redesdale
Vice President
Director - Corporate
Communications - Europe



CHASE

February 7, 1980

R9

Ms. Caroline Stephens
Private Secretary to
The Prime Minister
10 Downing Street
London SW1

Dear Mrs Stephens

Thank you for your letter of January 30 regarding the meeting between the Prime Minister, Mr. David Rockefeller and Mr. Bill Butcher, on Thursday, March 20, at 1730 in the House of Commons. I will bring them to the Members Lobby at 1725, since the Central Lobby will be rather crowded at that time.

I will be sending you a list of the topics to be covered as soon as I have them to hand, together with some material on Mr. Butcher.

With best wishes.

Yours sincerely
Redesdale

B/F 26 3.80
Mr. Migg.

file 16

USA

30 January 1980

I am writing to confirm that the Prime Minister is looking forward to seeing Mr. David Rockefeller and Mr. Bill Butcher on Thursday, 27 March at 1730 in the House of Commons. They will be met by a Private Secretary at 1725 and conducted to the Prime Minister's room. If you can get some guidance as to the sort of topics they wish to raise with Mrs. Thatcher, I would be most grateful.

As I know you will appreciate, because of the Budget, this is a very busy time for the Prime Minister and it will only be possible for her to give them half an hour.

CAROLINE STEPHENS

The Lord Redesdale.

CS



10 DOWNING STREET

PRIME MINISTER

When David Rockefeller comes to see you on 26 March he wonders if he can bring with him Mr. Bill Butcher who is to succeed him in 1981?

ES.

29 January 1980

*Chase Manhattan
Woolgate Ave,
Colmen Street,
EC2*

Yes

aw

*600. 6141
Ld Redersdale*



W M have to
see him
and

10 DOWNING STREET

From the Private Secretary

Prime Minister.

Lord Redersdale of Chase
Markham Bank wants to say
that David Rockefeller will be
over here on 26/27th March.
Would you like to see him?
The 26th is Budget Day;
27th Cabinet & Questions,
possible meeting with the 1922
Committee & Dinner for Herr
Schmidt.

E.J.

28/1

cc Mr. Wolfson.

USA

Z

The Chase Manhattan Bank, N.A.
1 Chase Manhattan Plaza
New York, New York 10015

David Rockefeller
Chairman of the Board

July 2, 1979



CHASE

The Right Hon. Margaret Thatcher
Prime Minister
No. 10 Downing Street
London, England

Prime Minister

BM
13
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Dear Madam Prime Minister:

You were really exceedingly kind to give me a few precious moments of your time during my recent visit to London, despite the fact that it was the very day when your path breaking and courageous budget was being announced. I was very glad that we could have had a brief conversation, however, as I wanted to be able to tell you how firmly I am convinced that you are on the right track and how much I hope your program will succeed.

Your very able young assistant, David Wolfson, (whom I later learned is the son of Sir Isaac whom I have known for a number of years) was most helpful in going over my talk at the American Chamber of Commerce which I delivered the following day. I look forward to keeping in touch with him and, on rare occasions, with you if there appears to be something of special consequence which deserves your personal consideration.

I hope you will be planning a trip to the United States in the not too distant future. When you come, it would give me much pleasure to arrange a luncheon or dinner for you along the lines of the one you had to cancel earlier this year. I believe it might also be useful for you to speak at the Council on Foreign Relations where I can assure you a broadly diversified audience of opinion makers will be in attendance.

With warm good wishes,

Sincerely yours,

copied to Master
+ Rhodesia (sit) May 79
+ Iran (Shah's settlement in UK)
May 79

NOTE FOR THE RECORD

cc: Mr. Cartledge
Mr. Wolfson

Mr. David Rockefeller called on the Prime Minister at 1000 on Tuesday 12 June. The following are the main points which came up in their discussion.

Mr. Rockefeller said that the position of the U.S. Congress on the Muzorewa Government was very helpful. However, President Carter was moving cautiously. He hoped that the Prime Minister might possibly be able to push the President when she met him in Tokyo in the direction of recognition and lifting of sanctions. The U.S. would certainly need the U.K.'s support if recognition and the lifting of sanctions were to take place. The Prime Minister said that she would certainly be raising the matter with the President. In her view, there was a good case for lifting sanctions - based on the turn out in the Rhodesian elections and the way in which it had been conducted. In any case, she did not think it would be possible to get a new sanction order through the House of Commons in November.

Mr. Rockefeller raised the question of a long-term residence for the Shah. At present, he was of course in Mexico - and the Mexican President had to be applauded for agreeing to have him; but he was afraid that Mexico could only be a temporary refuge. He well understood the reasons why both the U.K. and the U.S.A. had so far been unable to offer the Shah refuge; but he was very unhappy that neither of the two great free nations had been able to help. The Prime Minister said that the only reason why the U.K. had been unable to offer the Shah refuge was the risk to our staff at the Tehran Embassy; the Mexicans did not have this problem because they had closed their Embassy. In time, it might be possible to offer him refuge.

Mr. Rockefeller said that Chase Manhattan were planning to conduct a publicity campaign through the American Press arguing the case for capitalism and the Conservative economic philosophy.

/ He hoped

He hoped that this would have some impact in the U.S.; but it might also be helpful in Britain - and if it were successful in the U.S., it might be extended to the European edition of the Herald Tribune. He himself would be addressing a Conference of international bankers in London the following day on this basic theme. Mr. Rockefeller went on to say that he would like to keep in touch with the Prime Minister's Office on his approach so as to be of maximum help to the Conservative Administration. The Prime Minister said that this would indeed be useful, and she asked David Wolfson to establish contact with Mr. Rockefeller's London office.

