
UNITED KINGDOM

Prime Minister Margaret Thatcher

Mrs. Margaret Thatcher has been Conservative Party leader for twelve years and Prime Minister for eight. She was first elected to Parliament in 1959 and became a member of the Shadow Cabinet in 1967. When the Conservatives were returned to power in 1970 she was appointed Secretary of State for Education and made a Privy Counsellor. Again in Opposition in 1974, she was concerned with environment and treasury questions until elected leader of the Party in February 1975. She became Prime Minister after the elections in 1979 and was confirmed at the polls in June 1983. Should she be elected on June 11, she will be the only British Prime Minister to hold three consecutive terms this century.

This will be Prime Minister Thatcher's ninth economic summit. She will be accompanied by the Secretary of State for Foreign and Commonwealth Affairs, Sir Geoffrey Howe and the Chancellor of the Exchequer, Nigel Lawson. Mrs. Thatcher's Personal Representative is Sir Robert Armstrong.

Recent Economic Performance

The most recent UK budget delivered on March 17, 1987, anticipated an increase of gross fixed investment and of volume of total exports of 4 per cent. A slower rate of government consumption and a higher growth in the volume of imports of goods and services is expected to partially offset these increases. Total GDP growth is estimated at 3 per cent.

Retail price inflation is expected to continue to edge upwards over 4 per cent. The economy is still adjusting to the collapse of oil prices, but it has been smoother than predicted. Unemployment remains high at 11.3 per cent (3 million) which is a major domestic economic liability as the government moves toward a general election on June 11.

The budget reduced the basic rate for income tax by two points to 27 per cent and is credited with lowering the interest rate immediately to 10 per cent. Some predict the rising inflation rate may go over 5 per cent without a post-election interest rate increase. On the whole, with the greatly reduced public sector borrowing requirement (from 7 to 4 billion pounds or 1 per cent of

GDP), slowly declining unemployment and significant growth, the prospects for 1987 appear very good.

Canada/UK Relations

Canada's relations with the UK are among the closest we enjoy anywhere in the world, although they have changed considerably over the years. Two important events, the British entry into the European Common Market in 1973 and, on the Canadian side, the growing concentration of trade with the US and the Pacific Rim countries, are considered significant signposts in the evolution of the current relationship.

The UK is Canada's most important trading partner in Europe. As well as being our second largest source of foreign investment, it is our third most important export market and our third most important source of imports after the USA and Japan. Total Canada/UK two-way merchandise trade for 1986 was C\$ 6.3 billion, representing a 10.5 per cent increase over 1985. Canadian exports to the UK accounted for C\$ 2.6 billion (a 4.5 per cent overall increase from 1985 representing 35 per cent of our exports to the EC). United Kingdom exports to Canada, by comparison, increased by 7.4 per cent to C\$ 3.7 billion in 1986, exceeding Britain's previous peak in 1985 of C\$ 3.3 billion. The moderate 1986 increase for our exports should be the trend for the rest of the decade as the UK economic recovery continues.