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WITHDRAWAL SHEET

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Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

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File Folder CANADA (03/05/1981)

FOIA

F1554

Box Number 12

TAMMY NEMETH

3

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
32600	MEMO	RICHARD ALLEN TO THE PRESIDENT, RE: CANADA TO REVIEW ITS POLICY <i>R 12/7/2007 NLRRF1554</i>	1	3/5/1981	B1
32602	PAPER	RE: US/CANADA EXCHANGE <i>R 12/7/2007 NLRRF1554</i>	11	3/5/1981	B1
32604	PAPER	RE: NORTH AMERICAN AIR DEFENSE <i>R 12/7/2007 NLRRF1554</i>	2	2/26/1981	B1
32606	PAPER	EAST COAST BOUNDARY SETTLEMENT AND FISHERIES TREATIES <i>R 12/7/2007 NLRRF1554</i>	3	3/7/1981	B1
32607	PAPER	OTTAWA ECONOMIC SUMMIT <i>R 12/7/2007 NLRRF1554</i>	2	3/7/1981	B1
32609	LETTER	PIERRE TRUDEAU TO THE PRESIDENT WITHIN LETTER MATHIEU TO THE PRESIDENT <i>R 12/19/2011 F1554/1</i>	2	3/6/1981	B1
32611	PAPER	RE: ISSUES FOR MORNING RESTRICTED MEETINGS, PAGE 2 ONLY <i>R 12/7/2007 NLRRF1554</i>	1	ND	B1
32613	PAPER	LAW OF THE SEA <i>R 12/7/2007 NLRRF1554</i>	2	3/7/1981	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

B-1 National security classified information [(b)(1) of the FOIA]

B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]

B-3 Release would violate a Federal statute [(b)(3) of the FOIA]

B-4 Release would disclose trade secrets or confidential or financial information [(b)(4) of the FOIA]

B-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA]

B-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA]

B-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA]

B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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32615	CABLE	#050041Z MAR 81 R 12/7/2007 NLRRF1554	2	3/5/1981	B1
32617	CABLE	#052351Z MAR 81 R 12/7/2007 NLRRF1554	5	3/5/1981	B1

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~~SECRET~~ n.w?

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

The President has seen _____

~~SECRET~~

March 5, 1981 32600

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD ALLEN *Allen*

SUBJECT: Canada to Review its Policy on Soviet Exchanges

*OK
PR*

The Canadian consul in Moscow has informed our embassy in "strictest confidence" that Ottawa is currently reviewing its program of exchanges with the USSR with a view to cutting down the number of Soviets who visit Canadian facilities after being turned down for similar visits in the U.S. The consul said the Canadians are aware their country is being used as a fallback source of scientific and technical information developed in the U.S. but not accessible to Soviet visitors, and is unhappy with the situation. The consul emphasized the sensitivity of the information and noted it is not a subject the Canadians wish to discuss during the forthcoming Presidential visit. ~~(S)~~

DECLASSIFIED

NLRR F1554 #32600

BY Cal NARA DATE 12/7/07

~~SECRET~~
REVIEW ON MARCH 4, 2001
CLASSIFIED BY MULTIPLE SOURCES

~~SECRET~~

Handwritten scribble

*RVA Ho
Jens 2*

THE WHITE ~~HOUSE~~
WASHINGTON

MEMORANDUM FOR RICHARD V. ALLEN ✓

FROM: JANET COLSON

SUBJECT: Ed Morse/State Department

Henry Nau advises that the guy who wrote the "lost letter" is Ed Morse, Deputy Assistant Secretary for Energy Affairs.

According to Henry, he came in as Dick Cooper's Executive Assistant. Henry says he warned about him during the Transition.

DECLASSIFIED

NLRR FISSY #32402

BY CW NARA DATE 12/7/07

CONFIDENTIAL

32402

The Secretary of State presents his compliments to His Excellency the Ambassador of Canada and has the honor to refer to the Department of State's diplomatic note of December 5, 1980, to the Canadian reply of January 13, 1981, and to related consultations between the two governments about the Canadian National Energy Program (NEP). In those exchanges, the United States Government outlined its general concerns about the Canadian program. The Canadian Government has partially addressed those concerns, indicating that the Program as announced on October 28, 1980, was only in preliminary form and that the Program's implementing legislation and working documents would provide a clearer picture of its effects.

The United States Government appreciates the opportunity afforded by the Government of Canada to comment further on these documents as they become available. The United States recognizes that the National Energy Program addresses many issues which are internal to Canada and affect domestic Canadian interests. Nevertheless, the Program also has many transnational implications. The United States Government hopes that the Government of Canada will take these international implications and the legitimate interests of the United States into account in implementing the Program.

The Government of Canada will recall that the United States Government's concerns, as expressed in its note and during consultations, fall into several categories:

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1. The NEP may slow, or halt, Canada's progress towards energy self-sufficiency, notwithstanding Canada's IEA undertakings. The pricing schemes set energy prices considerably below world levels, thereby encouraging consumption. The restructuring of exploration incentives may well undermine growth in Canada's energy production.

2. The NEP is a major step away from the principle of national treatment towards which the industrial world has been moving to mutual benefit. This goal was established by the 1976 OECD Declaration and a related Decision on national treatment, reaffirmed in 1979.

Moreover, certain provisions in the Program, including those which reserve a 25 percent interest to the Government of Canada on Canada Lands and prohibit the licensing of companies for the development of Canada Lands without 50 percent Canadian ownership, raise potentially serious issues concerning Canada's obligations under mutually recognized international law and practice with respect to direct and indirect expropriation and compensation.

3. In particular, the United States Government considers that the Petroleum Incentive Program's principal means of providing grant incentives to Canadian firms is unnecessarily discriminatory in its effect upon foreign investors. It is likely to undermine the investment climate for foreign firms and retard future development of Canada's energy sector.

4. The NEP, if implemented as presently written, would violate Canada's GATT commitments and impair or nullify many tariff concessions to the United States.

~~These concerns have been reinforced, not diminished, by~~ examination of the proposed legislation and working papers that have become available.

The Department's note of December 5, 1980 emphasized in general terms those areas where the United States considered that Canada's NEP might run counter to Canada's international commitments and responsibilities. This note offers specific suggestions on modifying the Program. If implemented, the United States believes these would bring the NEP more into line with Canada's international responsibilities, reduce the potential for damage to foreign investors, and strengthen overall the energy industry in Canada.

The United States Government respectfully urges that the Government of Canada, in implementing its Program through new legislation and regulation, allow sufficient time for a full examination of the international implications of its measures. Early implementation may lead to actions difficult to reverse and counter to the two governments' mutual interests. In this respect, the United States Government looks forward to further consultations with the Government of Canada regarding United States concerns and questions about the NEP.

Energy Policy

The United States Government shares the view expressed in the International Energy Agency (IEA) that the NEP's price path for oil and gas is much lower than that foreseen by IEA and Summit decisions, which have emphasized the importance of keeping oil prices at world levels or moving toward them as quickly as possible.

