

Ronald Reagan Presidential Library
Digital Library Collections

This is a PDF of a folder from our textual collections.

Collection: Cobb, Tyrus: Files
**Folder Title: Canada 1986 (05/30/1986-
06/07/1986)**
Box: RAC Box 2

To see more digitized collections
visit: <https://reaganlibrary.gov/archives/digital-library>

To see all Ronald Reagan Presidential Library inventories visit:
<https://reaganlibrary.gov/document-collection>

Contact a reference archivist at: reagan.library@nara.gov

Citation Guidelines: <https://reaganlibrary.gov/citing>

National Archives Catalogue: <https://catalog.archives.gov/>

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

Box Number 92134

DONALD MUNTON

21

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
6627	TALKING POINTS	RE: CANADA D 2/23/2012 F2000-093/1	1	ND	B1
6628	PAPER	RE: NORTHWEST PASSAGE D 2/23/2012 F2000-093/1	2	ND	B1
6629	CABLE	#311926Z MAY 86	4	5/31/1986	B1
6630	CABLE	#041719Z JUN 86	3	6/4/1986	B1
6631	CABLE	#040129Z JUN 86 R 2/23/2012 F2000-093/1	4	6/4/1986	B1
6632	MEMO	COBB TO BOB PEARSON, RE: ORIGINAL MULRONEY LETTERS II AND III R 2/23/2012 F2000-093/1	1	6/5/1986	B1
6633	LETTER	DUPLICATE OF #6377, MULRONEY TO REAGAN	1	5/31/1986	B1
6634	LETTER	DUPLICATE OF #6378, MULRONEY TO REAGAN	2	6/2/1986	B1
6635	LETTER	DUPLICATE OF #6373, MULRONEY TO REAGAN	1	5/23/1986	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

Box Number ~~92134~~ RAC Box 1

DONALD MUNTON

21

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
6639	REPORT	RE: CANADA D 1/22/2008 NLRRF00-093	7	6/6/1986	B1
6641	MEMO	JOHN POINDEXTER TO PRESIDENT, RE: SECOND MULRONEY LETTER R 1/7/2011 F2000-093/1	1	6/7/1986	B1
6643	LETTER	DUPLICATE OF #6377, 6630 MULRONEY TO REAGAN	1	5/31/1986	B1
6645	LETTER	DUPLICATE OF #6378, MULRONEY TO REAGAN	2	6/2/1986	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6627	TALKING POINTS RE: CANADA	1	ND	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6628	PAPER RE: NORTHWEST PASSAGE	2	ND	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6629	CABLE #311926Z MAY 86	4	5/31/1986	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6630	CABLE #041719Z JUN 86	3	6/4/1986	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]

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

6631

14

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL SECRETARIAT

PAGE 01 DTG: 040129Z JUN 86 PSN: 000173
EOB190 AN005882 TOR: 155/0147Z CSN: HCE592

DISTRIBUTION: COBB-01 DANZ-01 WIGG-01 SOMM-01 MAT-01
/005 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
STU0460
DE RUEHOT #4470/01 1550134
O 040129Z JUN 86 ZFF-4
FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9229

INFO USDOC WASHDC
AMEMBASSY BRUSSELS 6133
AMEMBASSY PARIS 9514
USMISSION GENEVA 4829

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE SECTION 01 OF 04 OTTAWA 04470

