



Treasury Chambers, Parliament Street, SW1P 3AG
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Prime Minister
If you agree, we shall include this in the briefing for the Summit.

CDP
25/4

Yes Mr

PRIME MINISTER

ECONOMIC SUMMIT: UNITARY TAX

I will be raising this issue at the Finance Ministers' Meeting, but I hope that you will also be able to find time to press President Reagan on it during your discussion with him.

2. As matters stand, there is a serious risk that legislation will not pass this year in California, and that the Administration will back off from the alternative solution of Federal legislation. If nothing happens this year, it seems unlikely that anything will happen in 1986. The Parliamentary pressure to pass Michael Grylls' retaliatory Clause in the course of this year's Finance Bill is likely to be irresistible unless there is real progress in the next 6 weeks or so. But our passing the legislation may not give sufficient leverage to produce a solution.

3. My conclusion from this is that we need to exert all the pressure we can on the Administration to deliver a solution this year, and emphasise the reality of the threat of UK retaliation if they have not produced it by mid-June. I have been pressing this line on Don Regan and - last week - on Secretary Baker. They are making genuine efforts. But when it comes to the crunch, I think a push from the President himself may be necessary. I hope you will be able to raise this briefly when you see him at the Summit.



4. It would, I think, also be useful if you could find time to mention unitary tax to Prime Minister Mulroney when you see him next week before the Summit. Canadian support at the Summit would be useful, and my impression is that he may be prepared to produce it if given a little encouragement.

5. I am copying this to Geoffrey Howe.

N.L.

24 April 1985