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Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

DLB 1/25/2007

File Folder CANADA (09/24/1984)

FOIA

F1554

Box Number 12

TAMMY NEMETH

20

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
32991	MEMO	DUPLICATE OF #1707; GEORGE SHULTZ TO THE PRESIDENT, RE: YOUR MEETING WITH BRIAN MULRONEY, PRIME MINISTER OF CANADA, SEPTEMBER 25, 1984 R 12/19/2011 F1554/1	3	ND	B1
32992	PAPER	DUPLICATE OF #1710; BIO D 12/19/2011 F1554/1	2	9/20/1984	B1 B3 B6
32993	PAPER	CANADA: ECONOMIC ASSESSMENT R 12/7/2007 NLRRF1554	3	9/14/1984	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]

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UNCLASSIFIED UPON REMOVAL OF
CLASSIFIED ENCLOSURES

RECEIVED 24 SEP 84 11

TO MCFARLANE

FROM COBB

dlb 1/25/09

DOCDATE 22 SEP 84 /

RYE

23 SEP 84

FULLER, C

24 SEP 84

KEYWORDS: CANADA

VISIT

MULRONEY, BRIAN

SUBJECT: PRES BRIEFING MATERIALS FOR VISIT & LUNCHEON FOR PM MULRONEY 25 SEP

ACTION: FWD TO PRES FOR INFO DUE: STATUS IP FILES PA

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FOR INFO

MCFARLANE

URGENT

COMMENTS

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<i>Cobb</i>	<i>- 9/24</i>	<i>Recd USTR paper</i>		<i>MC, RO</i>
<i>Close Out</i>	<i>= 9/27</i>	<i>OBE</i>		
<i>C</i>	<i>9/27</i>	<i>OBE PER COBB</i>		

DISPATCH _____ W/ATTCH FILE PA (C)

CABINET AFFAIRS STAFFING MEMORANDUM

84 SEP 24 P 2: 46

Date: September 24, 1984 Number: 244497CA Due By: --

Subject: Background and Talking Points for the President's Meeting
with Prime Minister-elect Mulroney of Canada

ALL CABINET MEMBERS	Action	FYI		Action	FYI
Vice President	<input type="checkbox"/>	<input type="checkbox"/>		CEA	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>		CEQ	<input type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>		OSTP	<input type="checkbox"/>
Defense			<i>Bryan</i>		<input type="checkbox"/>
Attorney General					<input type="checkbox"/>
Interior					<input type="checkbox"/>
Agriculture			<i>Rush</i>		<input type="checkbox"/>
Commerce					<input type="checkbox"/>
Labor					<input type="checkbox"/>
HHS					<input type="checkbox"/>
HUD					<input type="checkbox"/>
Transportation			<i>for Mulroney</i>		<input type="checkbox"/>
Energy					<input type="checkbox"/>
Education					<input type="checkbox"/>
Counsellor			<i>NSCIS - ADD TO OR</i>		<input type="checkbox"/>
OMB					<input type="checkbox"/>
CIA					<input type="checkbox"/>
UN			<i>→ CRW 7046</i>		<input type="checkbox"/>
USTR			<i>Shale</i>		<input type="checkbox"/>
				Secretary for:	
GSA	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
EPA	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
NASA	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
OPM	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
VA	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
SBA	<input type="checkbox"/>	<input type="checkbox"/>			<input type="checkbox"/>
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				CCLP	<input type="checkbox"/>
				CCMA	<input type="checkbox"/>
				CCNRE	<input type="checkbox"/>

REMARKS:

Attached are background and talking points prepared by USTR for the President's meeting with Prime Minister-elect Mulroney. They are forwarded for your use as appropriate.

Thanks.

RETURN TO:

Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823 (White House)

Don Clarey Tom Gibson Larry Herbolsheimer
Associate Director
Office of Cabinet Affairs
456-2800 (Room 129, OEOB)

84 SEP 27 11 22 AM
OFFICE OF THE UNITED STATES
TRADE REPRESENTATIVE

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON
20506

September 24, 1984

MEMORANDUM

For: Craig Fuller

From: Dennis Whitfield *DW*

Subject: President's Meeting with Prime Minister-Elect Mulroney
of Canada

Attached is some information regarding the Canadian proposal for a sectoral free trade arrangement between the U.S. and Canada. As I mentioned on the phone, the new government is at least as much, if not more, interested in pursuing this than the former government was. We have told the Canadians that we are prepared to continue consultations but we need some official signal that they wish to pursue this.

Attachment

U.S.-Canadian Free Trade Discussions

4

Background

In Canada's comprehensive review of its trade policy for the 1980's released in August 1983, the importance of the United States, both as a customer and supplier, was highlighted. The study, in examining ways to improve that trade, rejected the oft-mentioned idea of a comprehensive, preferential free trade agreement between the United States and Canada. Instead, the study suggested that an examination be undertaken of limited sectoral free trade agreements, based somewhat on the concept of the U.S.-Canada Auto Pact.

The United States, from the outset, has indicated its interest in exploring any means of liberalizing trade, either bilaterally or multilaterally. While we might have preferred exploring the idea of more comprehensive discussions on bilateral free trade with Canada, we appreciate the sensitivities in Canada associated with that issue. Therefore, we have indicated our willingness to enter into exploratory discussions with Canada regarding its more limited sectoral free trade initiative.

U.S. Trade Representative William E. Brock has met twice with the Canadian Trade Minister regarding this Canadian initiative.

It was agreed that a number of joint working groups would be established to examine in some detail and within fixed time periods the feasibility of initiating negotiations of this kind. Specifically, joint working groups have been established to review the following areas: (1) steel; (2) agricultural equipment and inputs; (3) traded computer services and other elements of the "informatics" sector; and (4) government procurement issues, with particular emphasis on urban mass transit.

