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FM OTTAWA

TO DESKBY 170800Z FCO

TELNO 453

OF 162155Z JUNE 88

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

INFO PRIORITY LUXEMBOURG

MY TELNO 345: TORONTO ECONOMIC SUMMIT: CANADIAN VIEWS

SUMMARY

1. THE CANADIANS STILL HOPE THE SUMMIT WILL SEND OUT A CLEAR SIGNAL OF DETERMINATION TO PROMOTE AGRICULTURAL REFORM. IN A SERIES OF PUBLIC MEETINGS, MR MULRONEY HAS SAID UNEQUIVOCALLY THAT AGRICULTURE IS HIS TOP PRIORITY AT THE SUMMIT: BUT, AS ON MOST OTHER SUBJECTS, THE CANADIANS WILL PROBABLY BE CONTENT IF SOME SORT OF COMPROMISE AGREEMENT EMERGES FROM THE DIFFERING VIEWPOINTS. THEY HOPE THE SUMMIT WILL RECOGNISE US/CANADA FREE TRADE AGREEMENT AS PROMOTING TRADE LIBERALISATION.

DETAIL

2. WE HAVE SPOKEN AGAIN TO OFFICIALS IN EXTERNAL AFFAIRS, FINANCE CANADA AND THE PRIME MINISTER'S OFFICE INVOLVED IN PREPARATIONS FOR THE TORONTO SUMMIT. THE CANADIAN POSITION REMAINS LARGELY AS IN MY TUR, BUT WITH SOME GLOSSES AS OUTLINED BELOW.

ECONOMIC COORDINATION

3. THE CANADIANS CAN LIVE WITH ANY COMPROMISE WHICH CAN BE REACHED BETWEEN THE US AND THE OTHERS ON EXCHANGE RATES. ON THE MICRO-ECONOMIC SIDE THEY WOULD LIKE TO SHORTEN THE ANNEX, BUT WOULD WANT TO RETAIN ENDORSEMENT OF THE POLICIES OF PRIVATISATION, DEREGULATION AND TRADE LIBERALISATION.

AGRICULTURE

4. CANADIAN OFFICIALS FEEL THE FACT THAT THE ISSUE HAS BEEN LEFT WIDE OPEN IN THE SUMMIT PREPARATIONS COULD CONCEIVABLY LEAD TO A USEFUL DEBATE BY THE LEADERS. THEY SEE KOHL AS ESSENTIAL TO THIS PROCESS. ALTHOUGH THEY ARE RECEIVING MIXED SIGNALS FROM GERMANY, THEY HAVE HEARD THAT KOHL IS IN FAVOUR OF STARTING THE PROCESS OF DISMEMBERING SUBSIDIES AS SOON AS POSSIBLE AND THAT HE HAS RESIGNED HIMSELF TO LOSING THE FARMERS' VOTE IN ANY CASE. MULRONEY WOULD LIKE THE SUMMIT TO SEND A CLEAR SIGNAL THAT THE LEADERS ARE AS DETERMINED AS EVER TO PROMOTE AGRICULTURAL REFORM. PUBLICLY IN A SERIES OF SPEECHES TO FARM LEADERS, BUSINESSMEN

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AND UNION LEADERS. MULRONEY CONTINUES TO SAY THAT THIS WILL BE HIS MAIN PRIORITY AT THE SUMMIT AND THAT HIS OBJECTIVE IS TO SET THE SCENE FOR SUBSTANTIVE RESULTS AT THE MTM IN MONTREAL IN DECEMBER AND START THE PROCESS OF PROGRESSIVE REDUCTION OR ELIMINATION OF TRADE-DISTORTING SUBSIDIES. HOWEVER, THE CANADIANS DO NOT KNOW WHETHER REAGAN OR MITTERRAND WILL PROVE WILLING TO ABANDON EXTREME POSITIONS.