DEPARTMENT PASS ELECTRONICALLY TO USTR - AMBASSADOR
MURPHY AND MERKIN

USDOC FOR 4310/ITA/IEP/OC BREWER

GENEVA FOR USTR, BRUSSELS FOR USEC, PARIS FOR DECD

TREASURY FOR BARREDA

E.O. 12356: N/A
TAGS: ETRD, CA

SUBJECT: CANADIAN RETALIATION OVER SHAKES AND
SHINGLES HITS USDOLS ONE BILLION IN U.S. EXPORTS

SUMMARY

1. QUICKLY FOLLOWING THE U.S. REFUSAL TO COMPENSATE CANADA FOR OUR "ESCAPE CLAUSE" DUTY INCREASE ON SHAKES AND SHINGLES, THE GOC ANNOUNCED A RETALIATION PACKAGE FOCUSING ON: BOOKS, COMPUTER PARTS AND SEMICONDUCTORS, AND MISCELLANEOUS TARIFF ITEMS. WHILE THE CANADIAN TARIFF INCREASES WILL AFFECT CDOLS 1.4 BILLION IN U.S. EXPORTS, THE TOTAL VALUE OF NEW DUTIES IMPOSED WILL AMOUNT TO CDOLS 79.4 MILLION ANNUALLY. THE GOC ESTIMATES THE NEW U.S. 35 TARIFF ON CANADA'S CDOLS 233 MILLION IN EXPORTS OF SHAKES AND SHINGLES WILL AMOUNT TO NEW DUTIES OF CDOLS 79.8 MILLION. EXTAFF AND FINANCE OFFICIALS ARGUE THAT THE RETALIATION PACKAGE WAS TAILORED TO MEET THE U.S./CANADIAN BILATERAL SAFEGUARDS AGREEMENT, BOTH IN TERMS OF USING NEW DUTIES COLLECTED AS THE BASIS FOR COMPENSATORY WITHDRAWALS, AND IN TERMS OF USING A THREE-YEAR AVERAGE TRADE AS THE BASE PERIOD. THEY FURTHER ASSERT THAT, WHILE A BROADER SWEEP OF U.S. TRADE WILL FACE A SOMEWHAT HIGHER, BUT MANAGEABLE, TARIFF, THE U.S. ACTION IS HIGHLY CONCENTRATED IN ITS GEOGRAPHIC AND ECONOMIC IMPACT. REFTEL ADDRESSED THE POLITICAL BACKDROP WHICH LED THE PM TO TAKE THIS HARDLINE POSITION. SPTTEL WILL CONVEY EMBASSY

SUGGESTIONS ON HOW WE MIGHT MANAGE THE SITUATION. MEANWHILE, EVEN THE OPPOSITION SEEMS TO BE COMING TO ITS SENSES, WITH CALLS FOR FURTHER BILATERAL CONSULTATIONS TO HALT FANNING THE FLAMES OF A TRADE WAR. END SUMMARY.

CANADA ANNOUNCES RETALIATION

2. AS EXPECTED, THE CANADIAN GOVERNMENT ANNOUNCED ON JUNE 2 ITS RETALIATION PACKAGE OVER THE U.S. SECTION 201 "ESCAPE CLAUSE" ACTION ON RED CEDAR SHAKES AND SHINGLES. CANADA HAS INCREASED DUTIES ON A RANGE OF "UNBOUND" ITEMS (I.E., TARIFFS WHICH CAN BE RAISED WITHOUT A LEGAL OBLIGATION UNDER THE GATT TO COMPENSATE SUBSTANTIAL SUPPLIER COUNTRIES). THESE INCREASES WILL TAKE EFFECT, JUNE 6, THE SAME DAY THE U.S. UNBOUND TARIFF ON RED CEDAR SHAKES AND SHINGLES IS RAISED TO 35 PERCENT. WHILE THE CANADIAN GOVERNMENT CAN INCREASE DUTIES IMMEDIATELY BY ORDER IN COUNCIL ON BOOKS, COMPUTER PARTS, SEMICONDUCTORS AND TEA BAGS, THE REMAINING "MISCELLANEOUS" ITEMS REQUIRE PARLIAMENTARY APPROVAL OF LEGISLATION. NEVERTHELESS, BY TABLING A "NOTICE OF WAYS AND MEANS MOTION" BEFORE THE HOUSE, THE CANADIANS NOW HAVE THE AUTHORITY TO BEGIN COLLECTING THESE DUTIES ON JUNE 6, UNTIL THE LEGISLATION PASSES (A FOREGONE CONCLUSION UNDER THE PARLIAMENTARY SYSTEM).