As presently written, the NEP will create an incentive to consumption by maintaining Canadian oil prices, as a matter of policy, significantly below world market levels. The resulting demand for increased petroleum imports, in this Government's view, will be much larger and continue for a much longer time than may be anticipated in the NEP.

The NEP may also impair production. It is likely to reduce significantly the cash flow available to petroleum companies active in Canada by raising taxes sharply and preventing pass through of these higher costs by a price control structure. The retroactive nature of the NEP changes may also affect investor confidence and reduce the willingness of firms to invest new capital in Canadian oil and gas development.

The immediate effect of these changes may be a reduction in the ability of companies to explore and produce in Canada. Overall production is likely to decrease as more expensive sources such as tar sands, heavy oil, and smaller, less productive wells are rendered uneconomic. The combination of these and related factors is likely to reduce significantly the supply of hydrocarbons available to Canada for the foreseeable future.

In light of these factors, the United States Government respectfully urges that the Government of Canada consider the following:

1. The NEP's oil and gas pricing policy should be consistent with the goal of reducing reliance on imported crude oil established by the Tokyo and Venice Summits and at IEA ministerials. The United States Government believes that the NEP should include measures to allow domestic prices to rise to world oil market levels as soon as practicable.

2. In particular, this Government believes a realistic pricing policy is needed to stimulate the efficient development of Canada's vast heavy oil, tar sands, and the promising frontier regions in the Arctic and off the East Coast, which could make further contributions to the Summit and IEA goals. The United States Government believes existing and prospective synfuels projects should also benefit promptly from world market price levels.

3. The Petroleum and Gas Revenue Tax ("PGRT") is apparently not deductible in calculating Canadian income taxes. Thus, the effective tax rate may be as high as 12-16% or even higher. Moreover, the Canadian price control structure makes it impossible to pass these costs forward, thus representing a substantial burden, particularly for foreign companies which are not fully eligible for the incentives. The United States Government believes Canada should carefully consider the impact of PGRT on its investment climate and production potential.

Investment Issues

As was observed in the Department's note of December 5, 1980, a cornerstone of the international investment policy of the industrial West is the principle of national treatment: the concept that foreign investors in a country should receive treatment no less favorable than that accorded in like situations to domestic enterprises. The United States Government believes that maintenance and expansion of the principle of national treatment help spur world economic growth, stimulate international flows of investment capital, and promote its efficient allocation.

Both Canada and the United States joined in the consensus of all OECD delegations (except Turkey) in the adoption of the 1976 OECD Declaration on International Investment and Multinational Enterprises, the related Decision on National Treatment, and in the 1979 reviews and reaffirmation of these documents. The Declaration stated the basic commitment of the OECD Governments to the national treatment principle and the Decision contemplated, inter alia, the extension of the application of that principle. It is the view of the United States Government that Canadian statements in the OECD in 1976 and 1979 did not alter Canada's fundamental adherence to the consensus and basic commitment to the principle.

Numerous key provisions of the NEP discriminate solely on the basis of nationality against foreign-owned and controlled enterprises operating in the Canadian energy sector. Such provisions are at variance with Canada's commitments regarding national treatment.

Other provisions raise potential questions of direct and indirect expropriation of the interests of such enterprises, and of prompt, adequate and effective compensation consistent with international law standards. Such standards have been promoted by both countries, notably within the OECD and the United Nations.

The United States also believes that all administrative regulations and procedures used to carry out the NEP should be visible and public.

The specific concerns of the United States Government regarding the investment aspects of the NEP include the following:

1. A Natural Gas Bank will be established to purchase gas from producers with cash flow difficulties, to facilitate joint venture operations, and to provide production loans. The Bank's facilities, however, will be available only to firms meeting Canadian-ownership and control criteria. The United States Government believes that the services of a Natural Gas Bank should be available to all investors in the Canadian energy sector.

2. The National Energy Board will be asked to take Canadian ownership levels into account in considering applications for energy exports. Preference will be given to Canadian-owned and controlled firms. Canadian ownership will also be taken into account in reviewing applications for the non-conventional oil reference price.

The United States Government believes that Canadian ownership and control levels should be immaterial to pricing and export possibilities in the energy sector.

3. Under Sections 19 and 23 of the Canadian Oil and Gas Act, no company can receive, maintain, or renew a license to produce oil and gas on Canada Lands unless it has a Canadian ownership level of at least 50 percent. Implementation of this ownership requirement could force the sale of substantial foreign investments at an artificially reduced level which would be less than fair market value. The United States Government is concerned that there may be an insufficient number of interested and financially capable Canadian buyers available to purchase foreign firms' equity in order that the firms might meet Canadian ownership criteria. This fact could depress foreign asset values, particularly of those investments located in the higher cost areas such as the Beaufort Sea. The United States Government therefore believes the Program should not be applied retroactively where substantial foreign investments have already been made.

4. Even where foreign companies meet Canadian ownership requirements, a corporation must be Canadian "controlled" in order to produce discovered oil and gas reserves on Canada lands, expand into non-energy businesses, or receive consideration for export permits on an equal basis with other Canadian firms. Although the control criteria are still unclear, the United States Government understands that as little as five percent non-resident ownership of the stock of a publicly traded corporation may constitute a disqualifying level of foreign control. The United States Government believes that the specific intentions with regard to Canadian control criteria be clarified as soon as possible.

5. Under Section 27 of the Oil and Gas Act as presently written, a 25 percent interest in production from Canada lands would be reserved to the Government of Canada, without provision for compensation. The mandate is retroactive and may be exercised at any time. Moreover, under Section 33 subsection (2), no proportional reimbursement is to be paid for exploration costs incurred. Indeed, the Canadian government could wait until all exploration costs were incurred before vesting its interest in a particular tract. Foreign firms have already made substantial energy investments on Canada lands. The United States Government is concerned that the vesting of 25 percent interest in Crown Reserve lands would inequitably disadvantage these investors. The United States Government believes that such legislation which does not also provide for just compensation would be confiscatory and believes the Program should, at a minimum, make provision for a just level of compensation. Moreover, any renegotiation of existing leases should take into account the full rights of investors.

6. The Government of Canada has announced its intention to acquire certain foreign-owned companies in the energy sector. The United States Government anticipates that the Government of Canada will continue to ensure that, energy and investment policy considerations aside, the terms of any such acquisition be fair, equitable and consistent with international law.

The Petroleum Incentives Program (PIP)

The NEP calls for the replacement of the existing depletion allowances system with an incentive grants program for oil exploration and development which allocates grants according to the level of Canadian ownership and control of potential grantees.

Firms not meeting the prescribed ownership and control levels will thus be eligible only for lesser grants. This disadvantage, when combined with the discontinuance of depletion allowances for conventional oil and gas development, will put these firms at a significant competitive disadvantage compared to fully eligible firms. The United States Government believes that this incentive program discriminates against investors solely on the basis of nationality and may discourage investment and growth in the Canadian energy sector.

This inequity is compounded by the second aspect of the proposed grant program. Firms investing on Canada Lands will receive higher grant payments than those investing on provincial lands. Because of the Canadian ownership and control requirements for investing on Canada Lands, however, this provision exacerbates the discrimination against the foreign investor.

