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File Folder CANADA 1986 (12/05/1986-12/15/1986)

FOIA

F00-093

Box Number 92134

DONALD MUNTON

27

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
6706	LETTER	REAGAN TO MULRONEY <i>R</i> 2/23/2012 F2000-093/1	3	12/8/1986	B1
6707	MEMCON	PRIME MINISTER MULRONEY'S TELEPHONE CALL TO PRESIDENT REAGAN <i>R</i> 2/23/2012 F2000-093/1	1	12/9/1986	B1
6708	MEMO	GOERGE BADER FOR THE RECORD, RE: MEEITNG WITH DERWINSKI RE NORTHWEST PASSAGE <i>D</i> 2/23/2012 F2000-093/1	1	11/11/1986	B1
6709	CABLE	#261846Z NOV 86 <i>R</i> 2/23/2012 F2000-093/1	2	11/26/1986	B1
6710	LETTER	DUPLICATE OF 6705, DRAFT LETTER REAGAN TO MULRONEY <i>R</i> 1/7/2011 F2000-093/1	1	ND	B1
6711	PAPER	ADVANCED CRUISE MISSILE TESTING	1	12/8/1986	B1
6712	CABLE	#122020Z DEC 86 <i>R</i> 2/23/2012 F2000-093/1	1	12/12/1986	B1
6713	CABLE	#122329Z DEC 86 <i>R</i> 2/23/2012 F2000-093/1	1	12/12/1986	B1

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

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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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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
6714	MEMO	ALTON KEEL TO THE PRESIDENT, RE: REPORT FROM MR. JOHN H. ROUSSELOT, CHAIRMAN, CANADA-US PERMANENT JOINT BOARD ON DEFENSE (PJBD) R 1/7/2011 F2000-093/1	1	12/12/1986	B1
6715	MEMO	COBB TO KEEL, RE: LETTER FROM PERMANENT JOINT BOARD ON DEFENSE R 1/7/2011 F2000-093/1	1	12/9/1986	B1
6716	CABLE	#102012Z DEC 86 R 2/23/2012 F2000-093/1	6	12/10/1986	B1

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

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December 5, 1986

File
- CANADA

MEMORANDUM

TO: DPC - Mr. Harris
OMB - Mr. Gibbons
✓ NSC - Mr. Cobb
EPA - Mr. Klevino
DOE - Mr. Williams
NOAA - Ms. Clark
DOI - Mr. Goklany
DOJ - Ms. Strand
CEQ - Mr. Nee
EUR/CAN - Mr. Riley
L/OES - Ms. Kennedy

FROM: OES/E - John H. Rouse, Acting

SUBJECT: Meeting of the U.S - Canada Bilateral Consultative Group on Transboundary Air Pollution, December 17, 1986

Your agency/office comments are requested on the attached papers prepared for the next meeting with Canada of the BACG. If no response is received by C.O.B. December 9, I will assume that there is no objection to the papers as prepared.

1. Proposed agenda for the BACG. This outline has been passed to the Canadian Embassy as an uncleared initial proposal.

2. Status Report - U.S. Implementation of Special Envoys' Report. As at the June BACG meeting in Ottawa, this report is expected to form the basis for most of the discussion at the December 17 meeting. The status report may be reviewed by a meeting of the DPC working group on energy, natural resources and the environment the week of December 7.

3. Outline of BACG Report to the President and Prime Minister. We have agreed to a Canadian proposal that the BACG submit a written progress report at the next summit, but not to the GOC's proposed outline which emphasizes comment on transboundary flows. Our attached draft outline for discussion December 17 hews closely to the Envoys' recommendations.

4. U.S. Participants in the December 17 BACG Meeting. This list reflects those currently expected to take part. If other principals wish to participate please let me know. The meeting is being held in Room 7835 in the State Department with the U.S. side convening at 9:30 a.m. and joined by the Canadians at 10:00 a.m. Ambassador Negroponte will host a lunch at 12:30 p.m. on the Eighth Floor for about eight on each side. The meeting will reconvene after lunch if necessary.

5. U. S. Delegation Meeting. A preparatory meeting of the U.S. team is scheduled to take place at 11:00 a.m. on Tuesday, December 16 in Room 7835 in the State Department. If you or your principal is participating December 17, please be sure the preparatory meeting is also on the schedule.

Attachments: As stated.

Drafted: OES/ENH:JHRouse:dah
12-4-86, Wang No. 1371T



Department of Energy
 Washington, DC 20585
 December 5, 1986

→ JFW
 energy JF
 File
 CHLAAA

His Excellency Allan E. Gottlieb
 Embassy of Canada
 1746 Massachusetts Ave., N.W.
 Washington, D.C. 20036

My dear Mr. Ambassador:

Enclosed please find a copy of the "Statement by John S. Herrington" which you and I discussed this morning by telephone. Copies of the statement are being provided to the Washington Times and to the approximately 10 Canadian press representatives who have made inquiries regarding the Washington Times article.

I am also enclosing for your information a copy of a partial transcript of the discussion Secretary Herrington had with the Washington Times Editorial Board on December 3. It contains the relevant questions and answers regarding the Joint Envoy's Report.

We deeply regret the confusion the above-mentioned article has created and hope and trust the Secretary's statement will eliminate any remaining ambiguity.

Thank you for working with us toward this resolution.

Sincerely,

David B. Waller
 Assistant Secretary
 for International Affairs
 and Energy Emergencies

Attachments

Partial transcript of editorial board luncheon Thursday, 12/3/86, with Secretary of Energy John S. Herrington at the Washington Times:

Q. What about meeting the deadlines imposed on us by Canada?

A. Well, the Canadians were in last week to see the progress in the joint envoys' report. I think we're making progress on it. They think we're making progress on it. Prime Minister Mulroney and the President will meet in March or early April, late March or early April, and this will be one of the big subjects, obviously. And we have been working with the Canadians on meeting the requirements in that report.

We cannot apply for a five-billion-dollar acid rain program. We can't afford it. Deficits are too large, the national debt is, as you know, well over two trillion dollars. However, we can work with them to focus our money on programs that benefit the acid rain problem.

Q. When you said progress, do you mean there's been an actual reduction in sulfur emissions, or progress in technology?

A. You can measure it several different ways. The thrust of the joint envoy report is to put money into certain types of operations that reduce the problem of emissions, and I think we have done that. If you went in to, for, any more than that, try to retrofit every plant in the United States, it would be very difficult.

Q. Basically, new plants have lower emissions.

A. Absolutely, new plants definitely do.

Q. That's the progress you're talking about.

A. That's progress plus, I think, in the '88 budget we will see some efforts by Congress to work on some of the retrofit problems. Again, it needs to be cost effective.

Statement by John S. Herrington

The Administration remains firmly committed to meeting the goals of the Special Envoy's Report on Acid Rain and has no intention of scaling back efforts designed to meet this objective.

The United States is working closely with the Canadian government, including meetings I have had here in Washington in the last week with the Canadian ministers for Energy and the Environment. Together we are making progress toward the fulfillment of our mutual commitments to the Envoy's Report. It is not accurate to suggest that the Canadians have indicated that they would be satisfied with a reduced effort.

My comments that the United States cannot apply for a \$5 billion acid rain program should not be seen as a sign of Administration reluctance to implement the Report's recommendations. It was never anticipated that \$5 billion in new funding would be needed to meet our commitment to this program. Rather, it has always been envisioned that the commitment of the United States, consisting of both government and private sector expenditures, would include monies already committed to existing acid-rain related programs. Additional funding is and will continue to be requested for acid rain related programs, and we are optimistic that the Congress will be receptive to our requests.



United States Department of State

Washington, D.C. 20520

December 10, 1986

MEMORANDUM

TO: DPC - Mr. Harris
OMB - Mr. Gibbons
NSC - Mr. Cobb
EPA - Mr. Klevino
DOE - Mr. Williams
NOAA - Ms. Clark
DOI - Mr. Goklany
DOJ - Ms. Strand
CEQ - Mr. Nee
EUR/CAN - Mr. Riley
L/OES - Ms. Kennedy

FROM: OES/E - John H. Rouse, Acting

SUBJECT: Acid Rain: December 17 Meeting of BACG with Canada

Attached are revised papers for the December 17 meeting with Canada of the Bilateral Advisory and Consultative Group on Transboundary Air Pollution (BACG). The papers have been modified to reflect agency views. Only the Innovative Controls Panel proposal (attached to the U.S. Status Report) awaits full clearance. In the absence of comments by COB December 12, I will assume concurrence. If necessary, any remaining issues can be addressed at the December 16 meeting of the U.S. side of the BACG (11:00 a.m., Room 7835).

Please note and, as appropriate, advise principals that the December 17 meetings will start a little later than previously planned because of GOC travel problems. The December 17 schedule is now as follows:

10:15 a.m. U.S. side meets, Room 7835, State Department.
10:45 a.m. Canadian Delegation arrives (Room 7835).
12:30 p.m. Lunch, Henry Clay Room, State Department.
Limited by space to 18. See attached guest list.
1:45 p.m. Reconvene, Room 7835, if necessary.
3:00 p.m. Meeting concludes.

Meeting of the Bilateral Advisory and Consultative Group
on Transboundary Air Pollution

December 17, 1986, Washington, D.C.

Agenda

- | | |
|---|-------------------------------------|
| 1. Welcome and Introduction | Ambassador Negroponte |
| 2. Canadian Response | Mr. Campbell |
| 3. U. S. Status Report | Ambassador Negroponte
and others |
| 4. Canadian Status Report | Mr. Campbell |
| 5. NAPAP/RMCC Report to the BACG | Mr. Kulp and Mr. Ferguson |
| 6. BACG Report to the President and
Prime Minister | |
| 7. Other Action | |
| 8. Next Meeting | |
| 9. Public Affairs Handling | |

December 10, 1986

STATUS REPORT - U.S. Implementation of Special Envoys' Report

Introduction

This second report by the U.S. section of the Bilateral Advisory and Consultative Group on Transboundary Air Pollution (BACG) is intended to bring-up-to-date the summary of actions taken within the United States in furtherance of the recommendations of the Special Envoys on acid rain contained in their joint report of January 1986. An earlier status report was provided at the June 18, 1986 meeting of the BACG. In the U.S. view, significant and effective steps have been initiated during this first year in implementing the Envoys' recommendations: the structure for bilateral coordination and cooperation is largely in place; our extensive, multifaceted research program is continuing in close touch with Canadian programs; and important beginnings have been made in realizing commercially viable demonstration projects of innovative technology with the potential to reduce acidic deposition.