CALCULATION BASIS OF RETALIATION

3. TOTAL CANADIAN EXPORTS OF RED CEDAR SHAKES AND SHINGLES, COVERED UNDER U.S. ESCAPE CLAUSE ACTION IMPOSING A 35 PERCENT DUTY, AMOUNTED TO CDOLS 233

MILLION IN 1985 (NOT CDOLS 250,000 MILLION INDICATED BY GOC EARLIER, WHICH INADVERTENTLY INCLUDED WHITE CEDAR SHAKES AND SHINGLES FROM EASTERN CANADA). THE YEARLY LEVELS OF CANADIAN RED CEDAR SHAKES AND SHINGLES EXPORTS TO THE U.S. FOR THE 1983-85 PERIOD, IN MILLIONS OF CDOLS, WERE: 211, 239 AND 233, RESPECTIVELY. THIS YIELDS AN ANNUAL AVERAGE OF CDOLS 228 MILLION ACCORDING TO STATISTICS CANADA DATA, AND CONSTITUTES THE BASE PERIOD FOR THE CANADIAN RETALIATORY PACKAGE. WE UNDERSTAND THESE NUMBERS DIFFER SOMEWHAT FROM U.S. TRADE DATA.

4. THE GOC PACKAGE WAS CALCULATED ON AN "EXTRA DUTIES COLLECTED" BASIS, WHICH THE FINANCE DEPARTMENT ARGUES BT

DECLASSIFIED

NLRR FDD-093 #6601

BY RW NARA DATE 2/28/02

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OTTAWA 4470 DTG: 040129Z JUN 86 PSN: 000184
EOB193 AN005881 TOR: 155/0153Z CSN: HCE595

DISTRIBUTION: ~~COBB-01~~ DANZ-01 WIGG-01 SOMM-01 MAT-01
/005 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
UTS9965
DE RUEHOT #4470/02 1550135
O 040129Z JUN 86 ZFF-4
FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9230

INFO USDOC WASHDC
AMEMBASSY BRUSSELS 6134
AMEMBASSY PARIS 9515
USMISSION GENEVA 4830

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE SECTION 02 OF 04 OTTAWA 04470

DEPARTMENT PASS ELECTRONICALLY TO USTR - AMBASSADOR
MURPHY AND MERKIN

USDOC FOR 4310/ITA/IEP/OC BREWER

GENEVA FOR USTR, BRUSSELS FOR USEC, PARIS FOR OECD

TREASURY FOR BARREDA

E.O. 12356: N/A
TAGS: ETRD, CA
SUBJECT: CANADIAN RETALIATION OVER SHAKES AND

THE CANADIANS WOULD BE ENTITLED TO DO UNDER GATT IF THE U.S. DUTY INCREASE HAD BEEN ON A "BOUND" ITEM. EXTAFF ALSO ARGUES THAT THE 1984 U.S./GOC BILATERAL SAFEGUARDS UNDERSTANDING CLEARLY PROVIDES IN ARTICLE 12 (A) THAT "COMPENSATION OR SUSPENSION OF SUBSTANTIALLY EQUIVALENT CONCESSIONS WILL BE EQUAL TO THE ADDITIONAL DUTIES LIKELY TO BE COLLECTED DUE TO THE TARIFF INCREASE." AS ONE OFFICIAL WHO NEGOTIATED THE UNDERSTANDING FOR THE GOC NOTED, THIS PROVISION WAS INCLUDED BY BOTH SIDES BECAUSE OUR BILATERAL DISPUTES OVER THE LEVEL OF TRADE IMPAIRMENT FROM PAST GATT ARTICLE 19 ACTIONS HAD "EFFECTIVELY PRECLUDED CONCLUDING ANY AGREEMENT ON COMPENSATION IN LIVING MEMORY." THE GOC RETALIATION PACKAGE USES THE THREE-YEAR BASE PERIOD NOTED ABOVE, ALSO IN CONFORMITY WITH THE BILATERAL SAFEGUARDS UNDERSTANDING. THE GOC PACKAGE IS NOT DIGRESSIVE (FOR NOW) SINCE THE GOVERNMENT ASSUMES THIS ENTIRE ISSUE WILL BE SUBSUMED IN TARIFF ELIMINATIONS UNDER THE US/CANADIAN BILATERAL TRADE NEGOTIATIONS OVER THE NEXT EIGHTEEN MONTHS.

