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TORONTO ECONOMIC SUMMIT: CANADIAN VIEWS ON THE PROSPERITY

SUMMARY

1. THE TOP PRIORITY FOR THE CANADIANS FOR THE SUMMIT WILL BE TO KEEP UP SOME MOMENTUM FOR AGRICULTURAL REFORM AND TO AVOID A US/EC STANDOFF. THEY WOULD LIKE AN AGREEMENT ON AID FOR THE POOREST AFRICAN COUNTRIES. THERE IS LITTLE EXPECTATION OF ANYTHING NEW TO EMERGE FROM DISCUSSIONS ON THE WORLD ECONOMY. IF THERE IS AGREEMENT ON THE INCLUSION OF REGIONAL ISSUES OTHER THAN EAST/WEST, THE CANADIANS ARE LIKELY TO INSIST ON SOUTH AFRICA. A GENERAL DISCUSSION ON ENVIRONMENTAL PROBLEMS, BUT WITHOUT FOCUSING ON SPECIFIC ISSUES, IS LIKELY TO BE PROPOSED FOR THE MEETING OF LEADERS WITH ONE ADVISER.

DETAIL

2. YOU MAY FIND IT HELPFUL TO HAVE AN ASSESSMENT OF CANADIAN THINKING ON THE SUMMIT AHEAD OF MR MULRONEY'S VISIT TO LONDON AND OTHER EUROPEAN CAPITALS. WE HAVE SPOKEN TO OFFICIALS IN EXTERNAL AFFAIRS, THE TRADE NEGOTIATIONS OFFICE AND FINANCE CANADA WHO ARE INVOLVED IN PREPARATIONS FOR SUBSTANCE OF THE OECD MINISTERIAL AND THE TORONTO SUMMIT. THE FOLLOWING IS OUR ASSESSMENT OF THE WAY IN WHICH THE CANADIANS WILL TREAT THE ISSUES INVOLVED.

3. PUBLICLY AND PRIVATELY MR MULRONEY HAS MADE IT CLEAR THAT AGRICULTURAL REFORM IS TOP OF HIS AGENDA. THE CANADIANS ARE KEENLY AWARE THAT ON THE ONE HAND THE CURRENT US LINE, SHOWING LITTLE PREDISPOSITION TO MOVE FROM THE FUNDAMENTAL ZERO/2000 OPTION, IS EXCESSIVELY HARD SEMI-COLON AND THAT ON THE OTHER THE COMMUNITY POSITION, OR AT LEAST THAT OF SOME MEMBER STATES, WHO SEEM TO BE PULLING BACK FROM MAKING ANY FURTHER REFORMS, IS UNREALISTIC. THEY BELIEVE THAT THE ONLY WAY FORWARD FOR THE MTM IS TO HAVE A COMPROMISE LINE, INCLUDING SHORT AND LONG TERM MEASURES, ALONG THE FORMULA THEY HAVE PUT FORWARD IN THE OECD (UKDEL OECD TELNO 17). ALTHOUGH THE CANADIANS RECOGNISE THAT THE FEBRUARY EUROPEAN COUNCIL SHOWED CONSIDERABLE COURAGE IN ADOPTING THE AGREED AGRICULTURAL MEASURES, THEY REMAIN SCEPTICAL ABOUT REAL IMPACT OF THESE ON PRODUCTION AND THEY DO NOT THINK THAT THE EC CAN EXPECT OTHER

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COUNTRIES TO TAKE MEASURES AS A QUID PRO QUO. THE EC WILL IN THEIR VIEW HAVE TO EXPRESS READINESS TO CONSIDER FURTHER MOVES. AS FOR THE US, THE CANADIANS FEAR THAT, UNLESS SOME AGREEMENT ON A COMPROMISE FORMULA CAN BE FOUND FOR TORONTO, THEY WILL INCREASE THEIR AGRICULTURAL SUBSIDIES CAUSING ENORMOUS DAMAGE TO INTER ALIA CANADIAN AGRICULTURE.

4. THE CANADIANS SEEM TO HAVE TAKEN ON BOARD THAT THERE WILL HAVE TO BE MORE THAN AGRICULTURE ON THE TRADE SIDE TO PREPARE THE WAY FOR A SUCCESSFUL MTM IN MONTREAL. THEY WILL BE HAPPY TO SEE PROGRESS ON GATT INSTITUTIONAL ISSUES, INCLUDING DISPUTE SETTLEMENT, AND ON SERVICES.

