



Foreign and Commonwealth Office

London SW1A 2AH

25 June 1981

Dear Michael,

Visit of Mr Trudeau: Meeting with the Prime
Minister and Working Lunch: 26 June 1981

I am including in this letter an outline of the briefing material attached and a few additional points of which the Prime Minister may wish to be aware.

Mr Trudeau is likely to want to concentrate on Ottawa Summit matters which are the stated and actual reason for his visit, though from our point of view there is very little which can usefully be said in present circumstances. He is bound to raise the Constitution. (We shall of course let you know if today's Supreme Court end-of-session statement changes the position in any way). There may be little scope for the Prime Minister to mention other subjects; but we have heard Mr Trudeau may raise hijacking (otherwise the Prime Minister might want to) and I attach a brief on this. There are also two points affecting our commercial interests in Canada which we hope the Prime Minister may be able to make and short briefs on these are included. We have not included briefing on current international questions, such as Poland, Afghanistan and Southern Africa, on which the Prime Minister is au courant (and which Lord Carrington may raise during Mr Trudeau's separate call at the FCO).



I also attach biographical notes on Mr Trudeau, Mr Pitfield and Mr Gotlieb.

Mr Trudeau's visit to London is part of a series of calls he has been paying on the participants in the Economic Summit in Ottawa on 20/21 July. This time, he will have lunched with M. Mitterrand in Paris today and dined with Herr Schmidt in Bonn this evening. He intends to visit Washington to see President Reagan on 10 July (the President paid a visit to Canada in March).

We have been told that Mr Trudeau has accepted the Queen's invitation to Prince Charles' wedding. Mr Trudeau himself is not meeting the press in London. The Canadian High Commission have however arranged a briefing on Summit questions for the press at 4.00 pm tomorrow and this will probably be conducted by Mr Gotlieb and Mr Fowler.

Yours ever
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PRIME MINISTER'S MEETING WITH MR TRUDEAU: 26 JUNE 1981

List of Briefs

Economic Summit

Canadian Constitution

Hijacking-terrorism

Foreign Investment Review Agency (FIRA)

National Energy Programme (NEP)

PRIME MINISTER'S MEETING WITH MR. DEDEAU, 26 JUNE
OTTAWA SUMMIT

POINTS TO MAKE

Relations with Developing Countries

1. Look forward to balanced discussions at Ottawa, with a clear view of what the problems are and how they might best be tackled.
2. Accept need to signal willingness to continue discussions with developing countries; but could not support language on Global Negotiations that would isolate United States.
3. Useful to exchange views prior to Mexico Summit, but important not to appear to be concerting a 'Western' position.

Trade

4. EC remains deeply concerned about Japan, though recent statements by Tanaka in Europe have helped. Believe Summit should discuss strain on open trading system resulting from concentration of Japanese exports in sensitive sectors and lack of corresponding increase in Japanese imports from other industrialised countries.
5. Recent undertakings by Japanese to increase imports are welcome. EC, Canada and US share common interest in ensuring they are put into effect.
6. In favour, with rest of EC, of GATT Ministerial Meeting to help contain protectionist pressures.

World Economic Outlook and Policies

7. Problems of high and volatile interest rates may feature prominently at the Ottawa Summit. Cannot decree a general reduction in interest rates. But can encourage US to avoid excessive pressure on them by increasing reliance on fiscal policy so as to reduce strain on monetary policies.

Political Discussions

8. Arrangements made for Ottawa Summit will give a good opportunity for Heads of State and Government to have a free-ranging, informal discussion of political subjects.
9. See no need at present for detailed preparation of political subjects, but developments in Poland could change this.
10. We envisage political discussion largely in East/West framework, but important not to leave US President with impression that we see political problems everywhere through East/West spectacles.
11. Summit not appropriate place for detailed discussion of East/West trade policies, though these will inevitably feature as one dimension of East/West relations.
12. (Defensive - If Mr Trudeau raises need for new mechanisms for crisis management.) We think allied interests are adequately served by a combination of bilateral consultations the Seven power Summit and NATO. Greatest need is to promote better use of existing channels.