For these reasons, the United States urges that the PIP be reexamined, and that existing financial incentives continue to be made available as an option to firms involved in conventional oil and gas production. This would provide all firms -- not just those which meet strict Canadian ownership requirements -- with an alternative for raising the investment capital needed to explore fully Canada's potential resources. The United States Government further urges that the Canadian ownership rules be relaxed. This would allow Canadian (and other) firms to tap Canadian and foreign equity markets more easily rather than having to rely so heavily on a rigid Government grant structure.

Trade Aspects

The NEP provides for "strict requirements for the use of Canadian goods and services in exploration, development, and production programs on Canada Lands, and in major non-conventional oil projects." Section 10 (3) of the proposed Oil and Gas Act requires an applicant for an exploration agreement, before beginning any work program, "to submit a plan satisfactory to the Minister for the employment of Canadians and the use of Canadian goods and services in carrying out that work program." Section 9, stipulates that these requirements be carried forward into the production phase as well. A similar provision is found in the Act's proposed amendments to the existing Oil and Gas Production and Conservation Act. Furthermore, Section 55 of the proposed Act provides authority to the Minister to cancel the license of any interest holder in the event of failure to comply with provisions of the Act, including Section 10(3).

This proposed legislation for the NEP thus appears to aim at encouraging purchasers to treat foreign-produced goods less favorably than like products of domestic origin. Such treatment would be inconsistent with paragraphs 1 and 4 of Article III of the General Agreement on Tariffs and Trade (GATT), which require that national treatment be afforded to imported products. In addition, the proposed Canadian measures would risk impairing the value of the many significant tariff concessions negotiated and bound by the Government of Canada in the Tokyo Round and previous Multilateral Trade Negotiations, in return for which the United States made many concessions of advantage to Canada. The Canadian policy, if strictly enforced, could have serious adverse effects on the U.S., especially on exports of energy

related goods to Canada, which in 1979 totalled \$542 million. Many other U.S. exports of products used by energy producers would undoubtedly also be affected. Should the balance of concessions be disturbed, the United States would be obliged to consider how a new balance might be achieved.

In view of the inconsistency of the "Buy Canada" requirements of the proposed Oil and Gas Act with Canada's GATT obligations, and the harmful impact on U.S. exports, the United States Government believes these provisions should not be enacted. Their enactment could lead ultimately to reduced trade in both directions to mutual disadvantage.

The United States Government welcomes the assurances given by Canadian authorities in the bilateral meetings of November 7, and December 17, 1980, that the NEP will not be implemented in ways that require the non-competitive use of Canadian goods and services for projects on Canada lands. The Government of the United States believes such assurances should be spelled out and placed in the public domain, including the proposed legislation, so that the private sector is clearly aware of the commitment to open and competitive procurement procedures.

Department of State,

Washington, D.C.,

March 5, 1981



DEPARTMENT OF STATE

Washington, D.C. 20520

S/S 8106866

14

~~CONFIDENTIAL~~
Add-on
833

March 5, 1981

MEMORANDUM FOR MR. RICHARD V. ALLEN
THE WHITE HOUSE

Subject: The President's Visit to Canada

Attached for inclusion with the briefing material provided for the President, is an addendum to the Secretary's memorandum of March 3, covering another agenda item to be raised by the Canadians.

L. Paul Bremer, III
Executive Secretary

Attachment:

Addendum

~~CONFIDENTIAL~~

GDS, 3/5/87

DECLASSIFIED

Department of State Guidelines, July 21, 1987

By dlj NARA, Date 1/29/07

DEPARTMENT OF STATE
BRIEFING PAPER

~~CONFIDENTIAL~~

32604

NORTH AMERICAN AIR DEFENSE: NORAD AND DEW LINE

Essential Factors:

The United States and Canada cooperate closely in the air defense of North America through the North American Air Defense Command (NORAD), a joint command headed by an American Commander and a Canadian Deputy Commander, with its headquarters at Colorado Springs. Agreement appears imminent with Canada on a five-year extension of the NORAD Agreement, which would be signed by Secretary Haig during your visit to Canada.

The Distant Early Warning (DEW) Line is a series of 31 US funded radar sites located from the Canadian Arctic to Greenland. Based on cost savings, former Defense Secretary Brown proposed in his FY 1982 budget submission to close 18 of the 31 radar sites. The Canadian Government has expressed concern about the proposal because:

-- Canada was informed of the proposal to make major changes to the DEW Line only a few days before the budget was submitted to Congress, a procedure which did not constitute, in the Canadian view, adequate consultations under the terms of the May 1955 DEW Line agreement.

-- For Canada, about 130 jobs in remote locations would be lost.

-- The Brown decision was taken prior to completion of the Air Defense Master Plan, which will deal with fundamental questions of North American air defense, such as whether the DEW Line should be improved or replaced by another means of early warning and airspace surveillance.

Secretary Weinberger has reversed the Brown decision. The Canadian Government was notified March 6 that the amended FY 82 budget contains an additional \$18 million to permit full 31-site operation of the DEW Line through FY 1982.

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~~CONFIDENTIAL~~
GDS, 2/26/87

NLRR #1554 #32604

BY CW NARA DATE 12/7/09

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-2-

SUGGESTED POINTS:

-- I AM PLEASED THAT THE NORAD AGREEMENT WILL BE EXTENDED FOR FIVE YEARS AS A SYMBOL OF OUR DETERMINATION TO CONTINUE CLOSE COOPERATION IN NORTH AMERICAN AIR DEFENSE.

-- I AM PLEASED THAT CANADA'S AIR DEFENSE FORCES WILL BE ENHANCED BY ITS RECENT DECISION TO PURCHASE AT LEAST 137 NEW F18 FIGHTER AIRCRAFT AND BY THE ASSURANCE RECENTLY GIVEN TO SECRETARY WEINBERGER THAT CANADA WILL MEET ITS 3% REAL GROWTH TARGET FOR DEFENSE SPENDING THIS YEAR.

-- SECRETARY WEINBERGER HAS REVERSED THE BROWN DECISION ON DEW LINE FUNDING. \$19 MILLION HAS BEEN RESTORED TO THE BUDGET PROPOSAL TO PERMIT FULL OPERATION OF THE DEW LINE THROUGH FY 1982.

-- THE US WILL CONSULT CLOSELY WITH CANADA ON THE FUTURE OF THE DEW LINE AND ON THE OTHER IMPORTANT NORTH AMERICAN AIR DEFENSE ISSUES TO BE ADDRESSED IN THE AIR DEFENSE MASTER PLAN. THE DEPARTMENT OF DEFENSE EXPECTS TO BE ABLE TO PROVIDE THE COMPLETED DRAFT ON THE AIR DEFENSE MASTER PLAN TO CANADA IN THE NEAR FUTURE.