Each side is also continuing to identify additional sectors which may be appropriate for future discussions. The Canadians indicated that they are actively reviewing the petrochemical, beef, and non-ferrous metals sectors. On our part, we informed the Canadians that work is continuing on a number of fronts, including furniture, forest products, cosmetics and alcoholic beverages.

Update

Progress on the sectoral free trade initiative was slowed significantly by the Canadian elections. Although the Progressive Conservatives voiced support for closer ties with the United States during the campaign, some key candidates expressed concern that the sectoral approach was too piecemeal. While the new government of Prime Minister Mulroney has not yet developed a formal position on this issue, it is clear that they are open-minded about anything which improves U.S.-Canada relations.

It is safe to assume that, at a minimum, the new government will continue to support the sectoral free trade dialogue. In fact, they may eventually endorse a much broader effort.

Suggested Talking Points

1. As you know, the United States was receptive to the initiative by the Canadian government last year to examine the feasibility of limited sector free trade arrangements between our two countries.
2. I want to assure you that this Administration will continue to support those discussions if you decide to embrace the concept. We strongly believe that pursuing a bilateral approach at this time will add impetus to our multilateral efforts in support of trade liberalization.
3. We will continue to follow your lead on this issue. If, upon reflection, you should decide to broaden the bilateral exercise, we will certainly be prepared to follow suit.

UNCLASSIFIED UPON REMOVAL OF CLASSIFIED ENCLOSURES RECEIVED 24 SEP 84 117

TO MCFARLANE

FROM COBB

dlb 1/25/87

DOCDATE 22 SEP 84

RYE

23 SEP 84

FULLER, C

24 SEP 84

KEYWORD

VISIT

MULRONEY, BRIAN

SUBJECT: PRES BRIEFING MATERIALS FOR VISIT & LUNCHEON FOR PM MULRONEY 25 SEP

ACTION: FWD TO PRES FOR INFO DUE: STATUS C FILES PA

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MCFARLANE

COMMENTS

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National Security Council
The White House

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Bob Kimmitt	<u>2</u>	<input checked="" type="checkbox"/>	
John Poindexter	<u>4</u>	<input checked="" type="checkbox"/>	<u>A</u>
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat	<u>6</u>		<input checked="" type="checkbox"/>
Situation Room	<u>5</u>	<u>BTM 4 1984</u>	<u>D</u>
<u>Rosie</u>	<u>3</u>	<u>done</u>	<u>Conclusions</u>

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other BUD Tabs 6 & C

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National Security Council
The White House

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	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	1	[Signature]	
Bob Kimmitt	2	K	
John Poindexter	3	[Signature]	A
Tom Shull			
Wilma Hall			
Bud McFarlane			
Bob Kimmitt			
NSC Secretariat			
Situation Room			

I = Information A = Action R = Retain D = Dispatch N = No further Action

cc: VP Meese Baker Deaver Other [BUD]

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(Date/Time)

MEMORANDUM

NATIONAL SECURITY COUNCIL

September 23, 1984

ACTION

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: GILBERT D. RYE *Gil*SUBJECT: Presidential Ceremony with U.S. and Canadian
Astronauts -- September 25, 1984

SIGNED

Attached at Tab I is a briefing memorandum which I have been asked to prepare for tomorrow's ceremony.

RECOMMENDATION

That you sign the briefing memorandum at Tab I.

Approve _____ Disapprove _____

Attachments

Tab I Briefing Memorandum
Tab A List of Participants

cc: Ty Cobb

RECEIVED 24 SEP 84 11

20 1/25/07

TO MCFARLANE

FROM COBB

DOCDATE 22 SEP 84

KEYWORDS: CANADA

VISIT

MULRONEY, BRIAN

SUBJECT: PRES BRIEFING MATERIALS FOR VISIT & LUNCHEON FOR PM MULRONEY 25 SEP

ACTION: FWD TO PRES FOR INFO DUE: STATUS IX FILES PA

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MCFARLANE

COMMENTS

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<i>Pres</i>	<i>IP</i> SEP 24 1984	<i>information</i>		<i>VP, Gen, JM, MD</i>
<i>Cobb</i>	<i>S</i> 9/24	<i>recd VSTR memo via fuller</i>		
<i>Pres</i>	<i>IP</i> SEP 24 1984	<i>a/o per information</i>		<i>same</i>
	SEP 25 1984	<i>Pres noted</i>		

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12

THE WHITE HOUSE

WASHINGTON

September 24, 1984

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RC

MEETING WITH CANADIAN PRIME MINISTER BRIAN MULRONEY

DATE: September 25, 1984
 LOCATION: Oval Office/Family Dining Room
 TIME: 11:00-11:15 a.m.- Pre-Briefing (Oval Office)
 11:15-11:18 a.m.- Photo Opportunity (Oval Office)
 11:18-11:45 a.m.- Meeting (Oval Office)
 11:45-12:00 p.m.- Astronaut Ceremony (Rose Garden)
 12:00- 1:00 p.m.- Lunch (Family Dining Room)
 1:00- 1:10 p.m.- Departure Statements

FROM: ROBERT C. MCFARLANE

RC

I. PURPOSE

To congratulate Prime Minister Mulroney on his election; to express appreciation for his pro-U.S. stance during his campaign; to exchange views on major global issues (East-West, Arms Control, and Alliance Cohesion); and to discuss ways of better managing U.S.-Canadian relations in the future.

II. BACKGROUND

Brian Mulroney campaigned heavily on the theme of the necessity for closer U.S.-Canadian ties and the need to eliminate irritants in our historically close relationship. Mulroney stressed that he intended to give the U.S. the "benefit of the doubt," in contrast to the confrontational Canadian stance of the Trudeau era. Your meeting, which will build on the excellent rapport you established with Mulroney in June, will focus on global strategic issues, your UNGA address, and your important bilateral with Gromyko on Friday. Mulroney will touch lightly on bilateral trade and investment issues, where his campaign statements were very positive, and on the environment, where acid rain remains an irritant.

