

We, and our Summit partners, will be looking in particular for reassurance that the extraordinarily high rates of interest in the USA will soon moderate. Concern about the size of the US federal deficit in the coming years is one of the major factors influencing the prospects for a significant reduction in real interest rates as well as the impetus for recovery which this would give. The manner in which that deficit is reduced is clearly a matter for American decision. However, we all have a vital interest in the benefits of such action.

It will also be crucial for leaders to reaffirm that growth - and higher levels of employment - will not be sustainable unless the inflationary tide is turned in all our countries. A lowering of US interest rates would help us to extricate ourselves from the present recession although such a reduction would not, of course, be a panacea for all our problems. If Canada is to achieve long term, steady growth in the coming years, the high levels of inflation we have recorded in the recent past must be reduced.

Canada also shares the concern of some other Summit countries that there should be greater confidence and stability in the international money markets. The Versailles Summit could play a useful role in signalling the will of governments to act in such a way as to promote that greater confidence and stability. We will therefore wish to support all efforts for greater economic cooperation, and, where feasible, convergence.

### Trade

The preservation of the open trading system is particularly important to Canada, a country with a relatively small domestic market and for which trade comprises a relatively large proportion of GNP. The current recession has inevitably strengthened protectionist pressures in the industrial world. An essential first step in combatting protectionism will be the encouragement of a general economic recovery in Summit countries. Efforts will also be needed to strengthen the resilience of the multilateral trading system to ensure it can cope with the new trade circumstances of the 1980's.

It is clear that export-led growth cannot be a feasible option for all our countries simultaneously. However, at Versailles, Canada will argue that the solution lies not in barriers but in persuading countries like Japan to continue liberalizing their import policies so as to encourage more equitable balances of trade.