MULTILATERAL TRADE

5. THE CANADIANS ARE SATISFIED WITH THE LANGUAGE ON TRADE AGREED AT THE LAST SHERPAS' MEETING. THEY HOPE THAT THIS WILL BE ENOUGH TO ENABLE NEGOTIATIONS TO START IN EARNEST THIS SUMMER TO FACILITATE A SUCCESSFUL MTM IN DECEMBER. THEY WILL WANT THE SUMMIT TO RECOGNISE THAT THE CANADA/US TRADE AGREEMENT IS A LIBERALISING ONE AND WILL HELP TO PROMOTE THE MULTILATERAL NEGOTIATIONS.

DEBT

6. THE CANADIANS WANT AS MUCH PROGRESS ON DEBT FOR THE POOREST COUNTRIES AS CAN BE ACHIEVED. THEY WILL BE CONTENT IF MITTERRAND'S INITIATIVE IS ADOPTED AND SEE THE PROBLEM OF BURDEN-SHARING AS ONE WHICH CAN BEST BE DEALT WITH BY TECHNICIANS LATER. ALTERNATIVELY THEY WOULD LIKE THE CANADIAN COMPROMISE, BUT COULD ALSO SUPPORT MR LAWSON'S INITIATIVE. WHICHEVER INITIATIVE IS ADOPTED, THEY HOPE AND EXPECT THAT DUE CREDIT WILL BE GIVEN TO BRIATIN AND CANADA FOR THEIR CONTRIBUTIONS. THE CANADIANS BELIEVE THAT ALL SUMMIT COUNTRIES ARE ON BOARD FOR AN INITIATIVE OF SOME KIND.

7. AS FOR MIDDLE INCOME DEBT, THE CANADIANS ARE UNLIKELY TO PUT FORWARD ANY INITIATIVE OF THEIR OWN BUT WILL WISH TO SEE WHAT OTHERS PROPOSE. THEY EXPECT THAT THE FRENCH AND JAPANESE WILL MAKE PROPOSALS AT THE SUMMIT. THE CANADIAN FINANCE MINISTER SPOKE TO THE PRESS ON 15 JUNE OF A GROWING ROLE FOR THE INTERNATIONAL FINANCIAL INSTITUTIONS ON MIDDLE INCOME DEBT.

LONG-TERM ISSUES

8. THE CANADIANS ARE CONTENT THAT EDUCATION SHOULD BE THE PRINCIPAL TOPIC, ALTHOUGH THEY WILL NEED TO TREAD CAREFULLY IN ORDER NOT TO ENCROACH ON PROVINCIAL JURISDICTIONS AND ARE LIKELY TO CONCENTRATE ON THE IMPORTANCE OF SCIENCE AND TECHNOLOGY. THEY EXPECT REAGAN NOT TO ADDRESS THIS SUBJECT DIRECTLY. MULRONEY WILL NOT PRESS ANY PARTICULAR ENVIRONMENTAL ISSUES.

REGIONAL SUBJECTS AND OTHER ISSUES

9. THE CANADIANS ARE NERVOUS ABOUT THE US WISH TO EXPAND THE

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SUBJECTS FOR POLITICAL DISCUSSION. THE MORE THE US INSIST ON OTHER ISSUES, THE MORE DIFFICULT IT WILL BECOME FOR MULRONEY TO EXCLUDE SOUTH AFRICA. THE CANADIANS THEREFORE HOPE THAT THE SUBJECT OF THE PHILIPPINES WILL BE DROPPED. AS FOR DRUGS, THEY DO NOT WANT THIS TO BECOME A DOMINATING ISSUE, BUT WOULD NOT OBJECT TO A BRIEF DISCUSSION LEADING TO THE SETTING UP OF A TASK FORCE.

10. A COPY OF THE FORMAT FOR THE SUMMIT, WITH AGENDA ITEMS INCLUDED, IS BEING FAXED TO ERD.

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