TL

13 June 1979



With the Compliments
of the
Chancellor of the Exchequer's
Private Secretary

Treasury Chambers,
Parliament Street,
S.W.1.

CHASE MANHATTAN BANK

Mr Rockefeller, aged 63, was educated at Harvard and joined Chase Manhattan's Foreign Department in 1946. He became Chairman and Chief Executive in 1969.

Chase Manhattan is currently the third largest US commercial bank with deposits of dollars 43.5 billion at end of June 1978. Deposits growth in the 12 months to June 1978 at 12.3% was slower than that achieved by the other leading five American commercial banks. In contrast, earnings in the first 9 months of 1978 exceeded market expectations with net operating income 59% higher than over the same period a year earlier. These gains are attributable to higher net interest income, a 26% reduction in the provision for loan losses, and increases in non-interest income from international business, foreign exchange trading and other sources.

Chase Manhattan has two branches in London - a coordination office for business in Europe, the Middle East and Africa, and a merchant bank subsidiary - Chase Manhattan Limited, which last year became an authorised bank. In addition there are share holdings in two consortium banks in London - Libra and Orion.

Late last year, Mr Rockefeller gave his views on major US financial and economic development in a series of speeches and interviews. He voiced support for the establishment of the New York Free Trade Banking Zone and urged the Federal Reserve Board to adjust its reserve requirements and interest rate ceiling to accommodate this move. He attributed the steady decline of the US share of international banking business to the FRB regulations.

At ^{the} Annual Meeting of the American Banker's Association he called US commercial banks, acting in unison, to respond positively to the growing competitive challenge from non-bank financial institutions, savings banks and foreign banks. He was critical of the US Government's increasing share of national income and of the escalating cost of private firms in meeting Federal ^{of regulations} ~~regulations~~. He criticised over-reliance on monetary policy to combat inflation and urged President Carter to make more use of fiscal policy. His view was that the voluntary wage/price measures represented a move in the right direction but may fail for lack of other policy support.

THE UNITED STATES ECONOMY

Real GNP grew by 3.9 per cent in 1978, the third consecutive year of high growth. The expected slowdown now seems to be underway with GNP growing by only 0.4 per cent (annual rate) in the first quarter and the index of leading economic indicators declining in April for the fourth successive month. Growth should slow to 2½ per cent in 1979 and to just over 1 per cent in 1980. Unemployment which has fallen from 8.5 per cent of the labour force in 1975 to under 6 per cent is likely to rise again. Slower growth is necessary to reduce the current account deficit which reached \$16bn last year with a record deficit on merchandise trade. The deficit is forecast to fall to just under \$10bn this year. The dollar has been surprisingly strong since the turn of the year.

Control of inflation is now the priority. Inflation accelerated from a year-on-year rate of 6.5 per cent in 1977 to 7.6 per cent in 1978 and is forecast to accelerate to 9½ per cent in 1979. In the three months to end April 1979, consumer prices have increased by 12½% (annual rate). President Carter's wage and price guidelines designed to achieve voluntary moderation have been badly dented. Monetary policy was tightened last year when the dollar was weak but there has been little change so far this year.

The President is aiming to reduce the budget deficit to under \$30bn in Fiscal 1980 from \$37bn. Congress has concurred. He has had less success with energy conservation proposals: short-term saving measures were rejected by Congress. But price decontrol, which does not require legislation seems set to go ahead.

IG3 Division
HMT
11 June 1979

ROCKEFELLER, DAVID, banker; b. NYC June 12 1915; s. John Davison Jr. and Abby Greene (Aldrich) R; B.S. Harvard 1936; PhD U. Chgo 1940; LLD Columbia 1954, Bowdoin Coll. 1958, Jewish Theol. Sem. 1958, Williams Coll. 1966, Wagner Coll. 1967, Harvard 1969, Pace Coll. 1970, St John's U. 1971; m Margaret McGrath, Sept 7 1940; children - David, Abby A., Neva (Mrs Walter J Kaiser), Margaret D., Richard G., Eileen M. Sec. Mayor Fiorello H La Guardia, 1940-41; asst. regional dir. Office Def. Health and Welfare Services, 1941-42; 2d v.p. Chase Nat. Bank, 1948-49, v.p. 1949-51, sr.v.p. 1951-55 merged with Bank of Manhattan, exec. v.p. Chase Manhattan Bank 1955-57, vice chmn. bd. dirs. 1957-61, pres. chmn. exec. com. 1961-69, chmn. bd. chief exec. officer, 1969- , also dir. chmn. The Chase Internat. Investment Corp. 1961- ; dir. Rockefeller Center, Inc. Chmn. Downtown Lower Manhattan Assn., 1958- . Served to capt. AUS 1942-46. Trustee, chmn. bd. Rockefeller U; vice chmn, trustee Rockefeller Bros. Fund; hon. trustee Rockefeller Family Fund; life trustee U. Chgo; trustee, vice chmn. exec. com. Mus. Modern Art; mem. bd. overseers Harvard Coll. 1954-60, 62-68, 73-74. Awarded Legion of Honor (France); Order of Merit (Italy); recipient award of merit NY chpt. AIA 1965; Medal of Honor for City Planning NYC, 1968; Charles Evans Hughes award Nat. Conf. Christians and Jews 1974. Mem. Internat. Exec. Service Corps, (dir. chmn. 1964-68), Center Inter-Am. Relations (dir., hon. chmn), Council Fgn. Relations (dir. 1949- , v.p. 1951-70, chmn.), Am. Philos. Soc. Congress on Liberty. Clubs: Harvard, University, Century, Links, Knickerbocker. Author: Unused Resources and Economic Waste, 1940; Creative Management in Banking, 1964. Address: 1 Chase Manhattan Plaza New York City NY 10015.

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11 JUN 1979

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