A. Innovative Control Technology Program

Detailed discussions have been held with Canadian officials regarding preliminary results of a U.S. review of research projects and commercial demonstrations underway or planned in the United States which are expected to further the Envoys' recommendations for the demonstration of innovative control technology. The total funding obligated or anticipated from federal, state and private sources for these projects between FY1986 and FY1992 is greater than \$5.5 billion. The extent to which individual projects of this tabulation directly respond to the principal criteria outlined by the Envoys is under review. The U.S. considers that these projects provide major contributions to the objectives of the Envoys. A summary of key considerations regarding the innovative control effort is attached under the title Innovative Controls Development.

The signing on December 4 of a Memorandum of Understanding between the Department of Energy and Canada's Department of Energy, Mines and Resources covering cooperation in research, information exchange, and other joint activities, is expected to facilitate and encourage active bilateral cooperation in areas supportive of the recommendations of the Special Envoys.

The scheduled meeting in January 1987 of EM&R Coal Division Chief Nancy Mitchell with Department of Energy counterparts offers an important opportunity to consider possibilities for cooperative action in the area of clean coal technology.

B. Innovative Controls Panel (ICP)

A detailed proposal concerning the organization, composition, objectives and responsibilities of this advisory panel is attached. It is recommended that the panel be established as a sub-group of the BACG but with the responsibility to advise the Secretary of Energy and through him other senior government officials. We envisage the key role of the panel to be provision of advice on project selection criteria. Under existing U.S. statutory and regulatory authority it is not possible for the panel to be responsible for direct project selection.

It is proposed that the panel be chaired by Donald L. Bauer, Principal Deputy Assistant Secretary, Fossil Energy, Department of Energy. If early agreement is reached on the panel's organization and terms of reference, we believe the panel could meet for the first time before the end of January 1987. In line with its principal duties, a first order of business might be for the panel to review the projected research and demonstration efforts included in the U.S. 5.5 billion dollar tabulation of relevant programs, in order to advise as to how well these efforts satisfy the project selection criteria recommended by the Special Envoys.

C. Review of Existing Programs and Legislation

In fulfillment of the Envoys' recommendation a working group of the Environmental Protection Agency has for several months been conducting a thorough review of the Clean Air Act and associated regulations and programs to identify innovative and alternative opportunities consistent with existing law, for addressing environmental concerns related to transboundary air pollution. The effort is on schedule to produce a report to be shared with the GOC by mid to late February.

D. Timely Notice of Intended Changes to Air Pollution Regulations

As noted in the first U.S. status report, we believe that appropriate mechanisms are in place and functioning that assure timely notice of relevant regulatory change.

E. Joint Cabinet Level Advice to President and Prime Minister on Management Practices

The U.S. considers that at an appropriate time a joint cabinet level briefing of heads of government, as contemplated by the Envoys, might be useful. For the present, we believe that the traditional pattern of parallel briefing remains most appropriate at this stage of implementation especially in view of the active schedule of cabinet level consultations on acid rain which are being carried out and which should assure that there are no gaps in policy level bilateral communication on the subject.

F. Research Emphasis

The joint NAPAP/RMCC report to the BACG outlines recent scientific findings, areas of strengthened cooperation and future plans for cooperative scientific efforts, including particular reference to the six research areas identified by the Envoys as having "special value to decisionmakers." The intensive ongoing interagency research program being conducted by the National Acid Precipitation Assessment Program (NAPAP) to reduce scientific uncertainties to the point where national control strategies can be designed is continuing unabated despite general budgetary stringencies. NAPAP funding in FY 1987 remains undiminished at \$85 million.

INNOVATIVE CONTROLS DEVELOPMENT

A preliminary analysis of existing programs with projects having characteristics similar to the Envoys' four criteria was carried out. A tabulation of such programs was given to Canadian officials in December, and discussed in detail bilaterally December 5. (Copy attached)

- Tabulation totaling \$5.5 billion includes research projects and commercial demonstrations current in FY-86 or planned for later initiation.
- The total for listed projects is an under-estimate since not all co-funding from private sources has been determined and not all State projects are defined.
- New funding since mid-December 1985 for federal projects is \$1140 million of proposed funds (\$146 million for new federal research and \$995 million for Clean Coal Technology program -1 (CCTP-1)).
- A follow-on solicitation of information on retrofit technologies is currently underway.

The CCTP-1 solicitation responses selected for negotiation were announced in late July 1986 and several analyses of the comparison of project attributes and the Envoys' project criteria were made. (DOE analysis summary attached).

- The DOE analysis compares each of the nine projects to the selection criteria of the Envoys, as stated by the Envoys.
- Some projects meet all four criteria, all projects meet some of the criteria.
- Other non DOE analyses that are based on the publicly available data on the nine projects and interpretations of the criteria by the analysis unit have been circulated. The results of these analyses generally find only two-to-three of the nine projects directly relevant to their interpretations of the criteria.
- Contract negotiations continue with the proposers of the nine projects and are expected to be completed in Spring 1987.

A second solicitation (Informational Proposals), CCTP-2, was issued in November. The scope of the program would be demonstrations of retrofiting, repowering or otherwise modernizing existing facilities.

- responses due to DOE by January 12, 1987
- two reports by DOE to Congress
 - first, in March, is submission of public abstracts for each response
 - second, in mid-May, is analysis of responses
- Congress would then determine if they wish to appropriate funds for a solicitation and, if so, at what amount of total Federal funding.
- Criteria for projects in the solicitation of interest were, in large part, set by Congress. However, for air pollution proposals, the Envoys' four criteria are approximated (see attached excerpt from announcement).

INNOVATIVE CONTROL TECHNOLOGY PROGRAM SUMMARY TABLE

FUNDS EXPENDED OR ANTICIPATED
FY 1986-FY 1992

Federal Research	\$ 709MM*	FY'86-'92 estimates are for research only
Federal Demonstrations	\$ 3183MM	Includes all CCTP-1 (\$995MM Federal, private funds), CCTP-2 (\$350MM federal plus equal match private funds), 2 other DOE demonstrations (\$390MM) plus 2 Synfuels Corp. projects (\$1098MM) related to gasifiers and combined cycle steam generation.
State Programs	\$ 272MM	State share only on co-funded projects; States are OH, IL, KY, NY, PA
U.S. Industry (EPRI) Demonstrations	\$ 300MM	5 demonstration projects
Other Private Demonstrations	\$ 1082MM	cutting edge technology applications FY '86 or later
TOTAL		
	\$ 5.55 billion*	
	Federal \$ 2.26 billion	
	State \$.34 billion	
	Private \$ 2.96 billion	

*Does not include \$375MM in DOE budget estimates for other clean coal technology research.

TABLE S-1

COMPARISON OF COT PROJECTS TO SPECIAL ENVIRONMENTAL RECOMMENDATIONS

OFFEROR NAME:	ABBREVIATED TITLE	RECOMMENDATION 1			PARTIAL RECOMMENDATION 2	PARTIAL RECOMMENDATION 3	RECOMMENDATION 4
		APPLICABLE TO UTILITIES	EMISSION REDUCTION		DYNAMIC IMPROVEMENTS	APPLICABLE TO RETRFIT	USE HIGH SULFUR COAL
			DEMO	COMMERCIAL			
AMERICAN ELECTRIC POWER SERV.	TUD CITY DEMO PLANT	Y	Y	Y	Y	Y	Y
THE BAKKICK & WILCOX COMPANY	LUMB DEMO PROJECT EXTENSION	Y	Y	Y	Y	Y	Y
COAL TECH CORPORATION	ADVANCED CYCLONE COMBUSTOR DEMO	Y	N	Y	Y	Y	Y
ENERGY & ENVIRONMENTAL RESEARCH	GAS REFORMING/SORBENT INJECTION	Y	Y	Y	Y	Y	Y
ENERGY INTERNATIONAL, INC.	HYD/CLEAN FUELS PROOF-OF-CONCEPT PROJECT	Y	N	Y	Y	N	N
GENERAL ELECTRIC COMPANY	INTEGRATED GASIFICATION-STEAM REFORMATION GAS TURBINE	Y	Y	Y	Y	N	Y
THE H.W. KELLIG COMPANY	THE APPALACHIAN PROJECT	Y	N	Y	Y	Y	Y
OHIO ONTARIO CLEAN FUELS INC.	COAL-PETROLEUM CO-PROCESSING PLANT	Y	N	Y	Y	N	Y
MILTON STEEL CORPORATION	KR THRMKING DEMO PLANT	N	Y	Y	Y	N	Y

Notes:

- Recommendations listed on page ii and iii.
- Recommendation 1 also relates to location of the demonstration; a map of demonstration project locations is provided in Figure 1.
- Recommendation 2 cannot be directly addressed by publicly available data.
- Y indicates yes; N indicates no.

Statements of Interest and Informational Proposals shall
be brief, shall not exceed a total of ten (10) 8-1/2" x 11" pages, and
should, if known, include descriptions of the:

- (1) Specific technology, including (a) the application(s) proposed for both the demonstration project and the commercialized technology, (b) whether best suited for retrofit, for repowering, or for modernization of existing facilities, and (c) how it differs from other known demonstrations that may be similar;
- (2) Site, if known;
- (3) Type(s) of coal to be used, including typical sulfur content, both for the demonstration project and as envisioned for the commercialized technology;
- (4) Project size, e.g., generating capacity, coal consumption rate, etc.;
- (5) Total estimated project cost and the cost-share that would be offered;
- (6) Environmental performance of the technology(s) with respect to estimated wastes and releases of emissions and effluents for both the demonstration project and the commercialized version. Information should be included with respect to air emissions as follows:
 - o Emissions reduction measured as a percentage of sulfur dioxides and oxides of nitrogen removed;
 - o Cost of achieving these emission reductions expressed in dollars per ton;
 - o Applicability to existing sources utilizing high sulfur coal; and
 - o Market potential for retrofit application.
- (7) Economic and technical performance of the technology in comparison with competing technologies.