5. ANNUAL CANADIAN EXPORTS AFFECTED, USING THE BASE PERIOD CALCULATION, ARE CDOLS 228 MILLION. THE GOC COMPUTED INCREASED DUTIES OF 35 PERCENT ON THIS BASE TO ARRIVE AT THE 'NEW DUTIES COLLECTED' OF CDOLS 79.8 MILLION, ON WHICH THEY BASED THEIR RETALIATION

PACKAGE. THE GOC FOCUSED THEIR RETALIATION ON THE 35 PERCENT U.S. TARIFF IN EFFECT FOR THE FIRST 30 MONTHS. HOWEVER, THE CANADIAN GOVERNMENT WILL REVIEW ITS MEASURES IN LIGHT OF INTERIM DISCUSSIONS WITH THE USG ON SHAKES AND SHINGLES OR AT THE TIME OF THE USG 30-MONTH REVIEW. THE CANADIANS WILL SCALE DOWN OR PHASE OUT THEIR MEASURES TO MIRROR U.S. ACTION.

6. IN CONVERSATIONS WITH DEPARTMENT OF FINANCE AND WITH EXTERNAL AFFAIRS, EMBASSY TRADE POLICY OFFICER ARGUED THAT TRADE IMPAIRMENT WOULD HAVE BEEN A FAIRER AND MORE BALANCED APPROACH SINCE THIS WAS NOT A BOUND ITEM REQUIRING COMPENSATION UNDER THE GATT, TO WHICH OUR SAFEGUARDS UNDERSTANDING WAS PRIMARILY DIRECTED. EMBOFF ALSO ARGUED THAT U.S. ACTION ONLY AFFECTED CDOLS 233 MILLION IN CANADIAN EXPORTS, WHILE THE GOC PACKAGE WILL AFFECT APPROXIMATELY CDOLS 1.4 BILLION IN U.S. EXPORTS (ADMITTEDLY WITH CONSIDERABLY LESS IMPACT ON INDIVIDUAL ITEMS). BOTH OFFICIALS CLAIMED THERE WAS NO REALISTIC WAY FOR THE GOC TO ANALYZE TRADE IMPAIRMENT, SINCE ESTIMATES OF THE LOSS OF U.S. MARKET SHARE TO THEIR SHAKES AND SHINGLES EXPORTERS RANGED FROM TEN PERCENT TO "OBLITERATION" OF THE CANADIAN INDUSTRY.

7. EMBOFF RESPONDED THAT PRELIMINARY U.S. ESTIMATES INDICATE THE CANADIAN MARKET SHARE COULD REMAIN IN THE RANGE OF 60 PERCENT, A SIGNIFICANT, BUT PROBABLY MANAGEABLE, DROP FROM THEIR CURRENT 75 PERCENT SHARE. FURTHERMORE, A FIRING UP OF U.S. PRICES IN THIS MARKET SHOULD OFFSET SOME OF THE DETRIMENTAL IMPACT OF THE TARIFF AND, COUPLED WITH A STRONG SURGE IN U.S. HOUSING STARTS THAT MAY OFFSET SUBSTITUTION OF OTHER PRODUCTS, COULD LEAD TO FAR LESS DAMAGE TO THIS CANADIAN INDUSTRY THAN THE INITIAL DOOMSDAY PROGNOSIS OF THE CANADIAN PRESS. ONE SENIOR EXTAFF OFFICIAL ADMITTED THAT TIME PRESSURE ON THE BUREAUCRACY TO COME UP WITH A PACKAGE PRECLUDED AN INDEPTH ANALYSIS OF INJURY, BUT THAT THE GOC WILL MONITOR CLOSELY THE INDUSTRY'S SITUATION.