~~CONFIDENTIAL~~

March 7, 1981

PRESS GUIDANCE

THE US DECISION TO DELINK THE EAST COAST
BOUNDARY AND FISHERY TREATIES

The following themes should be emphasized in replies on this issue:

- 1) We are determined to look forward, not backward;
- 2) It serves no purpose to play a game of who won, who lost;
- 3) We leave it to the Canadians to characterize their reaction;
- 4) The step ought to be seen as positive and as addressing the core problem on the East Coast.

Q: Why was this done on the eve of the President's visit to Canada?

A. Preparations for the trip to Canada, which is very important, included a review of the questions that are outstanding or under discussion between us and consideration of those questions that we could solve and get out of the way. This issue, which has been under review from the outset of this Administration, was one of those that seemed to us to be the kind that should be cleared away. It should be behind us and not ahead of us. That is where the President's decision places it.

Q. Aren't you giving the Canadians a take-it-or-leave-it proposition?

A. Not at all. It is our hope that we and Canada will be able to exchange instruments of ratification of the boundary arbitration treaty just as soon as possible. While it is up to the Canadian Government to decide what it wants to do, and they will perhaps have comments of their own, certainly the long history of the problem relates to the lack of a boundary. Both countries have known that somehow a way had to be found to solve this central issue.

Q. Were the Canadians consulted?

A. We certainly have kept the Canadians informed of our thinking and of the progress of our study of the issue. It's really been up to the United States to find its way out of its own problem. We did not seek any commitments from Canada on outcomes. The review of the situation and what to do about it has gone on for about a month. We informed the Government of Canada in advance of our recommendation to the President and we made his decision known to Canada before it was made public.

Q. How will this sit with the Canadians?

A. This question, the question of what the United States would or could do about the treaties, has been a difficult one for the United States and, undoubtedly, as the Canadians view the situation, difficult for them too. Our inability to move one way or another has been an issue for nearly two years. The President's decision gets to the core issue which is that we do not have a boundary on the East Coast between the United States and Canada.

Q. How will this affect US/Canadian relations?

A. We hope it will remove an outstanding question that has troubled the relationship. Really this issue had to be faced and dealt with. We could not go on for another two or three years like this. We decided it was better to face the music now in the expectation of creating the conditions for an improved relationship in the future. We take our relations with Canada very seriously. We owe Canada a clean and decisive policy on important issues like this.

Q. Why this decision?

A. The fact is, quite candidly, that the treaty package as constructed did not move, would not, and according to our analysis, could not move.

As a result neither the boundary question nor the fishery problem was being addressed. So we see this step as progress.

Q. Do you anticipate future negotiations on fisheries?

A. We would not anticipate more negotiations on fisheries until the boundary question is settled. When we have a boundary, when we are dealing with known facts and circumstances, then we can build our future fisheries relationship on the East Coast.

Q. Isn't this going to be a tough one for Canada to swallow and really disappointing to them?

A. I wouldn't want to characterize the reaction of the Canadian Government.

Q. Isn't this a victory for the New England fishermen who have been so obstinate in their opposition to the fishery treaty?

A. This is not the sort of question that lends itself to such references as "victory" or "win or lose." Everyone has had an interest in somehow doing something to get to the heart of the problem.

Q. Isn't this a cave-in to Senators Pell and Kennedy and regional interest groups?

A. No. Dissatisfaction with the fishing treaty is much broader.

Q. Will Canada accept our proposal to split the treaties and ratify only the border agreement?

A. I don't know. I certainly hope so. It is in their interest as well as ours to do so. But it will be a difficult matter for Canada, and they will need time to examine the issue.

Q. Isn't this likely to color the President's visit?

A. Undoubtedly it will be part of the backdrop, but I believe it clears the way to look forward, not backwards. That is the way I hope everyone would see it.

DECLASSIFIED

NLRR 1554 # 3266

DEPARTMENT OF STATE

BRIEFING PAPER

~~CONFIDENTIAL~~

BY CW

NARA DATE 12/7/67

EAST COAST BOUNDARY SETTLEMENT
AND FISHERIES TREATIES

32606

Essential Factors:

These two treaties, linked in such a way that neither could come into force without the other, had been before the Senate for nearly two years when you took office. Our inability to move them because of stubborn, entrenched opposition to the provisions of the fishery treaty had become the major issue in US-Canadian relations. The Canadians were insistent that we do something. We could not find the fisheries accommodation that would permit progress. You decided on March 6 to uncouple the treaties and requested that the Senate Foreign Relations Committee move expeditiously on the boundary settlement treaty and return the fishery treaty to you unacted upon. This difficult but positive step alters the character of the issue in connection with your visit. The question no longer is when the United States is going to move the package. There are now several questions:

- Why did you make the decision you did?
- What does this mean for US-Canadian relations?
- Where do we go from here?

SUGGESTED POINTS

-- THIS ISSUE OF EAST COAST FISHERIES HAS CLOUDED OUR RELATIONSHIP FOR TWO YEARS (IF NOT, IN FACT, FOR 200). IN PREPARING FOR THIS VISIT, I CONCLUDED THAT IT COULD NOT BE AVOIDED. IT WAS THE KIND OF THING THAT SHOULD BE CLEARED AWAY. IT SHOULD BE BEHIND US AND NOT AHEAD OF US.

-- AFTER CAREFUL REVIEW, I CONCLUDED THAT NO COMBINATION OF AMENDMENTS TO THE FISHERY TREATY ACCEPTABLE TO THE SENATE COULD BE AT THE SAME TIME ACCEPTABLE TO CANADA. THERE SEEMED TO BE NO CONTROVERSY IN THE

~~CONFIDENTIAL~~

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RELATION TO THE BOUNDARY SETTLEMENT TREATY AND THAT, AFTER ALL, IS THE DOCUMENT THAT GETS TO THE CORE OF THE PROBLEM -- THE LACK OF A CLEAR AND AGREED BOUNDARY BETWEEN US.

-- I KNOW THE IMPORTANCE THIS ISSUE HAS FOR YOU. I AM AWARE OF THE STORM THAT HAS ARISEN IN YOUR FISHING COMMUNITY. THE FACT OF THE MATTER IS THAT IN THE CIRCUMSTANCES THERE WAS NO OTHER WAY TO GO. THIS WAY, UNCOUPLING THE TREATIES AND ADMITTING OUR INABILITY TO DO ANYTHING IN FISHERIES, OFFERED HOPE FOR THE FUTURE.

-- IT WAS NOT AN EASY DECISION FOR ME. IN FACT, IT WAS VERY DIFFICULT. IT'S NOT THE WAY I WOULD HAVE CHOSEN TO START OUR DIALOGUE. I HOPE THAT WITH TIME IT WILL REMOVE AN OUTSTANDING QUESTION THAT HAS DEEPLY TROUBLED OUR RELATIONSHIP.

-- I RECOGNIZE THAT CANADA MUST NOW CONSIDER WHAT IT IS GOING TO DO. I BELIEVE IT IS IN CANADA'S INTEREST TO RATIFY THE BOUNDARY SETTLEMENT AGREEMENT, BUT WE AWAIT YOUR DECISION.