Respondents are advised that DOE is not requesting extensive data on technical performance, project design, partnership arrangements, project economics, or environmental impacts as part of any proposed submission under this Announcement.

Limestone Injection Multistage Burner (LIMB)

Status Report

A LIMB demonstration project, sponsored by EPA, will be carried out on a 104 megawatt wall fired boiler at Ohio Edison's Edgewater plant in Lorain, Ohio. Construction of modifications to the facility and installation of new equipment will be completed in February of 1987. A short initial start-up period will be followed by a long production run of approximately ten months. One of the projects selected by DOE under round one of the clean coal technology program is an extension of the ongoing LIMB demonstration at Lorain to enable the testing of additional coals and sorbents. The evaluation of the best and final offers for an EPA sponsored LIMB demonstration project at a tangentially fired utility boiler has been completed. Negotiations with the recommended contractor should begin in January.

INNOVATIVE CONTROLS PANEL

Purpose and Scope

Provide to the United States and Canadian Governments advice concerning innovative technologies which, at a minimum, could be used for control of precursor emissions associated with acid deposition. Scope of programs to be reviewed in the development of advice include fully funded and cost-shared programs, State-funded programs and other U.S. and foreign programs. Advice would concern:

(1) Reviews of current and projected programs to determine providing relevant options.

(2) Advice on evaluation criteria to select projects for federal funding, including cost-shared projects for the development and demonstration of innovative technologies that have the capability to control acid deposition precursor pollutants.

(3) Development of relevant technology selection criteria that would fill in gaps in technology development and deployment or would be otherwise appropriate for consideration in future federal solicitations to determine the level of private group interest in cooperative programs concerning innovative control and/or process technologies.

Operational Elements

The panel is a subunit of the Bilateral Advisory and Consultative Group (BACG), established by the Department of State and by the Government of Canada to respond to the Envoys' recommendations.

The panel will meet at least twice a year. It is expected to meet in its first years of operation on a quarterly basis.

The panel operations would include the following elements:

memoranda and reports of its discussions would be prepared by DOE staff and, after review, would be provided to the Secretary of Energy for consideration and appropriate further distribution.

Meetings would be chaired by Donald Bauer, the DOE Principal Deputy Assistant Secretary for Fossil Energy.

Needed staffing and financial resources would be provided by DOE.

Membership on the Panel

The panel, in addition to the chairperson will have representatives from:

US Federal Units

Department of Commerce
Department of Energy
Department of the Interior
Department of State
Environmental Protection Agency
Office of Management and Budget

A Canadian Representative

State Representatives

A set of State Governors, selected by the US Secretary of Energy, will be asked to provide a representative.

Specialized Support to the Panel

As proposed by the Envoys, the members of the staffs of DOE and EPA may be called upon to provide specialized technical information for panel use. As appropriate, other organizations represented on the panel may be asked to provide available technical support.

Outline of Bilateral Advisory and Consultative Group

Report to Principals

I. Introduction

A. Origin and objectives of BACG

B. BACG first year work program

II. Implementation of Envoys' Recommendations

A. Innovative Control Technologies

1. United States Activities

- Tabulation of programs
- New initiatives
- Innovative Controls Panel

2. Canadian Activities

3. Control Technology Panel

B. Cooperative Activities

1. Domestic legislation and Regulation

(a) Review of existing programs and legislation

- U.S.
- Canada

(b) Timely notice of changes

2. Bilateral consultation and information exchange

C. Research

1. Developments in Envoys' priority areas

2. Cooperative research program

III. Future Work of BACG

Meeting of the Bilateral Advisory and Consultative Group
on Transboundary Air Pollution

December 17, 1986, Washington, D.C.

PARTICIPANTS

UNITED STATES

John D. Negroponete	(Chairman), Assistant Secretary for Oceans and International Environment and Scientific Affairs, Department of State
Mary L. Walker	Assistant Secretary, Environment, Safety and Health, Department of Energy
J. Allen Wampler	Assistant Secretary, Fossil Energy, Department of Energy
Donald L. Bauer	Deputy Assistant Secretary, Fossil Energy, Department of Energy
Fitzhugh Green	Associate Administrator for International Activities, Environmental Protection Agency
J. Craig Potter	Assistant Administrator for Air and Radiation, Environmental Protection Agency
Dr. H. Lawrence Kulp	Director of Research, National Acid Precipitation Assessment Program
Conrad Kleveno	Office of International Affairs, Environmental Protection Agency
Richard E. Benedick	Deputy Assistant Secretary for Environment, Department of State
John H. Rouse	Director, Office of Environment and Health, Department of State
Francis Kinnelly	Science Counselor, U.S. Embassy, Ottawa
John F. Fitzgerald	Office of Environment and Health, Department of State

Meeting of the Bilateral Advisory and Consultative Group
on Transboundary Air Pollution

December 17, 1986, Washington, D.C.

Canada

Donald W. Campbell	(Chairman), Assistant Deputy Minister, USA Branch, Department of External Affairs
Howard Ferguson	Assistant Deputy Minister, Atmospheric Environment Service, Environment Canada
Robert W. Slater	Assistant Deputy Minister for Planning, Environment Canada
Alex Manson	Senior Manager, Priority Issues Directorate, Environment Canada
Nancy Mitchell	Chief, Coal Division, Department of Energy, Mines and Resources
Walter Giles	Associate Deputy Minister, Ontario Ministry of Environment
Jean Piette	Director Intergovernmental Relations, Quebec Ministry of Environment
Brian Buckley	Chief, Transboundary Division, USA Bureau, External Affairs
Paul Heinbecker	Minister (Political), Embassy of Canada, Washington
James Wright	First Secretary (Environment), Embassy of Canada
Janet Davies	Embassy of Canada

Luncheon for Bilateral Advisory and Consultative Group

12:30 p.m., Henry Clay Room, 8th Floor,

Department of State

U.S. Guests

Ambassador John D. Negroponte, host

Assistant Secretary Mary Lou Walker
Department of Energy

Assistant Secretary J. Allen Wampler
Department of Energy

Deputy Assistant Secretary Bauer
Department of Energy

Associate Administrator Fitzhugh Green
Environmental Protection Agency

Assistant Administrator J. Craig Potter
Environmental Protection Agency

Dr. H. Lawrence Kulp
National Acid Precipitation Assessment Program

Francis Kinnelly
U.S. Embassy Ottawa

John H. Rouse
State Department

Canadian Guests

Assistant Deputy Minister Donald W. Campbell
External Affairs

Minister Paul Heinbecker
Embassy of Canada

Assistant Deputy Minister Howard Ferguson
Environment Canada

Assistant Deputy Minister Robert W. Slater
Environment Canada

Associate Deputy Minister Walter Giles
Ontario

Jean Piette
Quebec

Nancy Mitchell
Energy, Mines and Resources

Alex Manson
Environment Canada

Brian Buckley
External Affairs

THE WHITE HOUSE

WASHINGTON

December 8, 1986

Dear Brian:

Thank you for your letter of November 27, which I have studied carefully. I understand your concern about my decision to exceed the SALT II numerical sub-limits. In the same spirit of candor and closeness you cite, I would like to explain why I believe my decision is in the interests of the United States, our Allies, including Canada, and the cause of peace.

In May, after extensive allied consultations, I announced that the United States would base future strategic force decisions on the nature and magnitude of the threat posed by the Soviet Union, rather than on a flawed and expired treaty which was never ratified and which the Soviets have consistently violated. In this regard, I noted that we would deploy the 131st heavy bomber equipped to carry air-launched cruise missiles late in the year without undertaking any compensating dismantlement. I further noted that if the Soviet Union used the time between May and the bomber's operational date to take the constructive steps necessary to alter the current situation, I would take that into account.

On November 28, the 131st heavy bomber equipped for ALCM carriage was deployed. Just prior to that, on November 25, I discussed the situation with my senior advisors and concluded, based on their unanimous recommendation, that Soviet actions did not justify reversing my decision. The Soviets continue to violate SALT II by deploying a prohibited second new ICBM, by encryption of telemetry that impedes verification, and by exceeding the overall limit on delivery vehicles. Just as you would not allow another nation to pick and choose

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BY RW NARA DATE 2/23/12

which part of an agreement with Canada it would honor, I cannot permit the Soviets selectively to comply with only parts of agreements they entered into with the United States.

I do not believe we are giving the Soviets an excuse for further build up; SALT II is so favorable to them that they have little need for more strategic systems or warheads. As you know, under SALT II they have about doubled the number of their strategic ballistic missile warheads. They are expected to increase these forces further with or without SALT II. For our part, we will continue to exercise utmost restraint. Assuming no significant change in the threat we face, the United States will not deploy more ballistic missile warheads or strategic nuclear delivery vehicles than does the Soviet Union.

With SALT II behind us, I hope the Soviets will finally accept that we will not reward them for stalling and will move to implement the agreements General Secretary Gorbachev and I reached at Reykjavik for 50 percent reductions in strategic arms and acceptance of global limits on intermediate-range missiles with none in Europe. These proposals -- which I put forth with the advice and support of all of our Allies -- remain, in my view, the essential next steps if we are to move toward stabilizing arms reductions.

In preparing for my meeting in Reykjavik and in instructing our negotiators since that meeting, I have been especially conscious of the views of key Allied leaders. Your personal counsel has been particularly valuable to me. Deep and stabilizing reductions in offensive nuclear forces is one of our common goals. As you and others have urged, I continue to attempt to move the Soviets away from reliance on their massive ICBM forces, which are the most threatening in terms of a first strike. My proposal to shift to a deterrent based on slow-flying retaliatory weapons -- bombers and cruise missiles -- was made to reduce the threat to both our countries, as well as to our other Allies.

You and other Allied leaders deserve great credit for enabling us to move in the direction of increased stability. Increasing our dependence on cruise missiles makes it especially important that we maintain our advantage in cruise missile technology. Therefore, I am particularly grateful for your strong support for continued testing of air-launched cruise missiles.

I know cruise missile testing is a contentious question in Canada and that my SALT II decision may, for a while, make it more so. Please be assured that your steadfastness on this important matter plays a key role in achieving progress toward the safer and more stable form of deterrence you and I have both long advocated. The Western Alliance needs your continued support and I am confident we can count on it.