THE RETALIATION PACKAGE

8. FULL TEXT OF THE FINANCE MINISTER'S JUNE 2 ANNOUNCEMENT IN PARLIAMENT, ALONG WITH A BACKGROUND INFORMATION PRESS RELEASE, WERE FAXED TO USTR (AMBASSADOR MURPHY) AND STATE (EUR/CAN) ON JUNE 2.
BT

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OTTAWA 4470 DTG: 040129Z JUN 86 PSN: 000178
EOB191 AN005880 TOR: 155/0150Z CSN: HCE593

DISTRIBUTION: ~~COBB-01~~ DANZ-01 WIGG-01 SOMM-01 MAT-01
/005 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMED
STU0464
DE RUEHOT #4470/03 1550135
O 040129Z JUN 86 ZFF-4
FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9231

INFO USDOC WASHDC
AMEMBASSY BRUSSELS 6135
AMEMBASSY PARIS 9516
USMISSION GENEVA 4831

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE SECTION 03 OF 04 OTTAWA 04470

DEPARTMENT PASS ELECTRONICALLY TO USTR - AMBASSADOR
MURPHY AND MERKIN

USDOC FOR 4310/ITA/IEP/OC BREWER

GENEVA FOR USTR, BRUSSELS FOR USEC, PARIS FOR OECD

TREASURY FOR BARREDA

E. O. 12356: N/A
TAGS: ETRD, CA
SUBJECT: CANADIAN RETALIATION OVER SHAKES AND

FOLLOWING IS A SUMMARY OF TARIFF ITEMS INCREASED,
LEVEL OF INCREASE, TOTAL CANADIAN IMPORTS, IMPORTS
FROM THE U.S., AND ESTIMATED VALUE OF NEW DUTIES:

(A) REIMPOSITION OF A 10 PERCENT TARIFF ON CERTAIN
BOOKS, CERTAIN PERIODICALS AND OTHER PUBLICATIONS,
WHICH HAD BEEN ALLOWED DUTY-FREE ENTRY IN EXCHANGE FOR
A CANADIAN EXEMPTION FROM THE MANUFACTURING CLAUSE OF
THE U.S. COPYRIGHT ACT. SEPTEL WILL ADDRESS
IMPLICATIONS OF THIS CHANGE FOR RENEWAL OF U.S.
COPYRIGHT LAW, WHICH EXPIRES, JULY 1, 1986. BOOKS FOR
EDUCATIONAL INSTITUTIONS AND LIBRARIES AND RELIGIOUS
LITERATURE WILL BE EXEMPTED FROM THE INCREASE AND THUS
CONTINUE TO ENJOY DUTY-FREE ENTRY. THE NEW TARIFF
WILL NOT APPLY TO NEWSPAPERS OR PERIODICALS ISSUED ON
LESS THAN A QUARTERLY BASIS (I.E. TIME OR NEWSWEEK).
HOWEVER, CATALOGUES OF PUBLICATIONS ISSUED OUTSIDE
CANADA AND CERTAIN PUBLICATIONS TO ENCOURAGE
ENROLLMENT IN EDUCATIONAL INSTITUTIONS OUTSIDE CANADA,
WILL REVERT TO 20.6 PERCENT, WHILE PRINTED MUSIC WILL
RETURN TO 5.5 PERCENT.

IN SUM, THE CANADIAN TARIFF WILL BE RESTORED ON THE
FOLLOWING CANADIAN TARIFF ITEMS: 16900-1 (NOVELS, TO
10 PERCENT), 17100-1 (OTHER BOOKS AND PERIODICALS, TO
10 PERCENT), 17800-6 (FOREIGN SCHOOL CALENDARS, TO
20.6 PERCENT), 18030-2 (MAPS AND CHARTS, TO 10.2

PERCENT), AND 18200-2 (PRINTED MUSIC, TO 5.5
PERCENT). THE U.S. PROVIDES NEARLY 90 PERCENT OF
CANADIAN IMPORTS UNDER THESE TARIFF CATEGORIES,
CONSTITUTING CDOLS 360 IN U.S. EXPORTS. NEW DUTIES
COLLECTED FOR THIS OVERALL INCREASE WILL BE ABOUT
CDOLS 36 MILLION.