-- AS FOR FISHERIES, THE QUESTION HAS BEEN RAISED AS TO WHETHER WE INTEND TO NEGOTIATE NEW FISHERIES ARRANGEMENTS ON AN INTERIM BASIS WHILE WE AWAIT THE OUTCOME OF THE BOUNDARY SETTLEMENT PROCESS. IF IT WERE POSSIBLE TO IDENTIFY SUCH ARRANGEMENTS, I BELIEVE IT WOULD HAVE BEEN POSSIBLE TO FIND THE COMBINATION NECESSARY TO GET THE ORIGINAL FISHERY TREATY PASSED.

~~CONFIDENTIAL~~

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-- I DO NOT THINK MORE ILLUSIONS WILL BE HELPFUL. WE SHOULD ADMIT THAT IN THE INTERIM WE WILL HAVE TO GO ON AS WE HAVE. IN MY LETTER TO SENATOR PERCY I TOLD HIM WHAT I WOULD BE PREPARED TO DO IN SOME SMALL WAY SHOULD CANADA EVENTUALLY BE ABLE TO RATIFY THE BOUNDARY SETTLEMENT TREATY BUT I FEEL STRONGLY THAT WE SHOULD NOT GO BEYOND THAT, OR EVEN TRY TO. WHEN WE HAVE A BOUNDARY, WHEN, AS I WROTE TO SENATOR PERCY, WE ARE DEALING WITH "KNOWN FACTS AND CIRCUMSTANCES", THEN WE CAN BUILD OUR FUTURE FISHERIES RELATIONSHIP ON THE EAST COAST. ANY OTHER COURSE GUARANTEES A REPETITION OF WHAT WE HAVE JUST BEEN THROUGH.

-- IN SUMMARY, I HOPE CANADA WILL ACCEPT THE DECISION I MADE ON MARCH 6 IN THE SPIRIT IN WHICH IT WAS MADE -- AN EFFORT (POSITIVE AND CONSTRUCTIVE) TO RESOLVE A DIFFICULT ISSUE BY ACCEPTING RESPONSIBILITY FOR IT AND TAKING DECISIVE ACTION.

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THE WHITE HOUSE

WASHINGTON

March 6, 1981

Dear Mr. Chairman:

You and I have both been concerned about the treaties with Canada, signed March 29, 1979, dealing with East Coast fishery and maritime boundary matters, which have been before the Committee for two years.

At the heart of our concern, and the concern of your colleagues, has been a shared desire to solve the fishery problem and, at the same time, build a strong and close relationship with Canada, based upon good will and mutual respect, recognizing that both countries have independent national interests to pursue.

After examining the matter, it is clear to me that the fishery treaty cannot be ratified in a form that would be acceptable to Canada. There seems to be no controversy in relation to the boundary settlement treaty. Therefore, I believe that it would be best to uncouple the two treaties and proceed with the ratification of the boundary settlement treaty.

I request that the Committee meet on an urgent basis to recommend Senate advice and consent to ratification of the Treaty Between the Government of the United States of America and the Government of Canada to Submit to Binding Dispute Settlement and Delimitation of the Maritime Boundary in the Gulf of Maine Area, signed at Washington, March 29, 1979, subject to an amendment which would allow that treaty to be brought into force without the entry into force of the accompanying fishery agreement.

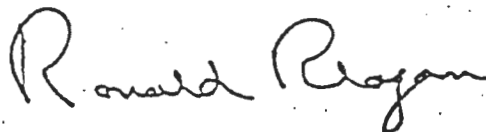
This course of action will ensure the settlement of the maritime boundary by an impartial and binding third party dispute settlement procedure. It will allow a

future fisheries relationship between the United States and Canada to be built upon known facts and circumstances. I ask that the Senate return to me without further action the Agreement Between the Government of the United States of America and the Government of Canada on East Coast Fishery Resources, signed at Washington, March 29, 1979.

In connection with the exchange of instruments of ratification of the boundary settlement treaty it is my intention to take two other actions. The first would be to order the Coast Guard to forebear from the enforcement of US laws against Canadian fishing vessels in all maritime areas now claimed by Canada. While I firmly believe that there is no basis in international law for the claims that Canada has made, I also believe that if there is to be a peaceful resolution of the maritime boundary dispute, I must exercise this discretion in law enforcement. I also intend to suggest that the Secretary of Commerce work closely with the New England Regional Fishery Management Council to institute as soon as possible a fishery management plan for scallops on Georges Bank. I know the Secretary also intends to continue the fine technical cooperation we have had with Canada in the field of fisheries.

I believe that the course of action outlined above is in the best interest of the United States and will contribute to the close and cooperative relationship with Canada that we seek.

Sincerely,



The Honorable Charles Percy
United States Senate
Washington, D. C. 20510

DEPARTMENT OF STATE
BRIEFING PAPER

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32607

OTTAWA ECONOMIC SUMMIT

Essential Factors:

The Summit meeting in Ottawa on July 19-21 will be the seventh in a series of annual summits devoted to economic issues. These meetings are the sole mechanism for bringing together the heads of government of the seven major industrial democracies -- UK, Germany, France, Italy, Japan, Canada, US, as well as the President of the European Commission -- to share assessments and coordinate action on pressing international economic problems.

At the Venice Summit, for the first time, one session was set aside for a separate political discussion because of the strategic implications of the Soviet invasion of Afghanistan. It has not been decided whether to follow the Venice format but political issues will certainly receive prominent attention at Ottawa.

The economic agenda at the Summit meetings generally covers macro-economic issues, energy, trade, finance, and North/South relations, with the emphasis shifting among the five topics from year to year in response to changing circumstances. At the Venice Summit last July, energy was the central issue, with inflation and recycling of OPEC surpluses close seconds. Trudeau believes North/South relations should be the centerpiece of the Ottawa meeting. However, at the first Summit preparatory meeting attended by representatives of the new Administration on February 17-19, the US suggested that, in addition to North/South relations, strengthened energy cooperation and strengthened western cohesion on economic relations with the Soviet Union and Eastern Europe should be major agenda items. The Summit would also provide an opportunity for the participants to explain their domestic economic policies.

Some concern was expressed, particularly by the Germans, over the US introduction of East-West economic relations as an agenda item because of the profound difference in political perceptions and

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existing relations of various Summit countries with respect to the USSR. The Canadian representative agreed the subject must be dealt with at the Summit but stressed the political aspect.

Trudeau may still press for North/South relations as the central theme at Ottawa.

Prime Minister Trudeau wrote you a letter March 6 about the arrangements for the Economic Summit, as he sees them (copy attached).

SUGGESTED POINTS

-- I WAS GLAD TO HAVE YOUR THOUGHTS ON THE OTTAWA SUMMIT IN YOUR LETTER OF MARCH 6.

-- I SEE THE SUMMIT AS A PRINCIPAL INSTRUMENT OF ALLIANCE STRATEGY, A FORUM FOR THE HEADS OF GOVERNMENT OF MAJOR DEMOCRACIES TO SHARE THEIR VIEWS ON GLOBAL PROBLEMS AND TO TRY TO REACH AGREEMENT ON COOPERATIVE ACTION TO DEAL WITH THE PROBLEMS.