Canada has not had an official working visit here in nearly a decade, although Prime Minister Trudeau met with you in the Oval Office last December to discuss his "peace initiatives." Mulroney has personally stressed the necessity for more frequent meetings between two historically close allies and this visit will be his first abroad since his inauguration last Monday.

cc Vice President
Ed Meese
Jim Baker
Mike Deaver

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Declassify: OADR

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NSA EOO-094 # 1706

1/25/07 / 7/6/06

BY *dlb/lot*

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2

Mulroney has maintained a busy first week in office -- he has met extensively with the Pope and will be coming to Washington immediately following a meeting with the Queen. He does not expect any commitment or formal agreement to result from any of the subjects addressed during this meeting.

You will want to stress to Mulroney your earnest intent to establish a serious, more productive dialogue with the Soviet Union. You may wish to mention many of the difficulties you have encountered in your attempts to overcome Soviet intransigence -- the apparent leadership vacuum in Moscow, the rapid turnover in the Kremlin, traditional Russian suspicion and their obvious discomfort with the success you have enjoyed in reversing the so-called "correlation of forces." You may wish to reiterate many of the themes you stressed in your UNGA speech, particularly our commitment to seek genuine and verifiable arms reductions and strategic stability.

Economic irritants have dominated our bilateral agenda in the past, but you have taken many positive steps that have served to improve our trade relationship. Our recovery has served as a tremendous boost to Canadian exports and accelerated their recovery (unemployment, however, continues to be high at 11%). Despite tremendous domestic pressure, you have courageously resisted protectionist demands and will want to point to your refusal to place quotas on steel and copper imports as an indicator of our dedication to a free trade regime (both actions have been very helpful to Canada). The U.S. and Canada have the largest bilateral trading relationship in the world, over \$90 billion in 1983. You may wish to remind Mulroney that we account for about 70% of Canada's total trade, and our bilateral trade deficit of \$14 billion is second only to Japan's. As the largest foreign investor in Canada (almost \$50 billion at the end of 1983), we should endorse Mulroney's campaign commitment to relax the restrictive policy toward foreign direct investment put in place by the Trudeau Government.

We have received assurances that Mulroney will not seek to discuss any bilateral issue in detail, leaving that to the Foreign Ministers at their next quarterly meeting in October. He will, however, want to focus attention on how best to manage the Canadian-U.S. bilateral agenda in the future. He may feel impelled, for domestic political reasons, to lay a marker down on the contentious acid rain issue. You may wish to express our concern over Canadian failure, under the Liberals, to maintain reasonable levels of defense spending, especially in comparison to its NATO Allies.

George Shultz's comprehensive memorandum is at Tab A. Your talking points and Mulroney's Bio are at Tab B. Your remarks for the Astronaut Ceremony and departure statement will be forwarded separately.

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III. PARTICIPANTS

List of participants is at Tab C.

IV. PRESS PLAN

Pool photo opportunity at beginning of Oval Office meeting. Full Canadian and U.S. press coverage for astronaut ceremony.

V. SEQUENCE OF EVENTS

11:00 a.m.	Pre-Brief Meeting (Oval Office)
11:15 a.m.	Photo Opportunity (Oval Office)
11:18 a.m.	Meeting (Oval Office)
11:45 a.m.	Astronaut Ceremony (Rose Garden)
12:00 Noon	Luncheon (Family Dining Room)
1:00 p.m.	Departure Statements (Diplomatic Entrance)
1:10 p.m.	Departure

Attachments

- Tab A - Shultz Memo
- Tab B - Talking Points and Bio
- Tab C - Participants List

Prepared by:
Tyrus W. Cobb

THE SECRETARY OF STATE
WASHINGTON

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84 SEP 22 P 1: 40

MEMORANDUM FOR: THE PRESIDENT

From: George P. Shultz *GP*

Subject: Your Meeting with Brian Mulroney, Prime
Minister of Canada, September 25, 1984

32991

I. OBJECTIVES

1. To congratulate Mulroney on his election as Prime Minister of Canada and to express appreciation for his pro-US stance during his campaign.
2. To exchange views on major global issues (East-West, arms control, Atlantic Alliance, Middle East, Central America, and economics).
3. To touch briefly on key bilateral topics (investment, trade, acid rain, fisheries).
4. To discuss ways of better managing US-Canadian relations in the future.

II. SETTING

Brian Mulroney's dramatic victory over Liberal John Turner in Canada's September 4 elections opens a new and promising chapter in US-Canadian relations. Mulroney campaigned on a platform calling for better links with the United States and a closer personal association with the President. He termed the US Canada's "ally, neighbor and best friend," and he appealed to Canadians to give us more often "the benefit of the doubt." Mulroney also resisted pressure to back a nuclear freeze, a position supported by some of his party's opponents and, according to opinion polls, by 85% of Canadian citizens. This meeting, therefore, underscores our reciprocal willingness to move toward a closer relationship with Canada. It will build on the excellent beginning you and Mulroney had when he called on you as Opposition Leader in June. We have agreed with the Canadians that this get-together will focus mainly on global issues.

One of our objectives during this meeting is to discuss ways to keep our ties on a positive note and to manage them better in the future. I plan to continue my four-a-year meetings with the Canadian Foreign Minister. Beyond that, we and the Canadians should undertake to consult with each other on a regular basis as befits the extensive and unique character of our relationship.