ESSENTIAL FACTS

Relations with Developing Countries

1. Mr Trudeau wishes relations with the developing countries to be a major theme at Ottawa. He is sympathetic to their aspirations. A recent speech to Canadian Parliament is summarised at Annex A. He will probably wish to explore Prime Minister's views in this field.
2. The Canadians have proposed that the Summit countries should send a 'positive signal' to the developing countries about the Global Negotiations (GNs). They argue that Third World leaders have expressed strong and continuing support for the GNs and that, in the absence of a 'positive signal' the issue could crowd others out at Cancún.
3. Mr Trudeau may urge that the communiqué should call for an early launching of the GNs, subject to satisfactory agreement on procedures and agenda. This would be difficult for Americans, who want only a general commitment to further discussion between the developed and developing countries without specific mention of the GNs (they successfully achieved this in the communiqué of the recent OECD Ministerial Meeting). We privately doubt value of GNs but have settled for a Community position that we should be 'ready to resume discussion aiming at agreement to launch the GNs',
4. All Ottawa participants except Italy and Commission will be at Cancun. Ottawa aid study has identified considerable common ground for the six Ottawa countries which will be present. But it would be a mistake for these six countries to appear to have adopted a common position; this could provoke counter-preparation by the developing countries.
5. European Council discussion on 29-30 June likely to be fairly general; but some points could arise that will be reflected in discussion at Ottawa.

Trade

6. General theme at Summit should be need to resist protectionism

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and re-affirm commitment to free trade principles. General approval for Japanese trade paper along these lines at Vancouver Sherpas Meeting (3-6 June). But EC had pressed for discussion of trade with Japan within the context of the world trading system; they have proposed draft communiqué language containing oblique reference to this problem (see Annex B). Recent visits Europe by Mr Suzuki and MITI Minister Tanaka produced some progress. But sustained pressures needed to ensure that undertakings translated into action.

7. Do not see scope in present economic circumstances for new major trade negotiation as originally suggested by Canadians. Nor do we favour Japanese proposal for group of 'Wise Men' since such groups tend to produce unrealistic ideas. But believe GATT Ministerial Meeting could usefully review implementation of Tokyo round agreement and demonstrate continuing political support for work on trade liberalisation. Prefer such a meeting in 1982 to avoid clash with negotiations on renewal of the Multi-Fibre Arrangement which are likely to be difficult.

Macro-Economic Policies

8. For first time in two years there are now differing views between major countries about appropriate policy stance and relative emphasis given to reduction of inflation and lowering of unemployment. Differences emerged publicly at OECD Ministerial Meeting on 16-17 June. UK, US, Germany and (less strongly) Canada continue to assert that cutting inflation is a pre-condition for sustained growth. France and Italy anxious for more emphasis on short-term measures to support activity and employment.

9. Level and volatility of United States interest rates remain major problem. Germany, Japan and France have said they will raise question at Ottawa. Mr Trudeau less critical of the United States than others. But recently said that Canada - whose interest rates generally follow US trend - found 'something unsatisfactory about US management of

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monetary policy.

Political Discussions

10. Heads of State and Government will have an opportunity for a free-ranging discussion of political subjects when they dine alone on Sunday 19 July.
11. The Americans have circulated a draft paper on East/West trade which raises numerous politically important (but technically complex) questions, for which we cannot expect to find agreed answers in one meeting at Summit level.
12. The Canadians have long argued that Western consultation over crisis management is inadequate and that high level attention should be paid to improving it. They may distribute a paper for consideration by the Ottawa Summit.
13. [NOT FOR USE] We have consulted some of our major allies (but not Canada) at ministerial and official level about political preparation for the Summit. Consensus is that there is no need at present for detailed preparation or detailed communiqué on any political subject, but that these could be needed if there are major developments in eg Poland.