-- I BELIEVE THE STRESS SHOULD BE ON REACHING A MEETING OF MINDS ON ECONOMIC RELATIONS WITH THE SOVIETS AND EASTERN EUROPE, COOPERATION ON ENERGY ISSUES, AND ECONOMIC RELATIONS WITH DEVELOPING NATIONS.

-- I WOULD HOPE WE COULD FOCUS LESS ON THE COMMUNIQUE AND MORE ON A GENUINE SHARING OF PERCEPTIONS AND MEETING OF MINDS THAN IN PAST SUMMITS.

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1746 Massachusetts Ave., N.W.
Washington, D.C. 20036

March 6, 1981

Dear Mr. President,

In the absence of the Ambassador I have been asked by the Prime Minister of Canada, The Right Honourable Pierre Elliott Trudeau, to transmit the following message to you:

"Dear President Reagan,

I look forward very much to your visit to Ottawa next week and to the opportunity we will have to discuss key bilateral questions and to share views on global issues. Above all I welcome your clear personal commitment to strengthen relations between our two countries and recognize fully the significance of your selection of Canada for your first state visit.

I have been giving considerable thought to the Summit Canada will host in July and to arrangements which will allow us to concentrate our time and discussions in the most productive manner. Responding to the desire expressed at Venice that we have more time for informal sessions among ourselves, I propose that Heads of State and Government and Ministers stay at the Chateau Montebello for the first two evenings and nights (Sunday, July 19 and Monday, July 20) and the first full day of the Summit (Monday). The Chateau is a unique and beautiful resort located 44 miles from Ottawa on a secluded stretch of the Ottawa River in a natural setting of forest, rivers and lakes.

The whole site will be closed off, enabling us to move about freely. The setting should provide a relaxed atmosphere for us to meet, in some cases for the first time. The format I have in mind is, I believe, conducive to the personal rapport and productive dialogue which we seek.

During the second day, Tuesday, July 20, we would meet in the East Block of the Parliament Buildings. The joint press conference will conclude the Summit later on Tuesday.

The President
The White House
Washington, D.C.

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BY RW NARA DATE 12/19/11

I expect that at our dinner Sunday evening we will want to take stock of the serious challenges confronting our countries and to have a general discussion of the international situation including some of the underlying issues, whether East/West, North/South, or macro-economic. We will also want to have a preliminary discussion on how best to approach the conduct of the Summit, including the priorities for our work.

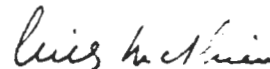
At the opening session, on Monday morning, I suggest that at the outset the Heads of State and Government meet briefly alone to decide formally how best to organize our meetings and the work of our Ministers. We would then go into plenary session (that is, accompanied by two Ministers) and stay in plenary at all of the subsequent meetings. However, I suggest two exceptions. First, we could, as in Venice, have only our Foreign Ministers with us when we discuss political questions. Secondly, we could decide to go back into closed session at any time if we thought that would be useful. Of course, we would always have notetakers with us.

I understand that our personal representatives have been meeting to discuss preparations for our Summit and see no particular problem in the arrangements I have just outlined. Specific details are being provided to your officials and every effort will be made to respond to individual requirements. I am also attaching a brief outline of the programme.

We will have an opportunity to discuss these matters more fully during your visit next week.

Yours sincerely,
P.E. Trudeau"

Yours sincerely,



G. Mathieu
Minister

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PROGRAMME OUTLINE: 1981 SUMMIT

SUNDAY, JULY 19

- Delegations arrive in Ottawa. The principals and their immediate parties (approximately 15 in total) are transported via helicopter (twenty minutes) from the airport to the Chateau Montebello.
- (The remainder of the delegations and all media to be lodged in Ottawa.)
- Separate working dinners for the Heads of State/Government and accompanying Ministers at Montebello.

MONDAY, JULY 20

- Morning session at which Heads of State/Government will meet initially among themselves for a short period followed by a session with one or two Ministers present.
- Luncheon arrangements as for Sunday dinner.
- Afternoon session with Ministers as required and with the possibility of a further limited session among Heads of State/Government late in the afternoon or any other times as necessary for the organization of our work.
- Dinner arrangements: joint or separate (to be decided).

TUESDAY, JULY 21

- Delegations move by helicopter to Ottawa for a session in the East Block of the Parliament Buildings; a state luncheon; a further session, as required, and a joint press conference.
- Delegations depart from Ottawa Tuesday evening or Wednesday, July 22.

III. ISSUES

A. Morning restricted meeting: International Issues

US Program for Economic Recovery The Canadian and US economies are closely linked. We are each other's largest trade and investment partners, and US economic decisions have profound impacts in Canada. Raising this at the outset will underscore the importance of this issue and our desire to consult.

East-West Relations Canada wants to be included in the inner circle of Allied discussions. Trudeau will want your views on Brezhnev's speech, Poland and El Salvador. On Afghanistan, he may ask about continuing the grain embargo. Canada was helpful on the embargo in early 1980, but no longer limits Soviet grain sales.

Ottawa Summit Trudeau wants North-South issues as the Summit focus, with East-West issues and other political questions included.

TALKING POINTS

US Program for Economic Recovery Three major, interdependent objectives: to reduce inflation, to raise economic growth, and to reduce the extent of government intervention in the economy. Our means include reduction in government outlays, reducing personal taxes, reducing governmental regulation, and slowing the growth of money and credits to reduce inflation.

East-West Relations We approach Soviets with strength and prudence. We practice linkage, have increased our defense budget, and will pursue arms control. A Summit may be possible later, when it can produce concrete results. We are studying the grain embargo and will be in touch.

On El Salvador, we know that Canada is under strong domestic pressure to break relations with the junta. In view of Communist military support through Cuba and Nicaragua, we count on Canada to support our position that this intervention must stop. We also favor reforms.

Ottawa Summit Acknowledge receipt of Trudeau's letter of March 6. We think the stress should be on cooperation on energy and re-industrialization, economic relations with the Soviets and Eastern Europe, economic relations with developing nations, and political issues.

DEPARTMENT OF STATE
BRIEFING PAPER

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LAW OF THE SEA

Essential Factors:

The Third UN Conference on the Law of the Sea is meeting in New York. The Administration has not had an opportunity to consider the complex issues involved in the Draft Convention and has instructed the US delegation to ensure that the negotiations do not end at the present session. A thorough review by interested departments and agencies will determine our position.

Canada's position on seabed mining issues reflects its role as the non-Communist world's largest producer of nickel. Ottawa leads the developing countries that are landbased producers of nickel, copper, cobalt, and manganese. Canada's objective is to impose production controls on seabed mining. The Canadians believe that unlimited seabed mining could lead to the loss of their market position in nickel and to severe unemployment. The Canadians would like to strengthen the production limitation provisions of the draft Convention. We have told them that such changes would be unacceptable to us.

The US decision to extend the negotiation pending a policy review has led Canada to request the inclusion of this issue on the President's agenda. The Canadians believe further delay will cause a loss of momentum. They are concerned that a US effort to reopen the seabed mining issue would cause the draft treaty to unravel.