Thank you again for your letter and your counsel.

Best regards,



The Right Honorable
Brian Mulroney, P.C., M.P.
Prime Minister of Canada
Ottawa

MSG FROM: NSTC --CPUA TO: NSSGB --CPUA
12/09/86 14:02:49 To: NSSGB --CPUA

File 6707
- C.A.M.M.
6

NOTE FROM: Tyrus Cobb Subject: Mulroney's Call *** Forwarding
note from NSRHS --CPUA 12/09/86 14:01 *** To: NSTC
--CPUA

-- ~~SECRET~~ --

NOTE FROM: RALPH SIGLER
SUBJECT: Mulroney's Call
Ty -- following is memcon of Mulroney's call to the President
following his November 14 television address:

Begin Text:

MEMORANDUM OF CONVERSATION

PRIME MINISTER MULRONEY'S TELEPHONE CALL
TO PRESIDENT REAGAN

Date: November 14, 1986 Time: 8:35 - 8:38pm

Prime Minister Mulroney, on vacation in Palm Springs with his family, called the President to offer his congratulations on the President's television address. Describing the television address as "powerful and persuasive," the prime minister said he was impressed with the President's "compelling performance," and on behalf of his government wanted to pass on his congratulations.

The President thanked the prime minister for his call and asked that his best wishes be conveyed to Mrs. Mulroney.

End text.

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BY RW NARA DATE 2/23/12

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CANADA 1986 (12/05/1986-12/15/1986)

FOIA

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<i>ID</i>	<i>Document Type</i> <i>Document Description</i>	<i>No of</i> <i>pages</i>	<i>Doc Date</i>	<i>Restrictions</i>
6708	MEMO GOERGE BADER FOR THE RECORD, RE: MEEITNG WITH DERWINSKI RE NORTHWEST PASSAGE	1	11/11/1986	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]

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

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Bu

6709

8

PRIORITY
P 261846Z NOV 88
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 2881
INFO AMCONSUL CALGARY 1486
AMCONSUL QUEBEC 0824
AMCONSUL VANCOUVER 3248
ZYUW RUEHOTA9851 3301848
AMCONSUL MONTREAL 9939
AMCONSUL TORONTO 6114
ZEN/AMCONSUL HALIFAX POUCH

(A) ACID RAIN: CLARK NOTED BRIEFLY THAT HE AND THE SECRETARY HAD DISCUSSED THIS IMPORTANT ISSUE AT THEIR RESTRICTED LUNCHEON EARLIER IN THE DAY (SEPTEL) AND THAT HE APPRECIATED THE SECRETARY'S COMMENTS.

S-E-C-R-E-T SECTION 01 OF 02 OTTAWA 09651

E.O. 12356: DECL: OADR
TAGS: PREL, SEVY, PBTS, EPTS, CA
SUBJECT: SECRETARY'S NOVEMBER 21 VISIT: POLITICAL
TOPICS RAISED IN PLENARY SESSION

(B) PROPOSED DETROIT INCINERATOR: MIN. CLARK SAID THAT THIS IS A HIGHLY CHARGED AND NEGATIVE ISSUE, PARTICULARLY IN THE WINDSOR AREA. CANADA IS CONCERNED THAT THE U.S. SHOULD FULLY DISCHARGE ITS RESPONSIBILITIES ON TRANSBORDER POLLUTION FLOWS IN THIS MATTER. THE MINISTER NOTED THAT SOME DISCUSSIONS HAVE TAKEN PLACE BETWEEN THE GOC AND EPA AND OTHER WASHINGTON OFFICIALS. HE FELT THAT THE LAST TALKS HAD BEEN "POSITIVE" BUT STRESSED THAT THIS IS AN ISSUE "CAPABLE OF ACQUIRING LEGS," I.E., THAT IT'S NEGATIVE IMPACT MIGHT SPREAD BEYOND THE IMMEDIATE WINDSOR AREA. THE SECRETARY REPLIED "WE SHARE YOUR CONCERNS." HE NOTED THAT THE EPA HAD TRIED TO CHALLENGE THE CONSTRUCTION OF THE INCINERATOR BUT THE COURT HAD TURNED DOWN EPA'S COMPLAINT. THE SECRETARY SAID THAT WE ARE NOW CONSIDERING OTHER WAYS TO ADDRESS THIS PROBLEM, NOTING THAT BOTH CANADIANS AND AMERICANS WOULD BE ADVERSELY AFFECTED BY THE INCINERATOR. WE "DON'T YET KNOW HOW TO COME TO GRIPS WITH THIS," THE SECRETARY SAID, BUT EPA IS STILL TRYING TO RESOLVE IT. DAS MEDAS NOTED THAT THE STATE OF MICHIGAN HAD ISSUED THE CONSTRUCTION LICENSE WITHOUT EPA APPROVAL. WE HAVE THE SAME INTENTION AS CANADA, HE SAID, BUT THE PROBLEM IS THE RIGHT FORUM. BT

1. S - ENTIRE TEXT.

2. FOLLOWING IS EMBASSY'S REPORT (WHICH S/S HAS CLEARED) ON POLITICAL TOPICS DISCUSSED DURING SECRETARY'S NOV. 21 PLENARY SESSION WITH EXTAFF MINISTER CLARK IN OTTAWA.

3. DURING TWO-HOUR PLENARY SESSION HELD IN OTTAWA'S EXTAFF BUILDING, THE SECRETARY DISCUSSED SEVERAL POLITICAL ISSUES WITH SECRETARY OF STATE FOR EXTERNAL AFFAIRS JOE CLARK. (SEPTELS REPORT ON ORLIKOW CASE AND ECONOMIC ISSUES.) PARTICIPANTS IN THE PLENARY WERE:

FOR CANADA:

- THE RT. HON. JOE CLARK, SECRETARY OF STATE FOR EXTERNAL AFFAIRS
- JAMES H. TAYLOR, UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS
- DEREK BURNEY, ASSOCIATE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS
- JODI WHITE, CHIEF OF STAFF TO MINISTER CLARK
- LEONARD LEGAULT, MINISTER, CANADIAN EMBASSY
- JOHN NOBLE, DIRECTOR GENERAL, USA GENERAL RELATIONS, EXTAFF
- PERCY EASTHAM, DIRECTOR GENERAL, EXTAFF
- WILLIAM CHAMBERS, SPOKESMAN FOR MINISTER CLARK
- FRANCOIS MATHYS, SENIOR DEPARTMENTAL ASSISTANT TO MINISTER CLARK
- BRIAN BUCKLEY, DIRECTOR, U.S. TRANSBOUNDARY DIVISION, EXTAFF (NOTE-TAKER)

FOR U.S.:

- SECRETARY SHULTZ
- AMBASSADOR THOMAS M.T. NILES
- UNDER SECRETARY ALLEN WALLIS, E
- ASSISTANT SECRETARY CHARLES REDMAN, PA
- DEPUTY ASSISTANT SECRETARY JAMES MEDAS, EUR
- DEPUTY ASSISTANT SECRETARY RICHARD SMITH, OES
- DWIGHT H. MASON, DCM, EMBASSY OTTAWA
- ROBERT HOMME, DIRECTOR, EUR/CAN
- ROBERT MONTGOMERY, EMBASSY OTTAWA (NOTE-TAKER)
- JAMES TARRANT, EMBASSY OTTAWA (NOTE-TAKER)

4. ENVIRONMENTAL ISSUES:

FOLLOWING THE DISCUSSION OF ECONOMIC ISSUES (SEPTEL), MINISTER CLARK SAID HE WOULD LIKE TO MENTION TWO ENVIRONMENTAL TOPICS.

file
- CANADA

ACTION (U,6,7,8)
INFO WIDS(*) J5(2) PJBD(1) SECDEF(9)
USDP(11) USDP:ISA(1) USDP:EUR(6) NMIC(*) OA-2(2)
OA-5(1) DIO(1) DIO-EUR(1) VP FRD(1) DE-3(1) DB-38(2)
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FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 2882
INFO AMCONSUL CALGARY 1467
AMCONSUL QUEBEC 0825
AMCONSUL VANCOUVER 3247

ZYUW RUEHOTA9851 3301848
AMCONSUL MONTREAL 9940
AMCONSUL TORONTO 6115
ZEN/AMCONSUL HALIFAX POUCH

TIMING. MINISTER CLARK AFFIRMED THAT THE GOC DOES HAVE A TIMING PROBLEM. THE SECRETARY SAID THAT "WE ARE LEAVING THE TIMING IN YOUR HANDS."

7. GEORGES BANK: THE SECRETARY RAISED U.S. CONCERNS THAT CANADA HAS ISSUED OIL DRILLING PERMITS FOR ITS AREAS OF THE GEORGES BANK WITHOUT CONSULTING WITH THE USG OVER THE POSSIBLE ENVIRONMENTAL EFFECTS. CLARK RESPONDED THAT THE GOC IS GRATEFUL THAT THE USG HAS URGED NEW ENGLAND FISHERMEN TO RESPECT THE NEW BOUNDARY ON GEORGES BANK AND THAT HE UNDERSTANDS THAT THE OIL DRILLING PROBLEM IS BEING DISCUSSED IN THE ENERGY CONSULTATIVE MECHANISM (ECM). "UNDER OUR CANADA OIL AND GAS LANDS ACT, WE HAVE GIVEN THE U.S. AN ENVIRONMENTAL IMPACT STUDY ON THE OIL DRILLING PROPOSALS," CLARK SAID, "BUT GIVEN THE WORLD PRICE OF OIL IT IS NOT LIKELY THAT DRILLING WILL BEGIN SOON." THE SECRETARY RESPONDED THAT NOW IS THE BEST TIME TO STRAIGHTEN OUT THIS PROBLEM WHEN OIL PRICES ARE LOW AND NOTED THAT THERE ARE "INTENSE FEELINGS" IN THE U.S. ON THIS MATTER. AMBASSADOR NILES SAID THAT THE ECM CAN BEGIN THIS PROCESS BUT THAT A FULL CONSIDERATION OF ALL THE ENVIRONMENTAL ASPECTS APPEAR TO BE BEYOND THE ECM'S MANDATE. HE ADDED THAT TEXACO MAY START DRILLING ON GEORGES BANK AS EARLY AS NEXT SUMMER. MR. NOBLE NOTED THAT MANY FISHERMEN IN NOVA SCOTIA ARE ALSO "NOT KEEN" ON SEEING DRILLING ON THE BANK. MINISTER CLARK ADDED THAT THE ECM WILL AGAIN MEET IN JANUARY.
NILES BT

~~SECRET~~ SECTION 02 OF 02 OTTAWA 09651

E.O. 12336: DECL: OADR
TAGS: PREL, SERV, PBTS, EFIS, CA
SUBJECT: SECRETARY'S NOVEMBER 21 VISIT: POLITICAL

UNDERSEC. WALLIS SAID THAT U.S. LAW ALLOWS INTERVENTION BY THE USG IN A CASE IF THE MATTER HAS FOREIGN AFFAIRS IMPLICATIONS; WHAT WE NOW FACE IS A PROCEDURAL PROBLEM. AMB. NILES NOTED THAT THE COST OF REMEDIATING THE PROBLEM WOULD INVOLVE CHANGES TO THE PRESENT INCINERATOR DESIGN COSTING AS MUCH AS US\$OLDS 14 MILLION.