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DECL: OADR

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BY RW NARA DATE 12/14/11

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- 2 -

A note of caution: While quite sincere in his desire to establish a better working arrangement with the US, Mulroney, like any Canadian leader, has to avoid any appearance of being a junior partner of the Americans. He will, therefore, feel compelled to raise at least one contentious bilateral issue: acid rain, on which we continue to see the problem differently. We expect him to touch lightly on the subject, however. Otherwise, on the bilateral side, Mulroney will wish to comment in passing on two other subjects, both in a positive vein: foreign investment, where he has promised to liberalize Canadian controls, and trade, which has reached an all-time high between our two countries.

III. ISSUES

East-West and Arms Control

You might refer to your upcoming meeting with Andrei Gromyko, sketching out US expectations and inviting Mulroney's comments on priorities and tactics. I suggest you underscore your commitment to arms control and your readiness to tackle the problems of verification and compliance, a comprehensive nuclear test ban, and the outer space issues.

Atlantic Alliance

You could stress our upbeat view of NATO unity in the wake of successful INF deployment and the need to turn our energies now increasingly to correcting the imbalance in conventional forces.

Central America

Over recent decades, Canada has taken a special interest in the Caribbean and Central America. You could have a useful exchange of views with the Prime Minister on current developments.

Middle East

Before he comes to Washington, Mulroney will not have had time to mount a wholesale review of Canada's Middle East policy. You might therefore brief him on how you see developments.

Economic Issues (Global and Bilateral)

At the risk of prompting a Mulroney complaint about US interest rates, you could discuss the contribution strong US economic performance is making to global recovery. In the bilateral framework, I suggest you probe Mulroney's intentions

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- 3 -

with regard to liberalizing Canadian restrictions on foreign investment. You might also wish to cite our support for trade liberalization, including continuation of the sectoral free trade talks Bill Brock has been holding with Canada. We welcomed Canada's initiative in proposing these talks, but Mulroney has not gone beyond a general endorsement of trade expansion.

Acid Rain

As mentioned earlier, Mulroney will feel obliged to mention acid rain. You could hold to our established policy, but phrased in a manner that avoids embarrassing Mulroney with his public.

Managing the Relationship

I suggest you stress your desire to meet frequently and productively with Mulroney -- without going into details -- and also confirm my willingness to continue meeting four times yearly with the Canadian Foreign Minister.

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TALKING POINTS FOR THE PRESIDENT'S MEETING AND LUNCHEON
WITH CANADIAN PRIME MINISTER BRIAN MULRONEY

- Pleasure to welcome you back to Washington as Prime Minister. As you predicted, the Irish are now in control from the Arctic to the Mexican border. I hope your landslide conservative victory is an omen.
- I followed the Canadian campaign, and was particularly pleased to hear your strong defense of free-market principles, expanded international trade, and private investment. More importantly, I share your emphasis on the necessity for close Canadian-U.S. ties.
- My meeting with Gromyko will underline the necessity of placing our relations on a more constructive and productive basis. We want Gromyko to carry back to the Politburo a clear understanding that we can and should do business with each other.
- We remain ready to open discussions with the Soviets on the militarization of outer space and have no preconditions. We will discuss this with Gromyko, but will emphasize the need to negotiate other nuclear arms control issues.

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 BY dot,dlb NARS, DATE 7/6/06; 1/25/07

- Soviets seem determined to ensure that there are no negotiations on major arms control issues before our election. Frankly, I believe the Soviet leadership vacuum has constrained them from taking any positive initiatives in the arms control area. However, I believe that the Soviets will have to reconsider their obstinacy soon and more actively seek opportunities for serious dialogue.

- I would be interested in gaining your advice on how best to deal with the Soviets and to promote global peace.

- Lord Carrington just completed a useful visit to Washington. I believe he will take vigorous charge of the NATO Alliance, particularly on enhancement of conventional forces. I hope Canada will be a leader in the effort to upgrade conventional deterrence.

- (If Asked) Our policy in Central America has been to encourage democratic institutions, provide increased economic aid, use active diplomacy to bring about peace, if possible, and provide security assistance to help friendly governments defend against Soviet/Cuban/Nicaraguan supported guerrillas.

- We favor movement toward trade liberalization and the elimination of protectionism. Against tremendous domestic pressure, I resisted the protection recommended to me on your steel and copper exports to the U.S.

- I am personally committed to responsible stewardship of our common environment. On acid rain, I have directed Bill Ruckelshaus to pursue this issue with his new Canadian counterpart as soon as possible.

- I'm pleased, also, that talks will resume in December on managing West Coast salmon fisheries.

- I look forward to meeting frequently and productively with you, as we work together to manage the broad agenda of global and bilateral issues. I know that Secretary Shultz intends to continue his recent tradition of meeting four times yearly with the Canadian Foreign Minister, if you agree that this remains helpful.

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

DLB 1/25/2007

File Folder

CANADA (09/24/1984)

FOIA

F1554

TAMMY NEMETH

Box Number

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<i>ID</i>	<i>Document Type</i>	<i>No of</i>	<i>Doc Date</i>	<i>Restric-</i>
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32992	PAPER	2	9/20/1984	B1
	DUPLICATE OF #1710; BIO			

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

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C. Closed in accordance with restrictions contained in donor's deed of gift.

PARTICIPANTS FOR THE PRIME MINISTER MULRONEY VISIT
Tuesday, September 25, 1984

Pre-Brief Meeting -- Oval Office - 11:00 a.m.

The President
Deputy Secretary of State Kenneth Dam
Secretary of Defense Caspar W. Weinberger
Robert C. McFarlane, Assistant to the President for
National Security Affairs
U.S. Ambassador to Canada Paul Robinson
Deputy Assistant Secretary James M. Medas
Tyrus W. Cobb, NSC

(Messrs. Meese, Baker and Deaver will attend at
their discretion)

Photo Opportunity -- Oval Office - 11:15 a.m.

United States
President Reagan

Canada
Prime Minister Mulroney

Oval Office Meeting -- 11:18 a.m.