SUGGESTED POINTS

-- THE ADMINISTRATION HAS BEGUN STUDIES OF THE COMPLEX QUESTIONS REGARDING THE LAW OF THE SEA, PARTICULARLY AS THEY RELATE TO DEEP SEABED MINING.

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-- THE US DOES NOT WISH TO CONCLUDE THE NEGOTIATIONS AT THE PRESENT SESSION OF THE CONFERENCE. WE ARE, HOWEVER, PREPARED TO NEGOTIATE ON SOME OF THE ISSUES BEFORE THE CONFERENCE.

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1/22/07

RECEIVED 03 MAR 81 15

TO PRES

FROM HAIG, A

DOCDATE 03 MAR 81

KEYWORDS: CANADA ECONOMICS
SUMMIT USSR
FISHING ENVIRONMENT

SUBJECT: TALKER FOR PRES VISIT TO CANADA 10 MAR 1981

ACTION: PREPARE MEMO FOR ALLEN DUE: 04 MAR 81 STATUS S FILES

FOR ACTION

FOR COMMENT

FOR INFO

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PAGE 001

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TO AMEMBASSY OTTAWA IMMEDIATE 0572

~~C. O. N F I D E N T I A L~~ STATE 055046
E.O. 12958: ODS 3/4/87 (BARRY, ROBERT L.)

TAGS: EFIS, EEWT, PINR, BPRO, CA

SUBJECT: PROPOSAL FOR REPAIR AND SERVICING OF SOVIET
VESSELS IN PUGET SOUND.

REFS: A) OTTAWA 1277 B) 80 OTTAWA 1008
C) 80 STATE 83640

1. ~~(C)~~ - ENTIRE TEXT)

2. WE REQUEST THAT YOU EXPRESS TO EXTERNAL AFFAIRS OUR
CONTINUED HOPE THAT GOC WILL REJECT THE SUBJECT PROPOSAL
BOTH ON AFGHANISTAN-SANCTION, BUT PARTICULARLY ON
HEIGHTENED SECURITY GROUNDS. IN MAKING YOUR APPROACH,
YOU MAY DRAW ON THE FOLLOWING:

-- WE APPRECIATE CANADIAN RECEPTIVITY TO OUR CONCERNS IN
THESE AREAS.

-- OUR REASONING OF LAST YEAR STILL APPLIES WITH REGARD
TO AFGHANISTAN SANCTIONS.

-- THE NATIONAL SECURITY BASIS FOR OUR PREVIOUS OPPOSITION
TO SOVIET VESSEL REPAIR IN PUGET SOUND (REFTEL C) HAS
SHARPENED. DEFENSE JOINS STATE IN EXPRESSING STRONG

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NLRR F1554 #32415

BY CW NARA DATE 12/7/09

DATE 05/06/81

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PAGE 002

MESSAGE (CONTINUED):

RESERVATIONS BASED ON THE SENSITIVITY OF MILITARY AND COMMERCIAL FACILITIES NEAR PUGET SOUND IN THE SEATTLE AREA. THE NEW US EMPHASIS ON DEVELOPMENT OF AN ARRAY OF STRATEGIC WEAPONS WILL RESULT IN INTENSIFIED ACTIVITY IN THE SEATTLE REGION, E.G., TRIDENT AND CRUISE MISSILES, B-1. THUS IT IS NOT SURPRISING THAT THE SOVIETS HAVE RECENTLY SHOWN INCREASED INTEREST IN THIS AREA.

3. IF USEFUL, YOU MAY WISH TO POINT OUT THAT THE PUGET SOUND PROPOSAL APPEARS TO DIFFER SIGNIFICANTLY FROM THE NEWFOUNDLAND PROJECT WHICH INVOLVES "NO SOVIET PERSONNEL" (REFTEL B). PUGET SOUND WOULD INCLUDE A SOVIET "WATCHKEEPING" CREW THAT WOULD STAY ON BOARD UNTIL THE WORK WAS COMPLETED, AS WELL AS SOVIET CREW ROTATIONS (REFTEL A). THIS FACTOR IS SALIENT FROM A SECURITY STANDPOINT. OF COURSE, THE PUGET SOUND COMMERCIAL FRAMEWORK, I.E., LACK OF SOVIET EQUITY OR COMMERCIAL PRESENCE, IS RELEVANT FROM A SANCTIONS STANDPOINT. HAIG

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AMEMBASSY ROME IMMEDIATE 0997
AMEMBASSY TOKYO IMMEDIATE 3454

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AMEMBASSY BELGRADE PRIORITY 9952
WHITE HOUSE PRIORITY 0312
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EYES ONLY FOR AMBASSADOR OR CHARGE
E.O. 12065: RDS-1 3/5/81 (RASHISH, MYER)

TAGS: ENDS, AU

SUBJECT: NORTH/SOUTH SUMMIT

1. UNDER SECRETARY DESIGNATE RASHISH BRIEFED AMBASSADORS OF CANADA, FRANCE, FRG, ITALY AND JAPAN SEPARATELY OVER MARCH 2-4 PERIOD TO INFORM THEM THAT PRESIDENT REAGAN HAS TOLD MEXICAN PRESIDENT LOPEZ PORTILLO BY TELEPHONE THAT HE WILL ATTEND A NORTH/SOUTH SUMMIT PROVIDED IT IS POSTPONED UNTIL THE FALL. THE AMBASSADORS WERE FURTHER ADVISED THAT

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DATE 03/11/81

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PAGE 02

MESSAGE (CONTINUED):

ADDITIONAL CONDITIONS FOR US ATTENDANCE WILL BE DISCUSSED WITH THE MEXICANS IN THE VERY NEAR FUTURE. THAT THE INVITATION LIST BE NON-CONTROVERSIAL, E.G., NO CUBAN PARTICIPATION, AND THAT THE SUMMIT BE CONSTITUTED AS A FORUM FOR FREE AND OPEN DISCUSSION, NOT AS A MEETING FOR NEGOTIATING AGREEMENTS. ASSISTANT SECRETARY DESIGNATE EAGLEBURGER DISCUSSED THESE SAME POINTS WITH THE AMBASSADORS OF YUGOSLAVIA AND AUSTRIA.

2. THE AMBASSADORS WELCOMED THE POSSIBILITY OF PRESIDENT REAGAN'S ATTENDANCE AND FOUND THE CONDITIONS TO BE ALONG LINES THEY HAD ANTICIPATED. THE CANADIANS WERE THE ONLY ONES TO EXPRESS SOME MISGIVINGS ABOUT MOVING THE SUMMIT FROM JUNETOHEFALLSINCE TRUDEAU HAD PUBLICLY SUPPORTED THE JUNE DATE. THEY ARE QUITE CERTAIN, HOWEVER, THAT

TRUDEAU WILL GO ALONG WITH ANY DATE LOPEZ PORTILLO AGREES TO. RASHISH STRESSED THAT LOPEZ PORTILLO HAS NOT YET AGREED TO ANYTHING ALTHOUGH WE INTERPRET HIS ENTHUSIASTIC RESPONSE TO MEAN HE WILL DO HIS UTMOST TO ACCOMMODATE THE PRESIDENT'S CONDITIONS.

