

AB can a
second carbon
be made pt.
Smanne.



file

SPW

10 DOWNING STREET

From the Principal Private Secretary

12 July 1986

Subject cc master

MEETING WITH CANADIAN BUSINESSMEN

The Prime Minister held a 45-minute meeting with a group of Canadian businessmen in the Hotel Vancouver during her visit today to Expo 86. The names of the businessmen are set out in the annex to this letter.

The Prime Minister described the development of British economic policy over the last 7 years, emphasising the Government's strategy for reducing the Government's role in the economy, maintaining a sound financial framework and promoting enterprise. She referred to the origins of the unemployment problem and talked about the prospects for oil prices, noting that within 15-20 years' time the Western economy's dependence on Middle East oil could well have returned. On the world economy, she said that the slow down in world growth earlier this year had surprised everybody and she was not as certain as some that there would be a strong economic recovery next year. She emphasised the importance of reducing the US budget deficit, saying that she was especially concerned with the growing percentage of US Government expenditure accounted for by debt service. She stressed that a new GATT round was essential if protectionism was to be beaten back.

The businessmen then asked the following questions: Mr. Robert Alexander of Microtel asked for the Prime Minister's views on the free trade agreement between US and Canada. The Prime Minister said she thought that some Canadian industries would profit and others would lose. Mr. Alexander commented that Mr. Mulroney shared her caution in that he was now emphasising "freer" rather than "free" trade. The Prime Minister noted that some sectors of US trade were quite highly protected such as shipping, airlines and steel. Mr. Ray Addington of Kelly Douglas commented that both British and Canadian businessmen had much to gain by investing in each other's country. He cited the case of his own company which had sold a chain of drug stores to Boots. Boots were now successfully developing the stores. If his company had retained them, that might not have happened. On the other side, Mr. Vinod Sood of Finning Tractor and Equipment had bought a Bowmaker company in the UK which was now doing well. He hoped the British Government would focus British businessmen on the advantages of this sort of operation. The Prime Minister agreed. Businessmen needed to think nowadays on a global scale.

/Mr. David Culver

Mr. David Culver of Alcan enquired about the British tax treatment of redundancy payments. The Prime Minister said that a large sum, she thought the first 25,000 pounds sterling was tax free. This was important if industry restructuring was to be encouraged. Mr. Culver regretted that the Canadian Government did not follow this example. An opportunity was thereby lost to create capitalists.

Mr. Vinod Sood enquired about the reasons for high wage increases in the UK. The Prime Minister explained that the increases in public sector wages had been kept below the private sector's for many years. But this could no longer be sustained. Unfortunately, management had granted itself large pay increases and thus was not in a position to call for low wage rises from its workers.

Mr. Neville Gibson of Grosvenor Estates applauded the Government's decision to remove exchange controls. This had allowed pension fund capital to move into the US and Canadian markets, so securing long term income for Britain. In further discussion, the Prime Minister drew attention to the plan to reduce the top rate of tax in the US to 27 per cent. This raised the prospect of a brain and enterprise drain into the US.

Mr. Allan Taylor of the Royal Bank of Canada expressed the hope that the Government would continue with its deregulation of financial markets. Mr. Claude Taylor of Air Canada hoped that British Airways would be privatised. The Prime Minister assured him that that was the Government's intention once certain legal difficulties and the Bermuda Agreement had been sorted out.

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

(N. L. WICKS)

Colin Budd, Esq.,
Foreign and Commonwealth Office.

RESTRICTEDPRIME MINISTER'S VISIT TO EXPO 86: MEETING WITH CANADIAN BUSINESS

Jim Pattison - Chairman of Expo 86
 Bill Harris - Barclays Bank (Canada)
 David Culver - Alcan
 Ray Addington - Kelly Douglas
 Robert Alexander - Microtel
 Tony Kirkby - BP (Canada)
 Donald Cormie - Principal Group
 Allan Taylor - Royal Bank of Canada
 Bruce Pepper - Chariman, Vancouver Board of Trade
 Bill Hopper - Petro Canada
 Claude Taylor - Air Canada
 Frank Robertson - Woodward's
 Peter Saunders - Versatile Corporation
 Neville Gibson - Grosvenor Estates
 David Radler - Argus Corporation
 Vinod Sood - Finning Tractor and Equipment
 Dr Michael Walker - The Fraser Institute
 James Matkin - Business Council of British Columbia

G. Hall

 GH:mc
 11 JULY 86
RESTRICTED