

*Subject cc Master*



*meeting record*

*b.c. R.E*

10 DOWNING STREET

LONDON SW1A 2AA

*From the Private Secretary*

14 July 1986

*Dear Sir,*

**PRIME MINISTER'S MEETING WITH THE  
CANADIAN PRIME MINISTER**

The Prime Minister met Mr. Mulroney in Montreal on 13 July on her way back from her visit to EXPO '86 in Vancouver. Mr. Mulroney was accompanied by the Canadian High Commissioner in London and a number of officials. Sir Derek Day was also present.

I am recording separately the discussion about South Africa.

Bilateral issues

Mr. Mulroney congratulated the Prime Minister upon the success of her visit to Vancouver which had made a remarkable impact. He noted rather wistfully that she had had a much better reception in Vancouver than he had. There appeared to be no real problems in bilateral relations. The Allied-Lyons bid had been dealt with satisfactorily from the United Kingdom's point of view. British exports to Canada were rising well.

The Prime Minister said that she was very grateful for her reception at Vancouver and for the excellent arrangements which had been made for her, including for her security. She thought that EXPO '86 was magnificent and a tremendous success for Canada.

Ireland

Mr. Mulroney said that the Canadian Government wanted to demonstrate its support for the Anglo-Irish Agreement. They were therefore proposing to contribute some \$10 million over 10 years to projects in Northern Ireland and in the Republic. The money would be found jointly by Government and the private sector. He proposed that the contribution should be announced following the meeting with the Prime Minister. The Prime Minister expressed gratitude for the Canadian Government's generous gesture which she took as a signal of traditional friendship. She agreed that the contribution should be announced when they met the press.

*JB*

Economic issues

Mr. Mulroney said that his Government had taken a number of difficult decisions on the Canadian economy. These were showing results. More than 600,000 new jobs had been created in the preceding 18 months. Interest rates had been brought down some three and a half points. But regional disparities in economic prosperity were growing. There was a boom in Ontario, Manitoba and Quebec, but the collapse of agriculture and oil prices was causing grave difficulties in western Canada. There was strong pressure on the Government to step in to help. This would affect the Government's ability to meet its targets for reducing the public sector deficit. Hitherto the Government had been remarkably successful in keeping to these. It had also achieved zero growth in two successive years in the discretionary part of the social security budget although only at considerable political cost.

The Prime Minister complimented Mr. Mulroney on the success of the Canadian Government's economic policies. She referred to the difficulties for the United Kingdom economy caused by the fall in oil prices. She stressed the importance of prudent financial policies and of restraining public spending. There seemed to be an inevitable tendency for public spending to rise in democracies. This was a problem which ought to be discussed collectively at an Economic Summit.

Agriculture

Mr. Mulroney said that Canada was getting hammered on world agricultural markets. He was very disturbed by the implications of the United States Farm Bill. He wondered how the Prime Minister saw the follow up to the discussion of agricultural problems at the Economic Summit in Tokyo.

The Prime Minister said that the momentum of international discussion had to be kept up in the OECD and in the GATT. At the same time every effort must be made to pursue policies to keep supply and demand more nearly in balance, while taking account of the interests of countries which were traditional friends and suppliers.

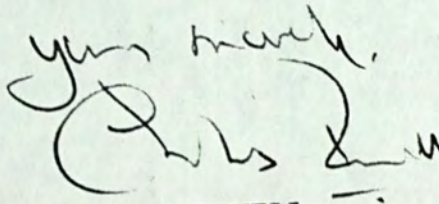
Middle East

Mr. Mulroney enquired about the Prime Minister's visit to Israel and the prospects for the progress on Arab/Israel matters. The Prime Minister said that there was no prospect of any new United States initiative until the Congressional elections were over. But it was important to maintain pressure upon the United States Administration to come forward with a new initiative as soon as possible thereafter. Work on this should already be in hand. Meanwhile there was scope for some modest advance on the West Bank. King Hussein needed continued encouragement and support.

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I am copying this letter to Rachel Lomax  
(H.M. Treasury), Ivor Llewelyn (Ministry of Agriculture,  
Fisheries and Food), Jim Daniell (Northern Ireland Office)  
and Michael Stark (Cabinet Office).

*Yours sincerely,*  
  
CHARLES POWELL

Colin Budd, Esq.,  
Foreign and Commonwealth Office

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