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VENICE ECONOMIC SUMMIT: CANADIAN APPROACH

SUMMARY

1. MULRONEY LIKELY TO CONCENTRATE ON AGRICULTURE AND SOUTH AFRICA, VENICE SEEN AS SETTING THE STAGE FOR THREE MAJOR INTERNATIONAL GATHERINGS UNDER CANADIAN CHAIRMANSHIP, IE FRANCOPHONE SUMMIT, CHOGM AND 1988 ECONOMIC SUMMIT.

DETAIL

2. MULRONEY'S DOMESTIC RATING REMAINS LOW. THOUGH HE APPEARS TO HAVE STOPPED THE SLIDE, HE REMAINS WELL BEHIND THE TWO OPPOSITION PARTIES IN THE POLLS. HIS RECOVERY PLAN IS BASED, INTER ALIA, ON A CONSTITUTIONAL RECONCILIATION WITH QUEBEC (NOW APPARENTLY ACHIEVED), A NEW - AND COSTLY - DEFENCE POLICY (WHITE PAPER PUBLISHED TODAY), TAX REFORM (TO BE PRESENTED TO PARLIAMENT ON JUNE 18) AND AN ACCEPTABLE TRADE AGREEMENT WITH THE U.S. (CURRENT DEADLINE EARLY OCTOBER). HE WILL COME TO VENICE PERSONALLY BUOYED UP BY HIS SUCCESS IN GETTING QUEBEC BACK INTO THE CONSTITUTIONAL FOLD. HE WILL BE LOOKING TO VENICE TO ENHANCE HIS STANDING, WITH DOMESTIC OPINION, AS A RESPECTED WESTERN LEADER WITH A SEAT AT THE TOP TABLE.

3. AGRICULTURAL ISSUES WILL BE HIGH ON HIS AGENDA. LOW INTERNATIONAL GRAIN PRICES ARE CAUSING SOCIAL AND ECONOMIC UNREST IN THE PRAIRIE PROVINCES. THE FEDERAL GOVERNMENT HAS HAD TO PROVIDE SUBSTANTIAL FINANCIAL ASSISTANCE, WHICH THE EXCHEQUER CANNOT REALLY AFFORD, WITH MORE DEMANDS IN THE PIPELINE. HE WILL REPORT ON THE RECENT CAIRNS GROUP MEETING IN OTTAWA TO SHOW THAT OTHERS ARE AFFECTED. MULRONEY WILL BE PRESSING FOR EARLY RESULTS IN GATT ON AGRICULTURE AND SPECIFICALLY ACTION BY THE EUROPEAN COMMUNITY AND THE UNITED STATES. HIS THEME WILL BE: COMPETITION NOT BETWEEN TREASURIES, BUT BETWEEN FARMERS. HE WILL BE AWARE THAT HMG ALSO WANT TO SEE EARLY PROGRESS. HE WILL PROBABLY JOIN IN CRITICISING THE PROPOSED EC OIL AND FATS TAX. MORE GENERALLY, HE WILL WELCOME ANY ACTION THE SUMMIT CAN TAKE TO HELP STEM PROTECTIONIST PRESSURES, ESPECIALLY IN THE U.S..

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4. I HAVE LITTLE TO ADD TO MY TELNO 291 ON CANADIAN INTENTIONS TOWARDS SOUTH AFRICA. HAVING TRAILED HIS COAT PUBLICLY, IT WILL BE DIFFICULT FOR MULRONEY TO BACK DOWN WITHOUT LOSING FACE. THAT IS HIS WORRY. HE COULD HOWEVER SEE AN ESCAPE ROUTE IN THE SUGGESTIONS MADE BY THE ITALIANS FOR A PASSAGE ON SOUTH AFRICA IN THE VENICE COMMUNIQUE (PARA 2 OF ROME TELNO 349).

5. MULRONEY IS CONSCIOUS OF HIS RESPONSIBILITIES AS CHAIRMAN AT THE FORTHCOMING MEETINGS OF THE FRANCOPHONIE, CHOGM AND THE 1988 ECONOMIC SUMMIT. HE WILL HOPE TO SEE TRENDS AND THEMES EMERGING FROM VENICE WHICH CAN BE CARRIED THROUGH THIS SUCCESSION OF MEETINGS. ONE OF HIS MOTIVES ON SOUTH AFRICA IS TO SET SOME ACTION IN TRAIN THAT WOULD ENABLE HIM, AT THE FRANCOPHONIE AND CHOGM, TO ARGUE THAT THERE IS NO CALL FOR FRESH INITIATIVES FROM EITHER BODY SINCE THE SUMMIT SEVEN, WHO HAVE MUCH MORE CLOUT, HAVE THE SITUATION UNDER REVIEW. MORE HELPFULLY, HE WILL ALSO BE PRESSING FOR A POSITIVE STANCE ON THE DEBT OF THE POOREST COUNTRIES ESPECIALLY IN SUB-SAHARAN AFRICA.

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