8. "ARCTIC SOVEREIGNTY": MIN. CLARK SAID THAT THIS IS A MUCH MORE SENSITIVE AND VISIBLE ISSUE IN CANADA THAN IN THE U.S., WHERE IT IS ALSO CONTROVERSIAL. HE SAID HE APPRECIATED THE SECRETARY'S ACTION IN APPOINTING, AFTER THE MINISTERS' MANILA MEETING LAST SUMMER, COUNSELOR ED DERWINSKI TO SEEK A SOLUTION ON THE U.S. SIDE. DERWINSKI HAS SINCE MET WITH EXTAFF'S DEREK BURNEY, CLARK NOTED, AND "DEREK HAS KEPT ME ADVISED." THE MINISTER SAID THAT BURNEY, "IN HIS PERSONAL CAPACITY," HAS PUT FORWARD A PROPOSED POLITICAL STATEMENT OF PRINCIPLES AS A "CHAPEAU" FOR PROCEDURAL MEASURES THAT WOULD FACILITATE NAVIGATION THROUGH THE NORTHWEST PASSAGE WHILE SETTING ASIDE LEGAL DIFFERENCES. THE SECRETARY RESPONDED THAT SUCH AN APPROACH APPEARS TO BE IN LINE WITH WHAT THE PRIME MINISTER AND PRESIDENT AGREED TO IN THEIR WASHINGTON MEETING LAST MARCH, NAMELY TO ACHIEVE AN OPERATIONAL UNDERSTANDING WITHOUT COMPROMISING THE LEGAL PRINCIPLES OF EITHER SIDE. "I AGREE," CLARK SAID, ADDING THAT HE UNDERSTANDS THAT DERWINSKI HAS BEEN LOOKING AT BURNEY'S PROPOSAL. HE STRESSED THAT WHILE THE IMPORTANCE OF THE ISSUE MAY BE EQUAL IN BOTH COUNTRIES, THE PROFILE IS DIFFERENT, IT BEING MUCH HIGHER HERE IN CANADA. THE SECRETARY SAID THAT THERE ARE TWO ASPECTS FROM THE U.S. STANDPOINT. FIRST, THE "DIRECT" EFFECT ON USE OF THE WATERS IN DISPUTE; AND SECOND, THE "INDIRECT" IMPLICATIONS ELSEWHERE IN THE WORLD. THE SECRETARY NOTED THAT HE HAS TALKED TO COUNSELOR DERWINSKI ("A GENIUS AT SOLVING THINGS") ABOUT THIS AND HE IS WORKING ON IT. DERWINSKI THINKS, THE SECRETARY SAID, THAT THE LESS THIS PROCESS IS DISCUSSED IN THE PRESS, THE BETTER ELSE FALSE EXPECTATIONS AND OTHER PROBLEMS BE CREATED. BURNEY NOTED THAT WHILE THE GOC AGREES ON THE NEED TO AVOID GIVING DETAILS TO THE PRESS, THE CANADIANS HAVE BEEN TELLING THE MEDIA THAT "THE DISCUSSIONS ARE CONTINUING" SO THAT JOURNALISTS DON'T PRODUCE FALSE CHARGES THAT TALKS HAVE "BROKEN DOWN" OR AN "IMPASSE" HAS BEEN REACHED. DAS SMITH ADDED THAT THE CANADIANS CAN EXPECT A REPLY FROM MR. DERWINSKI SHORTLY.

8. DIJON ENTRANCE: THE SECRETARY STATED THAT COUNSELOR DERWINSKI IS ALSO THE U.S. REPRESENTATIVE ON THIS ISSUE AND THAT "WE'RE READY TO BEGIN DISCUSSIONS WHEN YOU ARE," NOTING THAT THE CANADIANS HAVE A PROBLEM OF

ACTION (I,M)
INFO WDCS(*) J5(2) PJBO(1) SECDEF(9) USDP(11)
USCP:ISA(1) USDP:EUR(6) NMIC(*) OA-2(2) OA-5(1)
DIO(1) DIO-EUR(1) VP FRD(1) DE-3(1) DB-3B(2)
DB-4D(1) DX-4B2(1) DX-6B(1) DIA(1)
+PTC WASH DC
+SAFE

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~~CONFIDENTIAL~~

6710

File
- GANNON

10

Dear Brian,

I do appreciate your letter of November 27 and have studied it very carefully. You have very clearly laid out your concerns over our decision to exceed the SAL II numerical constraints on..... In the same spirit of candor and closeness you cite, I would again like to lay out the rationale behind the decision I took in May not to be further constrained by....

(Para II--Lay out rationale behind SAL breakout).

Brian, you note that you are aware of Soviet activities which are questionable under the SAL Agreement. They are more than just questionable. In fact, the USSR has already exceeded the SAL cap on SNDV limits, at one time maintaining an inventory of 2540 vehicles, well above the level of 2,504 agreed to. (Further on Soviet violations).

The United States has sought the advice and counsel of its key Allies every step of the way as we develop our arms control negotiating positions and reach crucial decisions regarding our strategic modernization programs. Your counsel has been particularly valuable to me in these deliberations, Brian. Thus when I went to Reykjavik I very much had in my mind the direction which you and other Allies had persuaded me to take. You asked that we take bold measures to reduce significantly the levels of strategic offensive weapons. This General Secretary Gorbachev and I agreed to do. You asked that we focus our attention on achieving an agreement on land-based INF missiles--this we did by gaining Soviet adherence to the long-standing NATO proposal for a Zero-Zero solution in Europe. At the same time we secured a global limit of 1000 INF missiles on both sides, and got Soviet agreement to constraints on short-range INF, as you and the other Allies had asked me to do.

More importantly, you and the other key Allied leaders have pressed me to move the superpowers to establish a more secure and stable form of deterrence, one that did not rely on the fear engendered by the threat of annihilating the earth's population or that depended so much on weapons capable of executing a massive first strike. Your principal concerns were always fixated on the Soviet land-based ICBM force, which constituted the most threatening and destabilizing weapons.

I believe that a transition to a safer form of deterrence--one based on a mix of offensive and defensive systems--responds directly to your concerns. Perhaps more importantly, I am proposing a shift to a reliance on offensive weapons which are suitable only for a retaliatory strike. These are the slow-movers, bombers and cruise missiles in particular, which hardly constitute first strike weapons and therefore represent a better foundation on which to base our deterrent strategy.

This also plays away from the key Soviet advantage, whose force relies on the preponderance of those heavy ICBMs, and relies more on those areas where Western technological expertise provides us an advantage. Brian, you and the other Allied leaders deserve much of the credit for moving with us to this safer world. In that sense, I am sure you realize how important it will be that the United States maintain its advantages in such key areas as cruise missile technology. There is no doubt in my mind that Canada will continue its commitment to assist in the ALCM/ACM testing program which is so essential to the shift to a safer and more reliable form of deterrence which you have advocated.

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6711	PAPER ADVANCED CRUISE MISSILE TESTING	1	12/8/1986	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]

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508ACTION

December 11, 1986

MEMORANDUM FOR RODNEY B. McDANIEL

FROM: MICHAEL B. DONLEY *MD*

SUBJECT: Nominations of Generals Herres and Piotrowski

Per my discussion last evening with Dave Chew, NSC is to make certain that the government of Canada has cleared on the Piotrowski nomination before the paperwork is forwarded to the White House Clerk for action.

The memo to Col Lemon asks DOD to provide written confirmation to this effect.



Ty Cobb concurs.

RECOMMENDATION

That you sign and forward the memo to Col Lemon at Tab I.

Approve _____ Disapprove _____

Attachment

Tab I

Memo to Col Lemon

dlb

3/30/05

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR COL. JAMES F. LEMON
Executive Secretary
Department of Defense

SUBJECT: Nominations of Generals Herres and Piotrowski

The President has reviewed and approved the subject nominations.

In follow-up, the NSC has been asked to ensure that the government of Canada would be in accord with the nomination of General Piotrowski to be CINC NORADCOM. We would appreciate soonest your memo confirming that the government of Canada has been consulted and has no objection to this nomination.

When such memo has been received by NSC, the subject nominations will be returned to the control of the White House Clerk and Military Office for further action. At the appropriate time, it is our intent that Gen. Herres' nomination will be announced by the White House, while Gen. Piotrowski's nomination will be announced by DOD. We can coordinate the timing at a later date.

We appreciate your cooperation in these matters.

