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TO IMMEDIATE F C O

TELEGRAM NUMBER 2034 OF 3 JULY

INFO IMMEDIATE OTTAWA, PRIORITY BONN, PARIS, TOKYO, ROME AND UKREP
BRUSSELS.

YOUR TELNO 22: OTTAWA ECONOMIC SUMMIT: U.S. OBJECTIVES

1. THE ADMINISTRATION IS STILL AT THE EARLY STAGES OF FORMULATING OBJECTIVES FOR THE OTTAWA SUMMIT. SECRETARY HAIG HELD A FIRST MEETING ON 1 JULY WITH STATE DEPARTMENT OFFICIALS TO LOOK AT THE ISSUES AND HOPES TO ARRANGE A FURTHER MEETING EARLY NEXT WEEK TO GO OVER THE GROUND WITH SENIOR WHITE HOUSE ADVISERS. THE PRESIDENT WILL DECIDE HIMSELF HOW TO HANDLE THE MOST IMPORTANT ISSUES BUT HAS NOT YET GIVEN ANY INDICATION TO THE STATE DEPARTMENT OR THE NSC OF HIS OWN THINKING. RASHISH, AS PERSONAL REPRESENTATIVE, HAS NOT YET BEEN ABLE TO DISCUSS THE QUESTION WITH HIM. THE ASSESSMENT THAT FOLLOWS IS THEREFORE LARGELY SPECULATIVE, AND BASED ON FAIRLY OBVIOUS GUESS-WORK BY SENIOR U.S. OFFICIALS INVOLVED IN THE PREPARATORY WORK. IT MAY BE POSSIBLE TO GIVE A BETTER BASED ASSESSMENT NEARER THE TIME.

2. THIS WILL BE PRESIDENT REAGAN'S FIRST ECONOMIC SUMMIT AND INDEED HIS FIRST MAJOR INTERNATIONAL MEETING. HIS OWN OBJECTIVES ARE LIKELY TO BE:

- (A) TO SHOW THE U.S. PUBLIC THAT HE CAN ESTABLISH HIMSELF AMONG OTHER WORLD LEADERS AND GAIN THEIR CONFIDENCE. (RECENT CRITICISM HERE OF THE ADMINISTRATION AS HAVING FAILED SO FAR TO ARTICULATE A COHERENT FOREIGN POLICY WILL ADD POINT TO THIS OBJECTIVE.)
- (B) TO CEMENT RELATIONS WITH THE MAJOR ALLIES OF THE UNITED STATES.
- (C) TO KEEP DISCUSSION AT A BROAD POLITICAL LEVEL, AVOIDING TOO MUCH DETAIL.
- (D) FOR THE SUMMIT TO SHOW THE REST OF THE WORLD THAT THE INDUSTRIALIZED MARKET-ECONOMY COUNTRIES ARE CONFIDENT IN THEIR SYSTEM OF VALUES AND UNITED IN THEIR BASIC OBJECTIVES, IN THE FACE OF BOTH CURRENT WORLD ECONOMIC DIFFICULTIES AND OF THE SOVIET CHALLENGE.

3. PRESIDENT REAGAN WILL AIM TO FOCUS THE DISCUSSION PRIMARILY ON MACRO-ECONOMIC ISSUES. ON THESE, HE WILL WANT THE SUMMIT TO CONVEY A MESSAGE OF CONFIDENCE AND OPTIMISM. HE WILL NOT EXPECT COMPLETE HARMONY OF VIEWS BETWEEN THE PARTICIPANTS ABOUT ECONOMIC MODALITIES,

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BUT WILL WANT THE MEETING TO SHOW AGREEMENT ON ESSENTIAL GOALS - DEFEAT OF INFLATION, REDUCTION OF UNEMPLOYMENT, ENCOURAGEMENT OF SAVINGS AND INVESTMENT - AND CONFIDENCE IN THE ABILITY OF THE PARTICIPATING COUNTRIES TO ACHIEVE THEM. THE PRESIDENT WILL ALSO SEEK, WITHIN THE MEETINGS, TO ACHIEVE A BETTER UNDERSTANDING AMONG HIS PARTNERS OF THE OBJECTIVES OF U.S. ECONOMIC POLICY AND OF ITS EXPECTED RESULTS.