United States Participants

The President
Deputy Secretary of State Kenneth W. Dam
Secretary of Defense Caspar W. Weinberger
Robert C. McFarlane, Assistant to the President
for National Security Affairs
U.S. Ambassador to Canada Paul Robinson
Deputy Assistant Secretary James M. Medas
Tyrus W. Cobb, NSC

(Messrs. Meese, Baker & Deaver will attend at their
discretion)

Canadian Participants

Prime Minister Brian Mulroney
Canadian Ambassador to the U.S. Allan Gotlieb
Fred Doucet, Mulroney Chief of Staff
Derek Burney, Assistant Deputy Minister of
External Affairs for the U.S.

Photo Opportunity W/Canadian-American Astronauts -- 11:45 p.m.United States Participants

The President
 Deputy Secretary of State Kenneth Dam
 Administrator of NASA, James Beggs
 Robert Crippen, U.S. Mission Commander
 Kathryn Sullivan, U.S. Astronaut

Canadian Participants

Prime Minister Mulroney
 Marc Garneau, Canadian Astronaut

Luncheon -- Family Dining Room - 12:00 p.m.United States Participants

The President
 Deputy Secretary of State Kenneth Dam
 Secretary of the Treasury Donald T. Regan
 Secretary of Defense Caspar W. Weinberger
 John M. Poindexter, Deputy Assistant to the President
 for National Security Affairs
 U. S. Ambassador Paul Robinson
 Deputy Assistant Secretary of State James M. Medas
 Tyrus W. Cobb, NSC

(Messrs. Meese, Baker and Deaver will attend at their
 discretion)

Canadian Participants

Prime Minister Brian Mulroney
 Canadian Ambassador Allan Gotlieb
 Finance Minister Michael Wilson
 Fred Doucet, Mulroney Chief of Staff
 Derek Burney, Assistant Deputy Minister of European
 Affairs for the U.S.
 3 Others

Departure Statements -- Diplomatic Entrance - 1:00 p.m.Departure -- 1:10 p.m.

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MEMORANDUM

NATIONAL SECURITY COUNCIL

~~CONFIDENTIAL~~

ACTION

September 22, 1984

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: TYRUS W. COBB *TC*

SUBJECT: President's Briefing Materials for the Visit
and Luncheon of Canadian Prime Minister
Brian Mulroney

Attached for your signature (Tab I) is a memorandum for the
President in preparation for his meeting with Canadian Prime
Minister Brian Mulroney on September 25, 1984.

Jack Matlock, Ron Lehman and Constantine Menges concur. *JG*

RECOMMENDATION

That you sign the memorandum to the President at Tab I.

Approve *[Signature]*

Disapprove _____

Attachments

- Tab I - Memorandum to the President
 - Tab A - Memorandum from Secretary Shultz
 - Tab B - Talking Points & Bio
 - Tab C - Participants List
- Tab II - Clearance List (to be provided)

DECLASSIFIED

White House Guidelines, August 28, 1987

By *dib* NARA, Date *1/25/07*

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Declassify: OADR

~~CONFIDENTIAL~~

UNCLASSIFIED (UPON REMOVAL) RECEIVED 24 SEP 84 11
~~CLASSIFIED (ENCLOSURE)~~

TO MCFARLANE

FROM HICKS, C

dlb 11/25/07

DOCDATE 21 SEP 84 28

KEYWORDS CANADA

ECONOMICS

MULRONEY, BRIAN

VISIT

SUBJECT: TREASURY TALKERS FOR PRES MTG W/ MULRONEY 25 SEP

ACTION: PREPARE MEMO FOR MCFARLANE DUE: 24 SEP 84 STATUS S FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

COBB

ROBINSON

MCMINN

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COMMENTS

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OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

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September 21, 1984

~~UNCLASSIFIED WITH
CONFIDENTIAL ATTACHMENTS~~

MEMORANDUM FOR THE HONORABLE ROBERT KIMMITT
EXECUTIVE ASSISTANT TO THE PRESIDENT
FOR NATIONAL SECURITY AFFAIRS

Subject: The President's Meeting with Prime Minister
Mulroney, September 25

Attached are brief summaries, talking points and more detailed issue papers of important U.S.-Canadian economic issues that you might wish to include in the briefing papers being prepared for the President's meeting with Prime Minister Mulroney.

Christopher Hicks
Executive Secretary and
Executive Assistant to the Secretary

~~UNCLASSIFIED WITH
CONFIDENTIAL ATTACHMENTS~~

Attachments

dh 11/25/84

ISSUES IN U.S.-CANADIAN ECONOMIC RELATIONS

A. STATE OF THE CANADIAN ECONOMY

Issue

The Canadian economy is in its sixth quarter of recovery, rebounding sharply from its most severe recession since the 1930s. However, the economic performance has recently weakened, disappointing the Canadians considerably. The Canadian government is concerned with their high unemployment (11 percent), large Canadian federal budget deficit (over 6 percent of GNP), and weak private investment; these concerns restrict Mulroney's actions over the next year.

Talking Points

- What are your plans for reducing unemployment and increasing private-sector investment?
- What are your major plans for tightening fiscal policy?

B. U.S.-CANADIAN TRADE

Issue

The U.S. and Canada have the largest bilateral trading relationship in the world with over \$90 billion in two-way trade in 1983. We account for about 70 percent of Canada's total trade, and our bilateral trade deficit of \$14 billion is our second largest (the first being Japan).

Talking Points

- We value our relatively harmonious trade relations.
- Our recovery has been a tremendous boost to your exports and recovery.
- We hope that under your leadership the degree of trade protectionism will shrink.
- We are also concerned with the protectionist pressures in the U.S. I believe my recent steel and copper decisions reflect our commitment to free trade principles.