(B) CANADA WILL PULL OUT OF THE US/CANADA/JAPAN
TRILATERAL AGREEMENT, AND THUS RESTORE THE 3.9 PERCENT
TARIFF ON COMPUTER PARTS AND THE 5.4 PERCENT DUTY ON
SOME SEMICONDUCTORS, BOTH OF WHICH THEY JUST
ELIMINATED ON JANUARY 20, 1986. CANADIAN IMPORTS OF
COMPUTER PARTS LAST YEAR TOTALLED ABOUT CDOLS 1.1
BILLION, OF WHICH APPROXIMATELY CDOLS ONE BILLION CAME
FROM THE U.S. TO IMPLEMENT THE DUTY INCREASE, THE GOC
WILL WITHDRAW ITS ORDER IN COUNCIL THAT ESTABLISHED
TARIFF ITEM NUMBER 41417-3, PROVIDING DUTY-FREE ENTRY
FOR COMPUTER PARTS. ON SEMICONDUCTORS, THE 5.4
PERCENT DUTY RESTORATION WILL APPLY ONLY TO TYPES MADE
IN CANADA, BY REINTRODUCING TARIFF ITEM 44544-2, WHICH
HAD BEEN ELIMINATED. WHILE TOTAL IMPORTS OF
SEMI-CONDUCTORS AMOUNTED TO ABOUT CDOLS ONE BILLION
LAST YEAR, APPROXIMATELY CDOLS 30 MILLION IN U.S.
EXPORTS WILL BE HIT. THEREFORE, NEW DUTIES IMPOSED ON
U.S. EXPORTS OF COMPUTER PARTS WILL TOTAL ABOUT CDOLS
39 MILLION; AND ON SEMICONDUCTORS, ABOUT CDOLS 1.6
MILLION, FOR A TOTAL OF APPROXIMATELY CDOLS 40.6
MILLION.

(C) MISCELLANEOUS TARIFF INCREASES ON A NUMBER OF
ITEMS, COVERING TOTAL U.S. EXPORTS OF CDOLS 20.7
MILLION, INTENDED TO RAISE NEW DUTIES TALLING CDOLS
2.5 MILLION. LISTED BELOW ARE THE PRODUCTS AFFECTED
BY: CANADIAN TARIFF NUMBER; PRODUCT DESCRIPTION;
TOTAL IMPORTS; FOLLOWED BY U.S. IMPORTS, BOTH IN

THOUSANDS OF CDOLS; THE MFN OLD DUTY; FOLLOWED BY THE
NEW MFN DUTY:

-- 2805-2; TEA IN TEA BAGS; 38,522; 5,100; FREE; 6
CENTS PER POUND.

-- 5700-1; OATMEAL AND ROLLED OATS; 362; 343; 50 CENTS
PER ONE HUNDRED POUNDS; 50 CENTS PER ONE HUNDRED
POUNDS, BUT NOT LESS THAN 10 PERCENT DUTY.

-- 8000-1; TREES, NOT ELSEWHERE PROVIDED FOR (READ
BT

CONFIDENTIAL

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

PAGE 01 OTTAWA 4470 DTG: 040129Z JUN 86 PSN: 000186
EOB194 AN005879 TOR: 155/0154Z GSN: HCE596

DISTRIBUTION: ~~COBB-01~~ DANZ-01 WIGG-01 SOMM-01 MAT-01
/005 A2

WHTS ASSIGNED DISTRIBUTION:
SIT:
EOB:

OP IMMEDIATE
STU0465
DE RUEHOT #4470/04 1550136
O 040129Z JUN 86 ZFF-4
FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 9232

INFO USDOC WASHDC
AMEMBASSY BRUSSELS 6136
AMEMBASSY PARIS 9517
USMISSION GENEVA 4832

~~CONFIDENTIAL~~

LIMITED OFFICIAL USE SECTION 04 OF 04 OTTAWA 04470

DEPARTMENT PASS ELECTRONICALLY TO USTR - AMBASSADOR
MURPHY AND MERKIN

USDOC FOR 4310/ITA/IEP/OC BREWER

GENEVA FOR USTR, BRUSSELS FOR USEC, PARIS FOR DECD

TREASURY FOR BARREDA

E.O. 12356: N/A
TAGS: ETRD, CA
SUBJECT: CANADIAN RETALIATION OVER SHAKES AND

CHRISTMAS TREES); 4,112; 4,098; FREE; 30 PERCENT.