3. ON THE ISSUE OF PARTICIPATION, RASHISH DISCUSSED BOTH THE DESIRE TO LIMIT THE NUMBER OF PARTICIPANTS AND NO CUBAN PARTICIPATION. ON THE LATTER, THIS MEANS EXACTLY WHAT IT SAYS, I.E., EVEN IF CASTRO WANTS TO SEND A REPRESENTATIVE, THIS IS UNACCEPTABLE. SEVERAL AMBASSADORS ASKED WHETHER WE WOULD ALSO OBJECT TO SOVIET PARTICIPATION. RASHISH SAID THAT IN PRINCIPLE WE WERE NOT ENTHUSIASTIC AND THAT OUR REACTION WOULD VERY MUCH DEPEND ON CIRCUMSTANCES AT THE TIME. FURTHERMORE, WE SEE LITTLE THE SOVIET UNION CAN ADD TO A DISCUSSION OF NORTH/SOUTH MATTERS SINCE THEY CONTRIBUTE SO LITTLE AND HAVE RARELY DONE ANYTHING OTHER THAN SEEK TO EXACERBATE NORTH/SOUTH DIFFERENCES IN SUCH FORA.

4. RASHISH POINTED OUT THAT IF THE FORMAT IS TO BE A FREE AND OPEN EXCHANGE OF IDEAS, THE LARGER THE NUMBER OF PARTICIPANTS, THE LESS MEANINGFUL THIS BECOMES. HE SUGGESTED A NUMBER IN THE RANGE OF 18 TO 20. FYI SINCE IT HAS BECOME THE PRACTICE TO ADD TWO OR THREE DEVELOPING

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PAGE 03

MESSAGE (CONTINUED):

COUNTRY PARTICIPANTS (ONE FROM EACH REGION) FOR EACH DEVELOPED COUNTRY, IT BECOMES VERY DIFFICULT TO MANAGE THE NUMBERS. THE MOST DIFFICULT CASE IS LIKELY TO BE THAT OF ITALY SINCE BY CURRENT PLANS ITALY WOULD BE THE ONLY ONE OF THE SEVEN ECONOMIC SUMMIT COUNTRIES NOT PARTICIPATING IN THE NORTH/SOUTH SUMMIT. THE ITALIAN AMBASSADOR MADE A STRONG PLEA THAT WE RECOGNIZE THIS AND SUPPORT ITALY'S PARTICIPATION. ITALY FEELS THIS WOULD ALSO LEND RECOGNITION TO ITS RECENT EFFORTS TO EXPAND ODA SIGNIFICANTLY IN THIS DECADE. RASHISH WAS SYMPATHETIC BUT NON-COMMITAL. END FYI.

5. MOST OF THE AMBASSADORS SAID THEIR GOVERNMENTS ALSO VIEWED THE MEXICAN SUMMIT AS A FORUM FOR EXCHANGING VIEWS ON SEVERAL IMPORTANT INTERNATIONAL ISSUES, SUCH AS ENERGY, FOOD, RESOURCE TRANSFER, BUT DID NOT WANT TO NEGOTIATE ON CURRENT ISSUES, E.G., THE IBRD ENERGY AFFILIATE, TARGETS FOR DEVELOPMENT ASSISTANCE AND, MOST PARTICULARLY, NOT TO RESOLVE PROBLEMS RELATED TO THE GLOBAL NEGOTIATIONS.

6. COMMENT: WE WOULD HAVE PREFERRED TO KEEP THIS MATTER STRICTLY BETWEEN THE US AND MEXICO. HOWEVER, GIVEN THE

CONDITIONS ASSOCIATED WITH THE PRESIDENT'S POSSIBLE ATTENDANCE, WE FELT WE NEEDED TO INFORM KEY PARTICIPANTS IN THE VIENNA PREPARATORY MEETING (SCHEDULED FOR MARCH 13-15) SO THAT THEY COULD HAVE THESE IN MIND AS THEY FOCUS ON DATES, PARTICIPATION, AGENDA, AND FURTHER PREPARATORY WORK. WE HAVE RESTRICTED OUR CONTACTS SO FAR TO THE SIX OTHER ECONOMIC SUMMIT COUNTRIES AND AUSTRIA AND YUGOSLAVIA; THE AUSTRIANS BECAUSE THEY ARE JOINT SPONSORS WITH MEXICO AND THE YUGOSLAVS, BECAUSE THEY ARE ONE OF THE G-77 REPRESENTATIVES INVOLVED IN THE PREPARATORY PROCESS. WE RECOGNIZE THAT ONCE THESE CONDITIONS ARE DISCUSSED IN

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PAGE 01

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AMEMBASSY PARIS IMMEDIATE 0543
AMEMBASSY BONN IMMEDIATE 0546
AMEMBASSY ROME IMMEDIATE 0508
AMEMBASSY TOKYO IMMEDIATE 3455

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AMEMBASSY BELGRADE PRIORITY 9953
WHITE HOUSE PRIORITY 6313

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~~SECRET~~ SECTION 02 OF 02 STATE 050229

NODIS
EYES ONLY FOR AMBASSADOR OR CHARGE,
VIENNA, EVEN IF ONLY IN THE CORRIDORS, THE WORD WILL
SPREAD QUICKLY. HOWEVER, WE HAVE CAUTIONED ALL OUR INTER-
LOCUTORS THAT THE PRESIDENT MUST CONSIDER THE REACTION TO
THE CONDITIONS BEFORE HE MAKES A FINAL DECISION AND THAT,
IN ANY CASE, HE WILL WANT TO MAKE THE ANNOUNCEMENT AT THE
TIME OF HIS MEETING WITH LOPEZ-PORTILLO IN LATE APRIL. WE
THEREFORE REQUEST THAT ADDRESSEES HOLD THIS INFORMATION AS
CLOSE AS POSSIBLE AND RESTRICT DISCUSSION OF IT TO THOSE
OFFICIALS IN THE HOST GOVERNMENTS DIRECTLY INVOLVED IN
THE NORTH/SOUTH SUMMIT PROCESS.

7. FOR OTTAWA AND VIENNA: CANADIAN AMBASSADOR TONE SUG-
GESTED THAT CHARGE POLANSKY CONTACT SECRETARY OF STATE FOR

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WHITE HOUSE SITUATION ROOM

PAGE 02

MESSAGE (CONTINUED):

EXTERNAL AFFAIRS MACGUIGAN UPON HIS ARRIVAL IN VIENNA SO THAT THE CANADIANS CAN REPORT ON DEVELOPMENTS DURING THE PREPARATORY MEETING. SENIOR OFFICIALS IN PRESIDENT'S PARTY WILL MENTION THIS TO PRIME MINISTER DURING THE COURSE OF THE PRESIDENT'S VISIT TO OTTAWA NEXT WEEK. STOESSL

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