Rodney B. McDaniel
Executive Secretary

ADMINISTRATIVELY CONFIDENTIAL

~~SECRET~~

Canada
6712
12

NATIONAL SECURITY COUNCIL
SECRETARIAT

*I talked w/ Niles -
Ken D. met w/ GOC "off. c.
here. Think they are
calmed down.*

PAGE 01

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TO RUEHC/SECSTATE WASHDC IMMEDIATE 3063
INFO RUEBWJB/DEPT-OF JUSTICE WASHDC IMMEDIATE

<SUBJ>SUBJ: CANADIAN INVOLVEMENT IN THE SHIPMENT OF ARMS
TO IRAN

*Gotlieds
called m
on v
Monday*

~~SECRET~~ OTTAWA 10189
CORRECTED COPY (DEPT OF JUSTICE ADDED AS INFO ADDEE)
NOFORN
E.O. 12356: DECL: OADR
TAGS: PREL, CA, US
SUBJ: CANADIAN INVOLVEMENT IN THE SHIPMENT OF ARMS
TO IRAN

1. ~~SECRET~~ - ENTIRE TEXT.
 2. PRESS REPORTS OF POSSIBLE CANADIAN INVOLVEMENT IN IRANIAN ARMS SALES, INCLUDING DEC. 12 WALL STREET JOURNAL ARTICLE LISTING NAMES OF FEW ALLEGED CANADIAN BUSINESSMEN ALLEGED TO HAVE BEEN INVOLVED, HAS CREATED POLITICAL STORM IN CANADA. DEPUTY PRIME MINISTER MAZANKOWSKI HAS ASKED EMBASSY TO PROVIDE ASAP WHATEVER INFORMATION THE US MAY HAVE CONCERNING INVOLVEMENT OF CANADIAN NATIONALS IN THE SHIPMENT OF ARMS TO IRAN AFFAIR.
 3. MAZANKOWSKI STATED IN THE COMMONS 12/12/86 THAT SECRETARY OF STATE FOR EXTERNAL AFFAIRS JOE CLARK HAD CALLED THE SECRETARY IN BRUSSELS ON THIS SUBJECT AND THAT THE RCMP WOULD BEGIN AN INVESTIGATION OF THE CANADIAN CONNECTION.
 4. GOC IS SEVERELY EMBARRASSED BY THESE ALLEGATIONS OF A CANADIAN CONNECTION BOTH BECAUSE IT LOOKS INCOMPETENT (NOT KNOWING WHAT IS GOING ON IN ITS OWN BACKYARD) AND HELPLESS (UNABLE TO ELICIT COOPERATION FROM THE US).
 5. IF WE ALLOW THIS SITUATION TO CONTINUE IT MAY AFFECT RELATIONS BETWEEN VARIOUS US AGENCIES REPRESENTED HERE WITH LAW ENFORCEMENT, INVESTIGATION AND LIAISON MISSIONS NOT TO MENTION US ACCESS TO THE RESULTS OF THE CANADIAN INVESTIGATION.
 6. WHAT MAY WE TELL THE GOC?
- NILES

<SECT>SECTION: 01 OF 01<SSN> 0189<TOR> 861212183313 MSG000156105193

DECLASSIFIED

NLRRF00-093#6712

BY RW DECLASSIFIED 2/23/12

~~SECRET~~

~~SECRET~~

Canada
6713

NATIONAL SECURITY COUNCIL
SECRETARIAT

13

PAGE 01

AN001943

THIS TIME, AND I HOPE THAT SOME WAY CAN BE FOUND TO
ACCOMMODATE HNATYSHYN'S REQUEST.
NILES

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SIT: EOB VAX NSJHD

<SECRET>SECTION: 01 OF 01<SSN> 0208<TOR> 861212184510 MSG000156105910

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FM AMEMBASSY OTTAWA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 3001
RUEBWJB/DEPT OF JUSTICE WASHDC IMMEDIATE

<SUBJ>SUBJECT: CANADIAN GOVERNMENT INTEREST IN
INFORMATION ON POSSIBLE CANADIAN INVOLVEMENT IN IRAN
ARMS SALES

~~SECRET~~ OTTAWA 10208

NOFORN

FOR THE ATTORNEY GENERAL

E. O. 12356: DECL: OADR

TAGS: PREL CA US

SUBJECT: CANADIAN GOVERNMENT INTEREST IN
INFORMATION ON POSSIBLE CANADIAN INVOLVEMENT IN IRAN
ARMS SALES

REF: OTTAWA 10189

1. ENTIRE TEXT SECRET
2. UNDER SECRETARY OF MINISTRY OF EXTERNAL AFFAIRS
TAYLOR CALLED ME THIS AFTERNOON TO FOLLOW UP ON
CONVERSATIONS REPORTED REFTEL. TAYLOR ADVISED THAT
AMBASSADOR GOTLIEB HAD SPOKEN WITH DCI CASEY, WHO
HAD INFORMED HIM THAT DUE TO FACT THAT IRAN ARMS
SALES COULD BECOME SUBJECT OF LEGAL PROCEEDINGS, IT
WOULD NOT BE POSSIBLE FOR HIM TO PROVIDE GOVERNMENT
OF CANADA WITH INFORMATION ON POSSIBLE PARTICIPATION
BY CANADIAN CITIZENS IN ANY ASPECT OF THE
TRANSACTIONS. FOLLOWING REPORT ON THIS
CONVERSATION, GOC HELD TOP-LEVEL MEETING CHAIRED BY
DEPUTY PRIME MINISTER MAZANKOWSI, AT WHICH IT WAS
DECIDED THAT MINISTER OF JUSTICE HNATYSHYN WOULD
CALL ATTORNEY GENERAL MEESE TO REQUEST INFORMATION
ON ALLEGED CANADIAN PARTICIPATION IN ARMS SALES.
SHOULD ATTORNEY GENERAL BE UNABLE TO PROVIDE
INFORMATION BECAUSE THIS MIGHT CONFLICT WITH
POSSIBLE LEGAL PROCEEDINGS, HNATYSHYN WILL THEN ASK
FOR STATEMENT FROM THE ATTORNEY GENERAL, WHICH GOC
COULD USE PUBLICLY, EXPLAINING WHY USG CANNOT AT
THIS TIME PROVIDE SUCH INFORMATION.
3. TAYLOR ALSO ADVISED THAT HNATYSHYN WILL ASK
ATTORNEY GENERAL WHETHER US WOULD AUTHORIZE APPROACH
BY CANADIANS, PRESUMABLY RCMP, TO US BUSINESSMAN ROY
FURMARK, WHO WAS SAID TO HAVE BEEN SOURCE OF
INFORMATION REGARDING ALLEGED DISSATISFACTION OF
CANADIAN BUSINESSMEN WITH PAYMENT ARRANGEMENTS FOR
THEIR PARTICIPATION IN ARMS SALES. REQUEST TO
FURMARK WOULD SIMPLY BE FOR NAMES OF CANADIAN
CITIZENS ALLEGEDLY INVOLVED. I AGREED WITH TAYLOR
THAT, GIVEN THE ENORMOUS SENSITIVITY OF THIS CASE,
GOC SHOULD NOT SEEK TO CONTACT FURMARK WITHOUT
AUTHORIZATION OF APPROPRIATE US OFFICIALS, WHICH IN
THIS CASE WOULD APPEAR TO ME TO MEAN DEPARTMENT OF
JUSTICE.
4. COMMENT. TAYLOR'S CALL INDICATES THAT CANADIANS

REALIZE THAT USG MAY NOT BE ABLE, BECAUSE OF LEGAL
CONSIDERATIONS, TO PROVIDE THE INFORMATION THEY NEED
TO RESPOND TO GROWING PRESSURE DOMESTICALLY TO
REVEAL WHAT ROLE, IF ANY, CANADIAN CITIZENS PLAYED
IN THE IRAN AFFAIR. CANADIAN WILLINGNESS TO ACCEPT
FORMAL STATEMENT OR OUR INABILITY TO PROVIDE
INFORMATION MAY REPRESENT BEST AVAILABLE SOLUTION AT

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NLRR F00-093# 6713

BY RW NARA DATE 2/23/12

~~SECRET~~

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The President

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THE WHITE HOUSE
WASHINGTON

Cobb

14

December 12, 1986

RR

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: ALTON G. KEEL *RR*

SUBJECT: Report from Mr. John H. Rousselot, Chairman,
Canada-US Permanent Joint Board on Defense (PJBD)

Former Congressman John Rousselot, Chairman of the PJBD, has sent two reports to you summarizing the last two sessions of the Board. He notes that:

- Arms Control. Canadian Defense Minister Beatty stressed that NATO must be ready to increase conventional capabilities to maintain deterrence in the event theater nuclear forces are significantly reduced. He did not elaborate, however, whether Canada would be willing to increase its defense spending to achieve needed improvements. The GOC also indicated that cruise missile testing, particularly for the Advanced Cruise Missile (ACM), remains controversial in Canada and a decision to permit such testing will have to go to the Cabinet.
- Strategic Defense. The GOC stressed that we needed to present a coherent political/strategic concept of SDI. They feel that the Soviets, because of their technological deficiencies, may be willing to make major concessions on offensive systems. The GOC also expressed a desire to participate in the Strategic Defense Architecture (SDA) 2000 and the Air Defense Initiative (ADI) studies.

Chairman Rousselot indicated that at the next meeting in February 1987, he hoped the PJBD would pursue discussions involving Canadian/U.S. cooperation in the event of hostilities involving North America.

Copies of the Chairman's reports are available for your perusal if you wish.

Prepared by:
Tyrus W. Cobb

~~CONFIDENTIAL~~

Declassify on: OADR

cc: Vice President

BY RWJ
NLR/FDD-093#6714
NARA DATE 11/11/11

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Py,

12/12

AGK wanted to ensure no personal
files between Kennelot and President
that would create problem when request
is turned down.

Bob

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

December 9, 1986

ACTION

MEMORANDUM FOR ALTON G. KEEL

FROM: TYRUS W. COBB *TWC*

SUBJECT: Letter from Permanent Joint Board on Defense

At Tab I is a memorandum from you to the President summarizing two reports he received from John H. Rousselot, Chairman, US Section of the Canada-US Permanent Joint Board on Defense (PJBD). Rousselot, a former California Congressman, has also requested a meeting with the President to present his reports. Since Rousselot met earlier this year with the President on PJBD activities we do not feel another session is warranted.

^{NA} Don Mahley, Mike Donley, ^{MD} Jim Stark, ^{RMS} and ^{JWP} John Douglass concur.

RECOMMENDATION

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

Approve (A) Disapprove _____

II. That you authorize me to tell John Rousselot that unfortunately the President's schedule will not permit a meeting at this time.

