

Multilateral Relations

VERSAILLES ECONOMIC SUMMIT

Canadian Representation

Canada was not successful in its bid to convince US leaders to lower interest rates in that country when leaders of seven major industrial countries met in Versailles between June 4 and 6. The Canadian and some European governments had been highly critical of US economic policies which had resulted in widespread high interest rates for industrialized countries. Prime Minister Trudeau met with leaders from the US, France, Britain, Italy, West Germany and Japan at the summit.

Canada was joined by France, West Germany and Italy in condemning the US interest rates, which they believed were the major factor contributing to high levels of unemployment in their countries. "We will be screaming the loudest about US economic policies" which threaten to drive the world close to depression, External Affairs Minister Mark MacGuigan told reporters before the summit (*Globe and Mail*, June 5).

After the disappointing conference, the *Globe and Mail* reported that "the best Mr. Trudeau and his allies could achieve was a vague commitment in the final communique pledging the signatories "as a matter of urgency (to) pursue prudent monetary policies and achieve greater control of budgetary deficits." The leaders also agreed to study recurrent fluctuations in exchange rates that harm international trade. Five of the seven countries, excluding Canada and Italy, will present the study at next year's summit in the US (*Globe and Mail*, June 7).

It was reported (*Globe and Mail*, June 7) that the US had urged other attending countries to impose tighter curbs on credits to the Soviet Union. The final communiqué, reported to be a compromise, stated: "Taking into account existing economic and financial considerations, we have agreed to handle cautiously financial relations with the USSR and other eastern European countries, to ensure that they are conducted on a sound economic basis, including also the need for commercial prudence in limiting export credits." The leaders also urged an immediate ceasefire after hearing of Israel's aggression in Lebanon, and gave unqualified support to Britain's attempt to recover the Falkland Islands from Argentina. (See this issue, BILATERAL — USSR.)

Mr. Trudeau told reporters after the summit that he believed that "no single issue could contribute more to the restoration of international confidence than the decline in real interest rates which could follow a budget policy in the United States promising reduced deficits." He said that he didn't know what, if any, action the US Congress might take. But he resisted the notion that, failing a decrease in

US interest rates, Canada must "beat the economy to the ground" to bring inflation down, creating massive unemployment. Mr. Trudeau's favored alternative was "a consensus to reduce the level of the rise in our expectations and to accept the reality that we are not all growing fast now and that therefore we have to bring our cost structure down." Mr. Trudeau told reporters in Paris that he hoped that this could be achieved through voluntary wage restraints starting with the public sector.

Mr. Trudeau's suggestion that Canada would review its economy within six weeks angered opposition MPs in Ottawa, who had been told to wait until after the summit for policy changes to counteract the widely-reported lack of confidence in the Canadian economy. NDP leader Ed Broadbent told the House of Commons June 7 that in another six weeks, Canada could be faced with another 25,000 people unemployed, 3,000 more personal bankruptcies and 1,000 more small business bankruptcies. Mr. Broadbent told reporters later that day that, "Everyone in the world speculated correctly that the US wasn't going to change its interest rates. . . . The government should have had an alternative strategy" (*Globe and Mail*, June 8).

The government announced new measures to strengthen the economy on June 28.

UNITED NATIONS

Special Session on Disarmament

At the start of the United Nations Special Session on Disarmament June 7, Canadian MPs gave unanimous consent to a motion in the House of Commons, "That this House recommends to all participants of UNSSOD II that every possible effort be made in goodwill and in good faith to end the arms race and restore peaceful stability to our world." The Canadian government had received the views of many Canadians, in the form of citizen's petitions and representations from non-governmental organizations during the months leading up to the UN session. Prime Minister Pierre Trudeau was to address the session June 18, and on June 17, was questioned in the House of Commons about the Canadian position on disarmament.

Pauline Jewett (NDP, New Westminster-Coquitlam) asked Mr. Trudeau if he would be advocating a freeze on the development of new nuclear weapons, which was Canada's position at the 1978 session. Mr. Trudeau responded that the "strategy of suffocation" was not accepted by the super powers in 1978, and that the Soviet Union had since developed weapons which had changed the strategic bal-