C. FOREIGN DIRECT INVESTMENT POLICIES

Issue

The U.S. is the largest foreign investor in Canada (almost \$50 billion at end 1983). The Mulroney government is expected to relax the restrictive policy toward foreign direct investment put in place by the former government. Notable problems for

the United States are the National Energy Program (NEP) and the Foreign Investment Review Agency (FIRA) practices. Both have had a dampening impact on investment in Canada and have created severe problems for U.S. businesses.

31

Talking Points

- We are pleased that you will liberalize policy toward foreign direct investment in Canada. This will go a long way toward strengthening our economic and financial ties.

D. EXPORT ENFORCEMENT WITH CANADA

Issue

Canada has been used inadvertently in the transshipment of U.S.-origin products of a critical technology nature to the Soviet Union. Canada is the only country exempt from export licensing requirements for both Munitions List and Commodity Control List items. We rely on Canada's good faith efforts to control these items. Bilateral talks at the technical level are underway; some progress is being made. During Mulroney's pre-election visit to Washington in June, he indicated fullest cooperation on this issue and agreed that he would welcome a high-level visit to Ottawa to begin negotiations.

Talking Points

- The acquisition of U.S.-origin critical technology products by the Soviet Union is a serious problem.
- We wish to avoid imposing the restrictive licensing procedures between the U.S. and Canada that currently apply to our other trading partners.
- We welcomed your support last June to cooperate fully in this area and hope that high-level negotiations can get underway soon.

Initiated by: Treasury/OS
W. Murden/IMI

Reviewed by: W. Barreda/ITT
S. Bolten/O
S. Altheim/ITI
R. Fauver/IMI

CANADA: ECONOMIC ASSESSMENTCurrent Situation:

3299E

- Recovery now 6 quarters long. 1983 real GDP up 7.1% (4th/4th). Growth slower this year: 1Q 2.8%, 2Q 2.8% (saar)
- Inflation lowest since 1972. Currently running at 4.2% (12 months to July)
- External sector in surplus. Record trade surplus of \$14 billion in both 1983 and 1982, up sharply from previous years.
 - current account surplus of \$1.4 billion in 1983 vs. \$2.2 billion in 1982
- Forecast GNP up 2.3% in 1984 (4th/4th); 2.3% in 1985
- Interest sensitive investment mixed. Residential housing up sharply; P & E weak.

Problem Areas

- Public sector spending equals 48% GNP (1983). Levelling off.
 - deficit = 6.2% GNP
- Job creation weak. 90,000 net new jobs in 82/83 (1% employment increase). Unemployment over 11%.
- Monetary growth high -- 14% (84Q2, saar). Targeting abandoned.

Developments

Private consumption continues to provide a large impetus to growth, accounting for much of the real GNP increase for 1983 and 1984. However, a drop in the index of consumer attitudes over the the last 3 quarters may indicate a moderation in consumer demand for the future.

Private investment has been the major disappointment for the Canadian economy, declining almost 6 percent last year and projected to drop 1 percent more in 1984. The weakest component has been non-residential construction, which dropped over 16 percent in 1983 and is expected to be flat in 1984. Plant and equipment expenditures, after falling almost 9 percent in 1983, is expected to rise only very slightly this year. Poor business confidence, excess industrial capacity, and overall business profits below pre-recession levels account for much of the weak capital spending. Residential construction, which increased by a considerably large 24 percent in 1983 as a result of pent-up consumer demand and government programs, is expected to actually fall 4 percent in 1984.

With the inventory-to-sales ratios in both the manufacturing sector and at the wholesale level still below pre-recession levels, inventory investment throughout 1984 and 1985 is expected to provide a positive contribution to final demand.

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NLRR # 1554 # 3299E
BY CJ NARA DATE 12/7/07

Strong U.S. activity has stimulated demand for Canadian exports, providing a major stimulus to growth in 1983 and sustaining the recovery through 1984 and 1985. With weak investment dampening imports, the bilateral trade surplus with the U.S. registered almost \$12 billion in 1983. The overall trade surplus was a record +\$14 billion in 1983 and is expected to increase to \$15 billion in 1984. A deficit in the services and transfers account resulting mostly from increased dividend remittances of foreign-based companies in Canada offset most of the trade surplus resulting in a current account surplus of \$1.4 billion in 1983.

The government sector has been another major contributor to the recovery in 1983 and 1984. The new government in September brings some uncertainty in the direction of government spending, but with the automatic carry-over of many spending proposals from the previous fiscal year, total government expenditure as a percent of GNP remains about 48 percent and the overall deficit as a percent of GNP remains about 6 percent in 1984.

The Canadian unemployment rate, which was 7 percent at the onset of the recession but has continued to persist at 11 percent, has become a major political problem. However, with the increases in the labor force and excess industrial capacity, and in the absence of specific government-sponsored job programs, the prospects for unemployment falling below 10 percent before 1986 remain slim.

Inflation dropped significantly in 1983 finally bringing Canada into the low inflation group (U.S., U.K., Japan, Germany) of Summit countries. The recent twelve month consumer price increases of 4 percent are the lowest annual inflation rate since June 1972. Continued low unit labor costs, weak producer price increases, and double-digit unemployment rates are contributing to inflation rates below 5 percent in 1984 and 1985.

M1A continued its large increase at a simple annual rate of over 13 percent (s.a.) in the three months to July 1984. Canadian monetary policy continues to concentrate on the trade-off between interest rates and the exchange rate, rather than on a monetary target (M1 targeting was abandoned in November 1982). Over the past year, improvements in Canadian inflation performance and a current account surplus have provided the Bank of Canada (BOC) with more flexibility to narrow the interest rate differential vis-a-vis the U.S. without a consequent weakening in the Canadian dollar. However, the Canadian dollar was recently under downward pressure as U.S. interest rates increased and Canadian rates failed to follow suit. Despite heavy intervention by the BOC, the Canadian dollar dropped from \$.80 to an historic low of \$.74 forcing the BOC to increase its bank rate and the large Canadian banks to increase their prime rates. Because of the inflationary impact of any substantial depreciation of the Canadian dollar, the BOC has indicated that it prefers slight increases in Canadian interest rates to maintain the stability of the Canadian dollar, and the Canadian dollar has now returned to the \$.75-.76 range.