-- 14805-1; CIDER, BUT NOT INCLUDING SPARKLING CIDER
IN BOTTLES; 229; 181; 5 PERCENT; 20 PERCENT.

-- 27310-1; ASPHALTUM OIL FOR USE ONLY FOR PAVING
PURPOSES; 12,800; 7,200; FREE; 10 PERCENT.

-- 42600-1; OZONE GENERATORS OR OZONE AIRFILTERS
HAVING A CAPACITY OF 11.34 KILOGRAMS OR LESS PER DAY
AND PARTS THEREOF; 391; 321; 5 PERCENT; 10 PERCENT.

-- 46720-1; DIESEL MOTOR RAIL CARS OR UNITS AND
CHASSIS FOR SAME FOR USE ON RAILWAYS FOR THE CARRIAGE
OF PASSENGER, BAGGAGE, MAIL OR EXPRESS TRAFFIC, AND
PARTS THEREOF; 3700; 3,500; FREE; 12.5 PERCENT.

NOTE: ON ALL THE ABOVE ITEMS, THE BRITISH
PREFERENTIAL RATE WILL REMAIN FREE. ON THE LAST TWO
ITEMS SUBJECT TO THE GENERAL PREFERENTIAL TARIFF, THE
ITEM WILL REMAIN FREE.

REACTION TO THE RETALIATION

9. AFTER MONTHS OF LONG HAMMERING BY THE OPPOSITION
THAT THE PM SHOULD STAND UP TO THE AMERICANS ON

SOFTWOOD LUMBER, THE SCOPE OF BILATERAL TRADE
NEGOTIATIONS, AND THEN FINALLY THE U.S. ACTION ON
SHAKES AND SHINGLES, THE PM ACTED. HOWEVER, THE GOC
RETALIATION PACKAGE IS BRINGING EVEN THE OPPOSITION TO
ITS SENSES. LIBERAL LEADER JOHN TURNER CHARACTERIZED
THE PACKAGE, IN A DEBATE ON THE HOUSE FLOOR ON JUNE 3,
AS "FANNING THE FLAMES OF A TRADE WAR." EVEN THE
NORMALLY LESS THAN CONCILIATORY ED BROADBENT, THE
LEADER OF THE NEW DEMOCRATIC PARTY WHO WAS EJECTED
FROM THE COMMONS LAST WEEK FOR ACCUSING THE PM OF
"MISLEADING THE HOUSE" ON THE SHAKES AND SHINGLES
ISSUE, SUGGESTED ON JUNE 3 THAT CANADA AND THE U.S.
SET UP A MECHANISM WHEREBY BOTH COUNTRIES MIGHT CHECK
EACH OTHER FROM ENGAGING IN UNILATERAL ACTIONS WHICH
SERVE AS BARRIERS TO TRADE. OTHER OPPOSITION MPS
CALLED THE GOVERNMENT'S RETALIATION THE RESULT OF
"CONVOLUTED LOGIC AND SELF-IMMOLATION" SINCE THE
IMPACT OF GOC TARIFF INCREASES WOULD BE FELT BY
CANADIAN CONSUMERS. ONE LEADING POLITICAL OPPONENT OF
THE GOVERNMENT DESCRIBED THE RETALIATION PACKAGE AS
"UNINTENDED BLACK HUMOR" IN IMPOSING DUTIES ON
CHRISTMAS TREES AND PORRIDGE.

10. THE IMPACT OF THE PACKAGE HAS NOT YET BEEN FULLY
ABSORBED BY THE CANADIAN CONSUMERS OR THE BUSINESS
COMMUNITY. AS ONE COMPUTER MANUFACTURER NOTED, "THE
GOVERNMENT HAS TAKEN CAREFUL AIM AT THE U.S. AND THEM
SHOT ITSELF IN THE FOOT."