Approve (A) Disapprove _____

Attachment
Tab I Memorandum to the President

~~CONFIDENTIAL~~
Declassify on: OADR

DECLASSIFIED
NLRRF00-093#6715
BY RW NARA DATE 7/7/11

RECEIVED 01 DEC 86 14

TO PRESIDENT

FROM ROUSSELOT, J

DOCDATE 28 NOV 86

KEYWORDS: DEFENSE POLICY
AP

CANADA

BEATTY, PERRIN

TDJ

SUBJECT: REQUEST APPT W/ PRES FOR ROUSSELOT TO PRESENT RPT ON MTGS

ACTION: PREPARE MEMO FOR KEEL DUE: 04 DEC 86 STATUS S FILES WH

FOR ACTION

FOR CONCURRENCE

FOR INFO

~~DONLEY~~

TEICHER

~~COBB~~

Donley

MAHLEY

Cobb



STARK

LAVIN

GRIMES

Isn't this 'bit' proposal a high-handed? Let him send in his report.

COCKELL

SOMMER

RODMAN

PEARSON

COMMENTS

REF#

LOG

NSCIFID

(LF)

ACTION OFFICER (S) ASSIGNED ACTION REQUIRED DUE COPIES TO

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DISPATCH _____ W/ATTCH FILE _____ (C)

MSG FROM: DAVISJ --VAXC TO: NSSGB --CPUA
12/15/86 15:41:12 To: NSSGB --CPUA Subject: FYI

Canada 6716
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\$ORIG\$FM AMEMBASSY OTTAWA
\$SUBJ\$SUBJECT: CODEL BENTSEN LUNCH WITH PRIME MINISTER
MULRONEY

\$TEXT\$
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DEPARTMENT PLEASE PASS USTR FOR AMBASSADOR MURPHY
AND COMMERCE FOR DAS HUGHES
DEPARTMENT FOR EUR DAS MEDAS AND EB DAS JOHNSON
COMMERCE FOR DAS HUGHES
E.O. 12356: DECL:OADR
TAGS: ETRD, EGEN,CA US
SUBJECT: CODEL BENTSEN LUNCH WITH PRIME MINISTER
MULRONEY
REF: STATE 375096

1. ENTIRE TEXT ~~CONFIDENTIAL~~.
2. FOLLOWING IS A RECORD OF THE DECEMBER 9 CONVERSATION AT THE PRIME MINISTER'S LUNCH FOR SENATORS BENTSEN, CHAFEE, MATSUNAGA AND BAUCUS. AMBASSADOR NILES PARTICIPATED ON OUR SIDE AND THE CANADIANS PRESENT WERE MINISTERS CLARK, CARNEY AND WILSON AS WELL AS AMBASSADOR GOTLIEB.
3. AT LUNCH, CONVERSATION FOCUSED ON THE TRADE NEGOTIATIONS, WITH THE PRIME MINISTER EXPLAINING POLITICAL REALITIES OF CANADA AS THEY INTERACT WITH THE TRADE NEGOTIATIONS AND WITH THE SENATORS STRONGLY SUPPORTING THE NEGOTIATIONS.
4. SENATOR CHAFEE OPENED THE TALKS BY ASKING THE PRIME MINISTER WHAT HE CONSIDERED THE NUMBER ONE PRIORITY. MULRONEY RESPONDED SAYING THAT HIS BIGGEST CHALLENGE WAS TO GET HIS GOVERNMENT'S MESSAGE ACROSS TO THE CANADIAN PEOPLE. AS FAR AS SPECIFIC ISSUES WERE CONCERNED, HE LISTED THE GREAT DISPARITIES IN LEVELS OF GOVERNMENTS AND PROSPERITY WITHIN CANADA AS THE COUNTRY'S MAJOR PROBLEM.
5. SENATOR CHAFEE ASKED WHETHER CANADA ENJOYED THE SAME SORT OF LABOR MOBILITY IN CANADA AS IN THE UNITED STATES. MULRONEY SAID LABOR MOBILITY IN CANADA WAS NOT AS GREAT AS IN THE UNITED STATES, IN PART DUE TO LANGUAGE PROBLEMS.
6. TURNING TO "CULTURAL SOVEREIGNTY" AND CULTURAL ISSUES IN THE NEGOTIATIONS, MULRONEY SAID THAT WHILE HE WAS NOT PERSONALLY FRIGHTENED BY THE INFLUENCE OF THE UNITED STATES, MANY CANADIANS WERE. THE "NEARNESS" OF THE UNITED STATES COMES ACROSS EVERY NIGHT ON TV AND IS A MAJOR "REALITY" FOR ALL CANADIANS. THE SENATORS INDICATED UNDERSTANDING FOR CANADIAN CONCERNS; SENATOR CHAFEE STRESSED THAT THE CANADIAN GOVERNMENT SHOULD ALSO MAKE CLEAR THAT IT SAW NO THREAT FROM THE SOUTH IN THE CULTURAL FIELD.

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BY RW NARA DATE 2/23/10

7. TURNING TO THE TRADE NEGOTIATIONS, THE PRIME MINISTER SAID THAT ANY DEAL HAD TO BE BALANCED AND FAIR FOR BOTH SIDES. IF IT WERE NOT, IT WOULD NOT SUCCEED. HE NOTED THAT HIS GOVERNMENT HAD NO INTENTION, HOWEVER THE TRADE NEGOTIATIONS TURNED OUT, OF FOLLOWING THE LEAD OF THE LIBERAL PARTY AND DROPPING CANADA'S SUPPORT FOR NATO MEMBERSHIP AND NORAD. HE TOLD THE SENATORS IN POLITICAL TERMS THERE WAS LITTLE DIFFERENCE BETWEEN THE APPROACHES OF THE LIBERALS AND THE NDP ON SECURITY ISSUES.

8. RETURNING TO TRADE, MULRONEY SAID HE THOUGHT THAT THERE WAS SIGNIFICANT SUPPORT IN THE UNITED STATES FOR THE NEGOTIATIONS AND THE CONCLUSION OF A FREE TRADE AGREEMENT. SENATOR BENTSEN SAID, THAT AS FAR AS HE WAS CONCERNED, "THIS SENATOR IS CERTAINLY WITH YOU." A FREE TRADE AGREEMENT WOULD BRING ENORMOUS BENEFITS FOR BOTH COUNTRIES. SENATOR CHAFEE SUPPORTED SENATOR BENTSEN'S POSITION, AND TOLD THE PRIME MINISTER THAT HIS PERSONAL INITIATIVE IN GETTING THE TRADE TALKS STARTED WAS MUCH APPRECIATED IN THE UNITED STATES, PARTICULARLY IN VIEW OF THE OBVIOUS RISK MULRONEY WAS RUNNING (CHAFEE REFERRED IN THIS CONNECTION TO THE 1911 OPPOSITION).

9. IN REPLY, MULRONEY SAID "I AM A GONER UNLESS WE DO A DEAL OR UNLESS I HAVE A GOOD REASON TO TURN ONE DOWN." THERE IS, HE SAID, A SIGNIFICANT BUT MINORITY VIEW IN CANADA THAT IT IS IMPOSSIBLE TO DO A DEAL WITH THE UNITED STATES. BOTH COUNTRIES WILL BENEFIT IF THIS POINT OF VIEW IS SHOWN TO BE WRONG BY A SUCESS IN THE TRADE NEGOTIATIONS AND HE URGED THAT THE PARTIES NOT ALLOW THEMSELVES TO BE SIDETRACKED BY SMALLER

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DEPARTMENT PLEASE PASS USTR FOR AMBASSADOR MURPHY
AND COMMERCE FOR DAS HUGHES

DEPARTMENT FOR EUR DAS MEDAS AND EB DAS JOHNSON
COMMERCE FOR DAS HUGHES

E.O. 12356: DECL:OADR
TAGS: ETRD, EGEN,CA US

SUBJECT: CODEL BENTSEN LUNCH WITH PRIME MINISTER
ISSUES. HE SAID HE AGREED WITH SENATOR BENTSEN THAT
THE UNITED STATES AND CANADA FACE A UNIQUE OPPORTUNITY
HICH HIS GOVERNMENT WAS READY TO FACE.

10. IN REPLY, SENATOR BENTSEN NOTED THAT THE UNITED STATES AND CANADA WILL BE SETTING AN EXCELLENT EXAMPLE FOR THE REST OF THE WORLD WHERE THERE ARE MIXED SIGNALS ON TRADE ISSUES. ON THE POSITIVE SIDE, HE SAID, THERE WAS PROGRESS IN MEXICO, WHERE HE HAD RECENTLY VISITED. DESPITE ALL OF THAT COUNTRY'S PROBLEMS, PRESIDENT DE LA MADRID WAS MOVING SIGNIFICANTLY TO LIBERLIZE TRADE WITH ALL COUNTRIES, INCLUDING THE UNITED STATES. GIVEN THE SIMILARITIES

BETWEEN THE UNITED STATES AND CANADA, IN SUCH CRUCIAL AREAS AS RELATIVE WAGE SCALES AND STANDARD OF LIVING, THE TWO COUNTRIES SHOULD BE ABLE TO CONCLUDE AN AGREEMENT MUCH MORE EASILY THAN WOULD BE THE CASE WITH ALMOST ANY OTHER TWO COUNTRIES IN THE WORLD.

11. SENATOR CHAFEE SUGGESTED THAT THE TOUGH ECONOMIC ISSUES WHICH BOTH COUNTRIES FACE SHOULD FOCUS FAVORABLE ATTENTION ON A TRADE AGREEMENT SINCE NEITHER PARTY TODAY CAN AFFORD THE LUXURY OF INDULGING IN ISSUES SUCH AS "CULTURAL SOVEREIGNTY." THERE WERE STILL VIEWS IN THE UNITED STATES, CHAFEE ADDED, THAT WE COULD "GO IT ALONE" ON TRADE MATTERS, BUT HE AND SENATOR BENTSEN STRESSED THAT THIS WAS CLEARLY NO LONGER THE CASE.