5. THE CANADIANS WILL SUPPORT THE IDEA OF A SEMINAR WITH REPRESENTATIVES OF THE NEWLY INDUSTRIALISED ECONOMIES. THEY SEE ADVANTAGE IN STRENGTHENING CO-OPERATION WITHIN THE PACIFIC BASIN, BUT HAVE NO WISH TO UNDERMINE GATT BY SETTING UP A REGIONAL PACIFIC BLOC (CROSBIE, THE NEW MINISTER FOR INTERNATIONAL TRADE, COMES FROM NEWFOUNDLAND AND IS LESS OBSESSED BY THE PACIFIC THAN HIS SHANGHAI-BORN, VANCOUVER-BASED PREDECESSOR).

6. THE CANADIANS SHARE OUR DESIRE FOR AN AGREEMENT TO HELP THE POOREST AND MOST INDEBTED AFRICAN STATES. THEY ARE WORKING HARD WITH US TO FIND A PROPOSAL WHICH WILL BE GENERALLY ACCEPTABLE. IT NOW SEEMS UNLIKELY THAT THEY WILL GIVE A HIGH PROFILE TO THE DEBT PROBLEMS OF THE MIDDLE INCOME LATIN AMERICAN COUNTRIES. THEY WILL PROBABLY BE CONTENT WITH A REPETITION OF THE LINE THAT THESE WILL HAVE TO BE DEALT WITH ON A CASE-BY-CASE BASIS.

7. THE CANADIANS SHARE OUR VIEW THAT MOST OF THE PIECES OF COORDINATION ON MACRO-ECONOMIC POLICIES ARE IN PLACE BUT WILL NEED REAFFIRMATION. ALTHOUGH THEY BELIEVE THAT MAJOR GLOBAL IMBALANCES SHOULD BE RIGHTED, THEY WILL TAKE A CAUTIOUS LINE ON THIS AT THE SUMMIT: GRADUAL BUT CREDIBLE REDUCTIONS. THE CANADIANS ATTACH IMPORTANCE TO MICRO-ECONOMIC REFORMS INVOLVING STRUCTURAL ADJUSTMENT. IN THEIR VIEW THE PROGRESS BY SUMMIT COUNTRIES HAS BEEN UNEVEN. THEY GATHER THAT THE GERMANS MIGHT BE GLAD OF PRESSURE ON THEM AT THE SUMMIT TO DO MORE.

8. MR MULRONEY WILL ALMOST CERTAINLY RAISE ENVIRONMENTAL ISSUES IN THE UNSTRUCTURED SESSION ON THE SECOND DAY OF THE SUMMIT, NOT IN TERMS OF A SPECIFIC INITIATIVE BUT IN ORDER TO HAVE A THOUGHTFUL DISCUSSION OF THE PROBLEMS WHICH COULD ARISE BEYOND THE YEAR 2000. AT PRESENT THE CANADIANS DO NOT PLAN TO INCLUDE A REFERENCE TO THIS

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IN THE COMMUNIQUE. HOWEVER, WE WOULD NOT BE SURPRISED TO SEE A CHANGE OF MIND ON THIS, GIVEN THE PARALLEL MEETING ORGANISED BY POLLUTION PROBE (MY TELNO 347).

9. ON THE POLITICAL SIDE, THE CANADIANS EXPECT EAST/WEST TO PREDOMINATE. HOWEVER, WE HAVE AGAIN BEEN TOLD, THIS TIME BY THE DEA COORDINATION OF BRIEFING FOR THE SUMMIT, THAT IF OTHER REGIONAL ISSUES EG MIDDLE EAST ARE DISCUSSED BY HEADS OF GOVERNMENT MR MULRONEY WILL FEEL THAT HE MUST INTRODUCE THE SUBJECT OF SOUTH AFRICA (LAST PARA OF MY TELNO 330, NOT TO ALL, REFERS). THE QUESTION OF TERRORISM IS THE SUBJECT OF SEPARATE EXCHANGES (OTTAWA TELNO 334).

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