NILES
BT

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
WASHINGTON D.C. 20506

June 5, 1986

MEMORANDUM FOR BOB PEARSON

FROM:

TY COBB *TC*

SUBJECT:

Original Mulroney Letters II and III

Attached are the signed original II and III Mulroney letters to the President.

I continue to be very upset with the slipshod manner in which the GOC handles these letters. As you recall, it took over eight days for us to receive the signed original of the first Mulroney letter protesting our "Shakes and Shingles" decision, even though the President twice personally asked for that original. I now note that the second Mulroney letter dated May 31, 1986 is somewhat different from the version the Canadian Embassy sent us. Most importantly the salutation is "Dear Ron" vis "Dear Mr. President" and it is signed "Brian" as opposed to "Brian Mulroney." Ordinarily these may be minor concerns but the form of address and signature were the key elements that we looked for in the last two letters.

Attachments

Tab I Original Mulroney Letters

DECLASSIFIED

NLRR F00-093#6632

BY RW NARA DATE 2/28/12

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6633	LETTER DUPLICATE OF #6377, MULRONEY TO REAGAN	1	5/31/1986	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]**

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6634	LETTER DUPLICATE OF #6378, MULRONEY TO REAGAN	2	6/2/1986	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]**

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

Canadian Embassy



Ambassade du Canada

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

June 5, 1986.

Mr. Ty Cobb,
Director for Soviet and
East European Affairs,
The White House,
Washington, D.C. 20500.

Dear Ty,

Enclosed you will find the original letters
from Prime Minister Mulroney to President Reagan
dated May 31, 1986 and June 2, 1986 respectively.

Would you please ensure that these letters
are conveyed to the President.

Yours sincerely,

A handwritten signature in cursive script that reads "Allan".

Allan Gotlieb,
Ambassador.

Encl: 2

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6635	LETTER DUPLICATE OF #6373, MULRONEY TO REAGAN	1	5/23/1986	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6639	REPORT RE: CANADA	7	6/6/1986	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]

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

6441

30

~~CONFIDENTIAL~~

4302

THE WHITE HOUSE

WASHINGTON

COBB

CONFIDENTIAL

June 7, 1986

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER *JM*

RR

SUBJECT: Second Mulroney Letter

Issue

To read the letter from PM Mulroney on trade issues.

Facts

The PM wrote a stiff, formal note last week protesting our actions on the "Shakes and Shingles" issue. At Tab A is a second letter from Mulroney, written prior to his receiving your conciliatory note. Again, it is formal -- addressed to "Dear Mr. President" and signed "Brian Mulroney," -- but the tone is more positive.

Discussion

Mulroney commends your NAM speech, where you stated your determination to resist protectionism, and your positive references to the on-going U.S.-Canada trade negotiations. He also stresses that the recent disagreements on trade matters underline the importance that there be "no surprises" as we encounter future difficulties. The PM endorses the commitment George Shultz and Joe Clark made in Halifax to identify ways to improve political oversight of the bilateral relationship.

Yesterday the Canadian government formally imposed a tariff on the importation of certain U.S. books, periodicals, and computer parts in retaliation for your "Shakes and Shingles" tariff.

We feel that no further reply from you to the PM is warranted.

Recommendation

OK *re* No _____

That you read the second Mulroney letter.

Prepared by:
Tyrus W. Cobb

~~CONFIDENTIAL~~

Declassify on: OADR

DECLASSIFIED

NLRR FOD-093#6441

~~CONFIDENTIAL~~

BY *RW* NARA DATE *11/7/01*

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6643	LETTER DUPLICATE OF #6377, 6630 MULRONEY TO REAGAN	1	5/31/1986	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]

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

WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name

COBB, TYRUS (NSC): FILES

Withdrawer

DLB 3/30/2005

File Folder

CANADA 1986 (05/30/1986-06/07/1986)

FOIA

F00-093

DONALD MUNTON

Box Number

92134

21

<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restric-</i> <i>tions</i>
6645	LETTER DUPLICATE OF #6378, MULRONEY TO REAGAN	2	6/2/1986	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]**

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