

GRS 340

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DESKBY 180900Z
FM OTTAWA 172100Z MAY 83
TO IMMEDIATE FCO
TELEGRAM NUMBER 180 OF 17 MAY
INFO PRIORITY WASHINGTON, ROME, PARIS, BONN, TOKYO, UKREP BRUSSELS.

MY TELNO 169: PREPARATION FOR WILLIAMSBURG

1. TRUDEAU HAS BEEN GIVING INCREASING EMPHASIS IN PUBLIC TO THE NEED FOR WILLIAMSBURG TO ENSURE ADEQUATE FINANCIAL FLOWS TO THE THIRD WORLD. (PARA 1(C) OF TUR).
2. IN A SPEECH TO CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS ON 6 MAY HE DREW ATTENTION TO AND ENDORSED CALCULATIONS BY DE LAROSIERE (IMF) ESTIMATING THAT NON-OIL DEVELOPING COUNTRIES NEED EIGHTY-TWO BILLION DOLLARS OF NET NEW FINANCIAL FLOWS TO FINANCE A VERY MODEST INCREASE IN IMPORTS, PAY INTEREST ON DEBTS AND ALLOW A VERY MODEST RESTORATION OF DEPLETED RESERVES. (THE EIGHTY-TWO BILLION COULD, DE LAROSIERE SUGGESTS, COME FROM CORE FUNDING (OFFICIAL AID, INCLUDING WORLD BANK AND IDA) 50 BILLION: ADDITIONAL COMMERCIAL BANK CREDITS 20 BILLION: AND IMF 12 BILLION). FRD AND NAD HAVE RECEIVED COPIES OF THIS SPEECH BY BAG.
3. TRUDEAU HAS REVERTED TO THIS THEME IN AN INTERVIEW WITH THE TORONTO STAR, IN WHICH HE REITERATES THAT 82 BILLION DOLLARS IS THE MAGNITUDE OF NEW MONEY NEEDED. HE ALSO TOUCHES ON THE POSITION OF THE PRIVATE BANKS, WHO MUST, HE SAYS PROVIDE SOME 20 BILLION DOLLARS, AND WHO WILL HAVE TO "SWALLOW HARD" BEFORE THEY MAKE NEW LOANS OF THAT MAGNITUDE TO SOME OF THE THIRD WORLD COUNTRIES.

"SO, IT IS A VERY SERIOUS PROBLEM. IF THIS KIND OF MONEY IS NOT FORTHCOMING, THEN IT IMPERILS THE WHOLE TRADE AND FINANCIAL SYSTEM WHICH UNDERPINS THE LIBERAL WORLD AS WE KNOW IT."

TRUDEAU SAYS HE HAS TALKED TO SOME LEADING CANADIAN BANKERS, AND KLAUSEN OF THE WORLD BANK, AND THEY THINK IT MIGHT BE POSSIBLE.

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"THEY ARE NOT ABSOLUTELY PESSIMISTIC ABOUT IT. I GUESS THEY ARE A LITTLE BIT MORE CONCERNED ABOUT THEIR SHAREHOLDERS AND THEIR DEPOSITORS. MAYBE IT IS UP TO CANADIANS GENERALLY TO TELL THE BANKERS THAT, IN THIS AREA, CANADIANS ARE SUPPORTIVE OF ANY EFFORT BY THEIR BANKS TO HELP MEET THE PROBLEMS OF THE THIRD WORLD. BUT IT IS A PROBLEM OF GREAT MAGNITUDE, THERE IS NO DOUBT ABOUT IT."

COPIES FOLLOW BY BAG (NOT TO ALL).

4. PLEASE PASS TO TREASURY, BANK OF ENGLAND AND ODA.

MORAN

(REPEATED AS REQUESTED)

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