U.S. - CANADA ECONOMIC FACT SHEET

<u>Size of Economy</u>	<u>U.S.</u>	<u>Canada</u>
1983 GNP (\$ billion)	\$3,304.8	\$319.2
1983 GNP per capita	\$14,090	\$12,830
1983 population (millions)	234.5	24.9
<u>Real GNP Growth</u>		
1983 4th/4th	6.3%	7.1%
1984 2Q (saar)	7.5%	2.8%
1984 (projected 4th/4th)	6.5%*	2.3%
<u>Unemployment Rate (total) (Aug.)</u>		
Official release	7.4%	11.2%
Adjusted by BLS to U.S. concept	7.4%	10.9% (July)
<u>Inflation Rate (CPI-U)</u>		
1983 (year avg)	3.2%	5.8%
12 months to July 1984	4.1%	4.2%
1984 (projected 4th/4th)	3.8%* <u>1/</u>	4.0%
<u>Interest Rates (short-term)</u>		
Aug. 1983 (avg)	9.73%	9.48%
Aug. 1984 (avg)	11.47%	12.47%
<u>Money Supply Increase</u>		
1983 Dec/Dec	9.3% (M1)	14.7% (M1A)
Three Months to July 1984 (saar)	7.6%	13.2%
<u>Total Government Budget Deficit</u>		
as % GNP (NIA basis)		
CY 1983	-4.1%	-6.2%
CY 1984 (projected)	-3.1%*	-5.7%
<u>Total Government Expenditures</u>		
as % GNP (NIA basis)		
CY 1983	35.3%	48.0%
CY 1984 (projected)	34.2%*	47.7%
<u>Current Account balance</u>		
1983 (\$ billion)	-\$41.6	+\$1.4
1983 (as % GNP)	-1.3%	+0.4%
1984 projected	-\$85.0	+\$0.9
1984 projected as % GNP	-2.3%*	+0.0%
<u>Bilateral Trade balance with U.S.</u>		
1983 (\$ billion)	NA	+\$11.7
<u>Exchange Rate</u>		
Dollar Rate, end of previous month (8/31)	NA	\$.7704
% change vs. \$, year to end 1983	NA	-0.7%
% change, trade weighted, year to end 1983 (Dec/Dec)	+8.0%	+1.2%

Note: Projections for Canada classified.

*GNP and CPI projections contained in Midsession Review of the Budget.

1/ Refers to less comprehensive CPI-W

U.S. - CANADA TRADE

ISSUE:

Canada is our largest trading partner, with \$90.4 billion in two-way trade in 1983, and accounts for our second largest bilateral trade deficit of \$14 billion (the first being Japan). Current issues of interest to Canadians are the proposed sectoral free free trade area and our recent decision on steel. Given the historic volume of bilateral trade, U.S.-Canadian trade relations have been relatively harmonious, with discord being handled in a non-confrontational manner either bilaterally or in the GATT. Most recently, we won a GATT case against trade performance requirements imposed by Canada's Foreign Investment Review Agency (FIRA)

BACKGROUND:

Sectoral Free Trade Area

The GOC in August of 1983 proposed a limited sectoral free trade arrangement with the United States to facilitate further bilateral trade. Initial discussions focussed on steel, agricultural equipment and inputs, government procurement (urban mass transit) and traded computer services. Elections on both sides of the border have slowed further talks.

Neither side has committed itself to negotiating such an arrangement. Problems to be overcome include:

- ° unenthusiastic industry;
- ° fear that Canada would impose performance requirements like those in the U.S.-Canadian Auto Pact (minimum Canadian content and production-to-sales requirements);
- ° risk that a sectoral free trade area might distort trade rather than expand trade by diverting trade from efficient third country suppliers to less efficient North American producers.
- ° risk that bilateral sectoral trade balancing will become the objective of the agreement rather than free trade; and
- ° difficulty of making a sectoral free trade arrangement compatible with GATT, which requires free trade area partners to show that a substantial amount of bilateral trade is covered, not just certain sectors.

Steel

Canada's exports of carbon and alloy steel products to the United States were \$922.5 million in 1983, or 14 percent of total U.S. steel imports by volume. Of this, 70 percent falls into product categories for which the U.S. International Trade Commission (USITC) found injury from imports. Canada exports all of the injury products, with semi-finished, structural shapes, plates and sheet and strip the largest in 1983. Of the non-injury products, Canada's exports are largest in wire rod and pipe and tube.

The Canadian steel industry is considered by most analysts to be an integrated extension of the U.S. steel industry. Shipments are conformed to the demands of the user (often the U.S. auto industry, which wants delivery on an "as needed" basis in order to reduce stocks). In order to achieve efficient economies of scale, Canadian and U.S. steel producers have tended to specialize in certain products and import from each other to round out product lines. The U.S. steel industry does not view Canadian steel as a problem.

FIRA Performance Requirements

The U.S. recently won a GATT case against Canada's practice of seeking commitments from potential foreign investors to increase exports or decrease imports in exchange for approval to invest in Canada. The GATT panel ruled that requiring potential investors to agree to buy Canadian products is inconsistent with the GATT national treatment principle (imported products treated no less favorably than domestic products), but that export requirements are not inconsistent with GATT. Canada did not contest the panel findings. The U.S. will monitor to ensure that Canada changes its practices.

Drafted by: L. Berger
Cleared by: W. Barreda

ITT/OASIA
September 17, 1984

CANADA: INVESTMENT POLICY

Issue

Canada under the Liberal Party had a restrictive policy toward foreign direct investment. Particular problems for the United States were the National Energy Program (NEP) and the Foreign Investment Review Agency (FIRA) practices. The Mulroney Government, it appears, may relax some restrictions.