4. ON INTERNATIONAL TRADE, THE PRESIDENT WILL AIM FOR A GENERAL ENDORSEMENT OF THE NEED TO KEEP MARKETS OPEN, TO RESIST PROTECTIONIST PRESSURES, AND TO WORK FOR IMPLEMENTATION OF THE MTN AGREEMENTS AND FOR FURTHER TRADE LIBERALISATION. HE WILL BE ALLERGIC TO ANY SUGGESTIONS THAT THE MARKETS FOR SOME PRODUCTS MAY NEED TO BE ORGANISED AND WILL WANT INSTEAD TO SEE THE ROLE OF COMPETITION STRONGLY EMPHASISED. HE MAY ACCEPT SOME INDIRECT PRESSURE ON JAPAN TO OPEN UP ITS MARKET FOR IMPORTS BUT HE MAY BE EXPECTED TO RESIST ANY CALLS FOR FURTHER EXPORT RESTRAINT BY THE JAPANESE.

5. PRESIDENT REAGAN WILL NOT SEE A NEED FOR STRONG EMPHASIS AT OTTAWA ON ENERGY PROBLEMS. HE WILL SEEK ENDORSEMENT IN GENERAL TERMS OF THE NEED TO MAINTAIN POLICIES AIMED AT REDUCTION OF DEPENDENCE ON IMPORTED OIL, THROUGH MARKET-RELATED PRICING POLICIES, THROUGH SENSIBLE CONSERVATION PRACTICES, AND THROUGH DEVELOPMENT OF NUCLEAR RESOURCES.

6. ON RELATIONS WITH DEVELOPING COUNTRIES, THE PRESIDENT WILL WANT THE SUMMIT'S MESSAGE TO BE POSITIVE BUT REALISTIC. HE WILL AIM TO FOCUS DISCUSSION ON THE PRIMARY IMPORTANCE FOR THE DEVELOPING WORLD OF HIS ACHIEVEMENT OF ECONOMIC RECOVERY IN THE SUMMIT COUNTRIES AND OF AN EXPANSION OF WORLD TRADE AND INVESTMENT. HE WILL STRESS THE NEED TO MAINTAIN THE STRENGTH OF EXISTING INTERNATIONAL FINANCIAL INSTITUTIONS AND TO ENHANCE THEIR ROLE IN COMPLEMENTING PRIVATE SECTOR FLOW. HE WILL WANT TO RESIST CALLS FOR THE CREATION OF NEW INSTITUTIONS (EG AN IBRD ENERGY AFFILIATE). HE WILL ALSO WANT TO RESIST ANY GENERAL ENDORSEMENT OF THE GLOBAL NEGOTIATIONS AT THE UNITED NATIONS. IN LOOKING AHEAD TO THE MEXICO SUMMIT, HE WILL WANT TO ACHIEVE SOME CONSENSUS ABOUT WHAT CAN BE EXPECTED FROM IT, WITHOUT GIVING THE IMPRESSION OF TRYING TO ESTABLISH A SOLID FRONT OF INDUSTRIALIZED COUNTRIES.

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7. ON POLITICAL ISSUES, THE PRESIDENT WILL AIM FOR A DISPLAY OF CONVICTION AND SOLIDARITY AMONG THE SUMMIT COUNTRIES ON RELATIONS WITH THE SOVIET UNION. HE WILL WANT THE SUMMIT TO EMPHASISE THE RIGHT OF COUNTRIES TO DETERMINE THEIR OWN DESTINY. HE WILL HOPE TO ACHIEVE A CONSENSUS ABOUT TIGHTER GROUND RULES FOR EAST-WEST TRADE. HE WILL ALSO AIM TO ACHIEVE SUPPORT FOR THE U.S. APPROACH TO THE PROBLEMS OF THE CARIBBEAN, AND BETTER UNDERSTANDING OF U.S. POLICIES MORE GENERALLY IN CENTRAL AMERICA AND IN THE MIDDLE EAST AND SOUTHERN AFRICA.

F.C.O. ADVANCE TO BAYNE (ERD)

OTTAWA PLEASE PASS COPIES ON TO SIR R ARMSTRONG AND SIR M PALLISER ON ARRIVAL.

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