

MP FCO

[Ltd Distr]
ADVANCE COPY

RR UKREP BRUSSELS

RR WASHINGTON

RR BONN

RR PARIS

RR TOKYO

RR ROME

GRS 470

Hd/ORD
Hd/Planning Staff
Hd/EESD
Hd/ENSSD
Hd/ESID
Hd/LECD (E)
Hd/TRED
Hd/MAED
Mr. Braithwaite

PS.
No 10 DS.

CONFIDENTIAL

FM OTTAWA 302101Z JUN 81

TO PRIORITY FCO

TELEGRAM NUMBER 316 OF 30 JUNE

INFO ROUTINE UKREP BRUSSELS, WASHINGTON, BONN, PARIS, TOKYO, ROME

YOUR TELNO 200

OTTAWA ECONOMIC SUMMIT - OBJECTIVES OF PARTICIPANTS

1. AS YOU AND THE PRIME MINISTER SAW MR TRUDEAU ON 26 JUNE YOU WILL KNOW HIS LATEST THINKING. SO FAR AS THE CANADIANS ARE CONCERNED THE SUMMIT IS VERY MUCH HIS PERSONAL AFFAIR. AS A PRIME MINISTER WITH EXCEPTIONAL EXPERIENCE AND ABSOLUTE FLUENCY IN BOTH FRENCH AND ENGLISH HE WILL HAVE ADVANTAGES AS HOST AND CHAIRMAN WHICH HE CAN BE EXPECTED TO EXPLOIT TO THE FULL.
2. HE WILL, I BELIEVE, BE ABOVE ALL ANXIOUS TO ENSURE THAT THE SUMMIT CAN BE PRESENTED PUBLICLY AS A SUCCESS FOR WHICH CANADA AND HE PERSONALLY CAN TAKE MUCH OF THE CREDIT. HE WILL DO ALL HE CAN TO AVOID DISAGREEMENTS THAT CANNOT BE PAPERED OVER.
3. ON MACRO-ECONOMIC MATTERS HE WILL SUPPORT MOVES FOR CLOSER INTERNATIONAL CO-OPERATION TO ENSURE THAT THE EFFECTS IN OTHER COUNTRIES OF NATIONAL ECONOMIC POLICIES - PARTICULARLY US POLICY - ARE TAKEN INTO ACCOUNT AND CAN BE MONITORED. CANADA IS LIKELY TO BE AMBIVALENT ABOUT US INTEREST RATE POLICIES ALTHOUGH THESE AFFECT CANADA MORE DIRECTLY THAN ANY OTHER COUNTRY. GIVEN THE

X-10

ARE TAKEN INTO ACCOUNT AND CAN BE MONITORED. CANADA IS LIKELY TO BE AMBIVALENT ABOUT US INTEREST RATE POLICIES ALTHOUGH THESE AFFECT CANADA MORE DIRECTLY THAN ANY OTHER COUNTRY. GIVEN THE LEVEL OF INFLATION AND THE CONTINUING FEDERAL DEFICIT THE BANK OF CANADA'S POLICY IS TO IMPOSE MONETARY RESTRAINT AND HIGH INTEREST RATES. THIS COINCIDES WITH US POLICY AT PRESENT AND THE US IS A CONVENIENT SCAPEGOAT, BUT CANADA HAS LITTLE OR NO ROOM TO MANOEUVRE IN FUTURE.

4. MR TRUDEAU HAS STRESSED NORTH/SOUTH AS ONE OF THE MOST IMPORTANT THEMES OF THE SUMMIT. HE IS GENUINELY INTERESTED IN THE SUBJECT AND IN REINFORCING CANADA'S ROLE AS A BRIDGE BETWEEN DEVELOPING AND DEVELOPED COUNTRIES. BUT CANADA'S ABILITY TO ACT IS LIMITED BY HER INABILITY AND UNWILLINGNESS TO MAKE DRAMATIC INCREASES IN AID EXPENDITURES AND HER RELUCTANCE TO LIBERALISE HER TRADE POLICY FURTHER IN THE INTERESTS OF LESS DEVELOPED COUNTRIES. MR TRUDEAU WILL BE LOOKING FOR AN AGREEMENT AT THE SUMMIT WHICH WILL ALLOW HIM TO SHOW THAT THE ISSUE HAS BEEN DISCUSSED SERIOUSLY AND CONSTRUCTIVELY AND, IDEALLY, THAT NO DECISIONS HAVE BEEN TAKEN WHICH PREJUDGE SUMMIT COUNTRIES' POSITIONS AT THE MEXICO SUMMIT. ON THIS PLEASE ALSO SEE MY MIFT.

5. ON TRADE, MR TRUDEAU WILL CONTINUE TO SUPPORT A RELATIVELY OPEN SYSTEM. CANADA IS CONCERNED ABOUT THE RISING LEVEL OF JAPANESE - NOTABLY CAR - IMPORTS, BUT IN VIEW OF THE HEALTHY TRADE SURPLUS WITH JAPAN IS UNLIKELY TO TAKE THE LEAD AND WILL FOLLOW IN THE WAKE OF THE COMMUNITY ON THIS SUBJECT.

6. ON ENERGY, MR TRUDEAU WILL SEEK TO AVOID COMPROMISING THE PRINCIPLES AND PRICING SCHEDULES LAID DOWN IN THE NATIONAL ENERGY PROGRAMME ALTHOUGH IT NOW LOOKS AS IF, IN THE LIGHT OF TALKS WITH ALBERTA, THE FEDERAL GOVERNMENT MAY BE PREPARED TO MAKE CONCESSIONS OVER PRICES WHICH WILL GIVE CANADA MORE FLEXIBILITY IN INTERNATIONAL FORA. NEVERTHELESS THE PRINCIPLE OF ECONOMIC PRICING HAS STILL NOT BEEN FULLY CONCEDED AND CANADA WILL ALSO CONTINUE TO DISCRIMINATE IN FAVOUR OF CANADIAN OIL COMPANIES.

MORAN

NNNN