Talking Points

- In your platform you indicated you would liberalize changes in your policy toward foreign direct investment.
- We have voiced our concerns regarding elements of the NEP such as the retroactive back-in, the petroleum incentives program (PIP), and with the administration of your FIRA screening/approval process.
- What changes, if any, do you plan to make in these areas?
- PM Mulroney also indicated opposition to protectionism and support for U.S.-Canadian sectoral agreements. We would hope that you would include your policies toward foreign direct investment when you review the issue of protectionism and in any specific sectoral agreements.

Background

Under Trudeau, Canada followed an extremely nationalistic policy toward foreign direct investment. The FIRA screened all inward foreign direct investment in Canada to ensure it "benefited" Canada.

The NEP is aimed at forcing the Canadianization of the energy sector (goal 50 percent Canadian ownership by 1990). The NEP has several elements:

- FIRA screens all investments in energy, discouraging foreign ownership;

- Firms with leases on Federal lands are required to hand over to the Crown (retroactively in many cases) a 25 percent share of the leases (so-called "back-in"), with inadequate compensation (i.e., limited to expenses for "successful" exploration);
- The PIP provides incentives to firms for exploration and drilling based on their levels of Canadian ownership and extremely generous subsidies distort location and investment decisions;
- Firms undertaking major projects must notify the GOC 48 hours in advance of awarding contracts for equipment to ensure that Canadian suppliers are considered. The GOC may hold up contracts it does not like; and
- Canadian energy corporations may restrict foreign ownership of their stock, so they can qualify, under Canadian ownership criteria, for special government incentives.

While the P.C. party does plan to weaken the FIRA, it will not abolish it (because of political reasons). It does plan, however, to turn it into an independent board.

On the NEP, Mulroney recently announced the conservative's strong support for the Ottawa-Nova Scotia parallel legislation reinforcing the crown share (back-in) provision, which we strongly oppose. In fact, Mulroney announced that the P.C.'s would offer an even better deal to Nova Scotia than had the Liberals. While the P.C.'s have stated that they would eliminate the retroactive nature of the back-in, they would still retain its other aspects. However, it is possible, according to their comments, that the PIP grants, which are discriminatory and encourage inefficient investment, might be replaced with a tax-based incentive program of a non-discriminatory nature.

Drafted by: F. Vukmanic
 OASIA/ITI, 566-2386
 September 13, 1984



Memorandum

ACTION

BRIEFING

INFORMATION

FOR: SECRETARY REGAN
THRU: DEPUTY SECRETARY McNAMAR

DATE:

SEP 14 1984

34

FROM: John M. Walker, Jr. *John M. Walker, Jr.*
Assistant Secretary
(Enforcement and Operations)
SUBJECT: Canada's Export Enforcement

Attached for your information is a synopsis of the ongoing dialogue between Canada and the United States regarding Canada's export enforcement program.

Other points to be noted are:

- 1) The next set of consultations at my level are scheduled for November.
- 2) Secretary Shultz will be raising the issue during two days of extensive bilaterals in Canada probably in October.
- 3) Mulroney will pick his cabinet next week and shortly thereafter all relevant political officials will be briefed.
- 4) The Deputy Chief of Mission John Rouse will be calling me within the next two weeks to recommend a course of action for a separate visit to Canada by myself or Tim.

	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	SECRETARIAT
OFFICE CODE SURNAME						
INITIALS / DATE	/	/	/	/	/	/

EXPORT ENFORCEMENT WITH CANADA

- Since October 1981, and the inception of Custom's Operation EXODUS, involved agencies have emphasized the enforcement of controls on the export of critical technology and munitions.
- Canada is the only country exempt, by regulation, from export licensing requirements for both Munitions List and Commodity Control List items.
- The United States must, therefore, rely on Canada's export controls to prevent transshipment of this country's products to undesirable destinations. Also, Canada's permit procedures are necessary to document shipments to third countries, including those known as diversion points to proscribed countries.
- Investigations have identified several instances when Canada has been used - because of this exemption - as an intermediate destination to circumvent United States export controls.
- The involved United States and Canadian agencies have consulted in an effort to improve individual and collective enforcement programs.
- In preparation for these consultations, each government has identified enforcement program deficiencies and is proceeding to correct them.
- There has been considerable progress in the consultations and the two governments are working together.
- Canada is (as the United States was a short time ago) in the initial stages of developing its program as a priority.
- Recent topics of discussion have included:
 1. Additional resources for Canada Customs to facilitate outbound inspections and export investigations.
 2. Export control training for RCMP officers, Customs inspectors, Customs investigators and others, as appropriate.
 3. More frequent consultation and cooperation between the licensing agencies of both countries.

4. Provisions for pre-license and end-use checks by Canadian embassies for shipments involving U.S.-origin items. 41

- In Canada, the Ministry of External Affairs, the Royal Canadian Mounted Police and Canada Customs intend to implement Memoranda of Understanding bi-laterally, and ultimately, tri-laterally.
- Implementation of the Canadian program was delayed pending the results of that country's September 3 national election. The consensus is that the new conservative administration will be amenable to stronger export enforcement.
- On September 13, 1984, a licensing working group meeting was held at the Department of Commerce, attended by Commerce, the Department of State and Canada's Ministry of External Affairs to discuss mutual inherent problems.
- On September 14, 1984, representatives of the Departments of State and Commerce, U.S. Customs, the Royal Canadian Mounted Police and the Ministry of External Affairs conducted a meeting regarding enforcement of export controls.

The United States will continue, under current mutual defense arrangements, to be dependent on Canada's export controls; and, we are hoping to see export control enforcement receive the same emphasis, funding and success in Canada as it does here.