

Subject cc master



10 DOWNING STREET

From the Principal Private Secretary

12 July 1986

PRIME MINISTER'S BILATERAL WITH PREMIER BENNETT

The Prime Minister had a half an hour's discussion today, 12 July, with Mr. Bennett, the Premier of British Columbia, during her visit to the Expo. Dr. Norman Spector, Deputy Minister to the Premier, and the High Commissioner were also present.

Premier Bennett remarked upon Canada's difficult trading relations with the United States. The recent episode involving Canada's timber exports showed the disadvantages of the US Presidential system where the Administration had little control over Congress, especially in an election year. Unfortunately, once protectionist legislation was on the Statute Book, it was always difficult to have it repealed. He hoped that the protectionist forces in Canada would not force too much retaliation. He was strongly in favour of free trade because that was the only way of creating viable export industries, which were essential if Canada was to stop living beyond her means. It was also important to tackle problems of Japanese trade.

The Prime Minister emphasised the importance of the success of the coming GATT negotiations. She was sure that President Reagan was as great a believer in free trade as Premier Bennett and herself. It was important to avoid trade disputes disturbing our wider political relationships with the United States since our freedom depended on them. She agreed strongly that Japanese protectionism needed to be attacked. She had often raised the issue at Economic Summits but with little result, partly because other Summit leaders were too ready to let the Japanese off because of the importance they attached to keeping Japan within the comity of democratic nations. An especial problem was the thicket of Japanese bureaucracy which created non-tariff barriers

Turning to domestic economic matters, Premier Bennett said that British Columbia had reduced the number of its employees in the public service by 25 per cent between 1982 and 1984. They had had to act at the beginning of the recession because of their dependence on resources. The Prime Minister then described the Government's success in controlling Civil Service numbers. She assured

Premier Bennett that the Government still had an aggressive privatisation policy. This was important, not only in improving the efficiency of industries but in spreading ownership. Premier Bennett noted that the British Columbian scheme for giving shares in British Columbian resource companies to the people had not been a success. Shareholdings were so dispersed that there was no effective discipline on the management. Share prices in the corporation had fallen considerably.

I am sending a copy of this letter to Catherine Bradley (Department of Trade and Industry) and to the High Commissioner.

N. L. WICKS

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