

✓ cc. Market act.

SUBJECT.

NOTE FOR THE RECORD

Sir Campbell Fraser, President of the CBI, called on the Prime Minister at 1700 hours on Monday 25 October. He had sent a copy of the draft of his President's Address for the CBI Conference a week later.

The Prime Minister congratulated Sir Campbell Fraser on some excellent phrases in his speech and said that she particularly liked the passage about the contribution which Britain had made to new technology. She referred to a passage saying that over the last two years Britain had become more competitive than other countries, and said that she would supply Sir Campbell Fraser with a graph showing that output per man in Britain was still well behind other countries. Sir Campbell Fraser handed the Prime Minister a copy of the Dunlop Magazine, containing the poem quoted in his speech.

Sir Campbell Fraser briefly outlined the programme for Eastbourne, starting with the Brain's Trust to be attended by the Chancellor of the Exchequer on Sunday evening. Seventy Members of Parliament were due to be attending the Monday session. Sir Campbell Fraser said that many at the Conference would be concerned about the outlook, which was very gloomy for the next four months: the Prime Minister pointed out, and Sir Campbell Fraser agreed, that retail trade was quite buoyant, but the problem was that too little of it was met from British production.

Sir Campbell Fraser said that he was much concerned about the level of imports from Spain. Tyres manufactured in Spain were being sold at very low prices in the UK, not only as a result of the low tariff, but also as a result of a Spanish export subsidy. The Prime Minister said that she was greatly concerned by the disparate tariff position between Britain and several countries, including Spain.

/ The Prime Minister

The Prime Minister referred to the CBI survey which was about to be published, which was the most pessimistic she had seen. Sir Campbell Fraser said that it was worrying that redundancies looked like continuing at such a high rate, and the high level of the exchange rate, particularly with Germany, was causing difficulties. He mentioned that Germany appeared to put obstacles in the way of imports by administrative delays in clearing specifications and operating instructions. Perhaps Britain could take a leaf out of their book in considering the new legislation on standards which was under consideration.

The Prime Minister asked Sir Campbell Fraser for his impression of the stance being taken by the trade unions. Sir Campbell Fraser said that the unions showed signs of being more aggressive than last year, but Dunlops were applying a zero norm for pay increases, which should really be negative. The aspect of the CBI survey which he found most worrying was the prospective fall in investment. The Prime Minister commented that local authorities and nationalised industries had reduced capital expenditure and used the money for increased current expenditure, including wages. In the last year earnings had risen by slightly more in the private sector than in the public sector.

The Prime Minister referred to the Order on heavy lorries about to be brought forward by the Minister for Transport. She hoped that the Government would not be beaten on it and that the CBI would speak up about the jobs at stake. Sir Campbell Fraser said that the CBI had made a big effort to help, but some Conservative MPs accepted the economic case and still disliked heavy lorries.

Sir Campbell Fraser referred to a visit he had paid over the weekend to the United States, where there had been mixed views about the prospects for recovery. A banker friend had expressed concern about the position in Mexico. The Prime Minister agreed that the position in Mexico was very difficult, especially since the outgoing President wanted to leave it to the new President to accept the IMF terms. She referred to falling international

/interest rates

interest rates, and Sir Campbell Fraser welcomed this development saying that all the help which could be given to companies' financial positions would be valuable during a time when they were struggling for survival. The Prime Minister noted that in his draft speech he had referred to rates in this context.

F.R.B.

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26 October 1982