12. MINISTER CARNEY NOTED THAT THERE WERE SERIOUS WORRIES IN CANADA ON SOCIAL PROGRAMS AND HOW THEY MIGHT BE AFFECTED BY A TRADE AGREEMENT. AMBASSADOR NILES POINTED OUT THAT THIS CONCERN WAS BASED IN PART ON CANADIAN MISPERCEPTIONS THAT THE UNITED STATES DOES NOT HAVE SOCIAL PROGRAMS MORE OR LESS ANALAGOUS TO THOSE IN CANADA. INDEED, ON A SHARE OF GNP BASIS, THE UNITED STATES SPENDS AS MUCH AS CANADA DOES ON SOCIAL PROGRAMS. MINISTER WILSON SUGGESTED THAT THE MORE INTELLIGENT CONCERN IN CANADA WAS THAT IN A MORE COMPETITIVE POST-TRADE AGREEMENT ENVIRONMENT, SOCIAL PROGRAMS WOULD BE A LUXURY WHICH CANADA COULD NO LONGER ENJOY. AMBASSADOR NILES SUGGESTED THAT AN EVEN MORE INTELLIGENT POINT WOULD BE THAT THE ADDITIONAL PROSPERITY CREATED BY A TRADE AGREEMENT WOULD GENERATE THE FUNDS NEEDED FOR VARIOUS SOCIAL PROGRAMS. SENATOR CHAFEE SAID THAT THE CANADIANS SHOULD PUT THIS PARTICULARLY WORRY "LOW DOWN ON THEIR FEAR LIST."

13. MINISTER CARNEY TURNED THE CONVERSATION TO THE SUBJECT OF "CONTINGENCY PROTECTIONISM" AND CANADA'S OFFER TO GAIN SOME SHELTER FROM U.S. TRADE LAW. SHE NOTED THAT ENORMOUS VOLUMES OF ADDITIONAL INVESTMENT WOULD BE NEEDED IN A POST-TRADE AGREEMENT ENVIRONMENT IN ORDER TO FUND THE NECESSARY RESTRUCTURING OF THE CANADIAN ECONOMY, AND SHE EXPRESSED CONCERN THAT COMPANIES WOULD BE NOT BE PREPARED TO MAKE THESE INVESTMENTS IF THEY WERE POTENTIALLY OPEN TO COUNTERVAILING DUTIES ON THE U.S. SIDE. SENATOR BENTSEN AGREED THIS WAS A SERIOUS PROBLEM. HE SAID HE ASSUMED THAT NEITHER COUNTRY WISHED TO ENGAGE IN UNFAIR TRADE PRACTICES AND THAT BOTH WOULD RESPECT THE 1979 GATT SUBSIDIES CODE. US AND CANADIAN REMEDIES FOR UNFAIR TRADING PRACTICES WERE ALLOWED UNDER THAT CODE. HOWEVER, SENATOR BENTSEN SAID THAT HE AND HIS FELLOW SENATORS WOULD APPROACH THIS ISSUE WITH AN OPEN MIND AND WERE CERTAINLY PREPARED TO LISTEN TO CANADIAN PROPOSALS TO DEAL WITH THE PROBLEM. HE ALSO NOTED THE QUESTION OF HOW THIRD COUNTRIES MIGHT BE AFFECTED BY A US-CANADA AGREEMENT.

14. MINISTER CLARK ASKED, IF A SPECIAL MECHANISM WERE ESTABLISHED TO OVERSEE THE IMPLEMENTATION OF A TRADE AGREEMENT AND TO RESOLVE DISPUTES BETWEEN THE TWO COUNTRIES, WHETHER THIS WOULD REQUIRE SEPARATE CONGRESSIONAL ACTION. SENATOR BENTSEN SUGGESTED THAT SUCH A MECHANISM SHOULD BE INCLUDED IN THE BASIC AGREEMENT AND WOULD BE APPROVED TOGETHER WITH THAT ~~CONFIDENTIAL~~ SECTION 03 OF 04 OTTAWA 10098
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DEPARTMENT PLEASE PASS USTR FOR AMBASSADOR MURPHY
 AND COMMERCE FOR DAS HUGHES
 DEPARTMENT FOR EUR DAS MEDAS AND EB DAS JOHNSON
 COMMERCE FOR DAS HUGHES
 E.O. 12356: DECL:OADR
 TAGS: ETRD, EGEN,CA US
 SUBJECT: CODEL BENTSEN LUNCH WITH PRIME MINISTER AGREEMENT.

15. SENATOR MATSUNAGA EXPLAINED HIS OWN POSITION IN SUPPORT OF A FREE TRADE AGREEMENT AND STRESSED THE ADVANTAGES TO BOTH PARTIES FROM SUCH AN AGREEMENT. IT WAS IMPORTANT, HE SAID, THAT THE WORD GET OUT IN BOTH COUNTRIES AS TO THE BENEFITS FROM THE AGREEMENT. MINISTER WILSON OBSERVED THAT BOTH SIDES HAVE THEIR LAWS FOR DEALING WITH UNFAIR TRADE PRACTICES. WHAT IS NECESSARY, HE SAID, IS TO RECOGNIZE THAT A FREE TRADE AGREEMENT SHOULD INCLUDE SOMETHING DIFFERENT IN THIS AREA FROM WHAT CANADA AND THE US DO IN THE CASE OF ALL OTHER COUNTRIES.

16. MINISTER CARNEY NOTED THAT SHE HAD RAISED THE QUESTION OF AGRICULTURE IN A FREE TRADE AGREEMENT WITH SENATOR BAUCUS PRIOR TO LUNCH AND THAT THE SENATOR HAD EXPRESSED SERIOUS DOUBTS WHETHER MUCH PROGRESS COULD BE MADE IN THIS AREA. SHE SAID SHE BELIEVED WE SHOULD MAKE A MAJOR EFFORT, HOWEVER, IN THAT DIRECTION. THE PRIME MINISTER SAID HE AGREED THAT THE TWO COUNTRIES NEEDED TO BE REALISTIC AS FAR AS WHAT CAN BE DONE IN A FREE TRADE AGREEMENT AND NOTED OUR COMMON PROBLEM OF EXPORTING GIVEN THE IMPACT OF EC PRACTICES. HE RECALLED IN THIS CONNECTION HIS EXPERIENCE AT THE TOKYO SUMMIT AND THE GENERALLY UNHELPFUL POSITIONS TAKEN BY SOME OF THE EUROPEAN LEADERS THERE. HOWEVER, SOME SMALL PROGRESS HAD BEEN MADE IN TOKYO AND FURTHER STEPS HAD BEEN TAKEN AT PUNTA DEL ESTE. IT WAS IMPORTANT, HE SAID, TO KEEP THE PROCESS GOING. PERHAPS THE UNITED STATES AND CANADA COULD AGREE ON "PRINCIPLES" FOR AGRICULTURE TRADE IN THE FREE TRADE AGREEMENT.

17. SENATOR BENTSEN RECALLED HIS RECENT TALKS IN ROME WITH PRIME MINISTER CRAXI, WHO HAD INDICATED ITALIAN DISSATISFACTION WITH THE CAP. UK VIEWS WERE WELL KNOWN AND EVEN IN FRANCE, HE SAID, THERE WERE DOUBTS ABOUT WHETHER THE CAP WAS VIABLE IN ITS PRESENT FORM.

HE RECALLED A RECENT CONVERSATION WITH SIR ROY DENMAN ON THE SUGAR PROGRAM AND SAID THAT HE FELT WE WOULD HAVE TO GO "HEAD-TO-HEAD WITH THE EUROPEANS IN ORDER TO FORCE THEM TO NEGOTIATE ON AGRICULTURAL TRADE ISSUES.

18. THE PRIME MINISTER AGREED ENTIRELY, AND NOTED HIS OWN DOMESTIC PROBLEMS AS A RESULT OF DEVELOPMENTS IN WORLD AGRICULTURAL TRADE. ONE RESULT, HE SAID, WOULD BE HIS ANNOUNCEMENT LATER THAT DAY OF A \$1 BILLION BAIL-OUT, OVER TWO REPEAT TWO FISCAL YEARS, TO SAVE CANADIAN GRAIN FARMERS. SENATOR BENTSEN ASKED HOW MUCH TIME THE MAJOR TRADING COUNTRIES HAVE TO DEAL WITH AGRICULTURAL TRADE PROBLEMS. HE SUGGESTED THAT WE SIMPLY CONTINUE TO WAIT FOR THE GATT NEGOTIATIONS. PERHAPS THE UNITED STATES AND CANADA COULD USE THE FREE TRADE AGREEMENT TO RAISE THE PROFILE ON AGRICULTURE, HE SUGGESTED. MINISTER CLARK RECALLED CANADA'S EFFORTS TO USE AN "EMMINENT PERSONS GROUP" TO ESTABLISH A BASIS FOR MOVING AWAY FROM AGRICULTURAL EXPORT SUBSIDIES. THE EUROPEANS KILLED THIS, HE SAID, BUT CARNEY REMAINED HOPEFUL THAT SOME OTHER VARIANT MIGHT BE POSSIBLE PRIOR TO THE VENICE SUMMIT. PERHAPS, HE SAID, THE UNITED STATES AND THE EC MIGHT MAKE SOME UNILATERAL CHANGES TO ESTABLISH A BETTER NEGOTIATING ENVIRONMENT. HE AGREED THAT THE GATT TALKS WOULD TAKE TOO LONG, GIVEN THE CURRENT DIFFICULTIES AND ADDED THAT THE US-CANADA BILATERAL TALKS WERE REALLY NOT RELEVANT GIVEN THE KEY ROLE OF THE EC.

19. SENATOR BENTSEN ASKED CLARK WHEN THE FRENCH HAD TURNED DOWN THE EMINENT PERSONS GROUP ON AGRICULTURE. CLARK SAID THE FINAL ANNOUNCEMENT CAME ABOUT THREE WEEKS AGO. THE PRIME MINISTER NOTED THAT THE SUCCESS ACHIEVED BY THE EMINENT PERSONS GROUP ON SOUTH AFRICA HAD ENCOURAGED THE CANADIANS IN PUSHING THIS APPROACH FOR DEALING WITH AGRICULTURAL TRADE

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COMMERCE FOR DAS HUGHES

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20. CONTINUING ON AGRICULTURE, SENATOR MATSUNAGA SAID HIS CONSTITUENTS BELIEVE THAT THE CANADIANS WERE UNDERMINING THE US SUGAR PROGRAM BY SENDING SUGAR FROM OTHER COUNTRIES TO THE US. MINISTER CARNEY SAID SHE HAD NO INFORMATION ON THIS BUT WOULD LOOK INTO IT AND REPORT SUBSEQUENTLY TO THE SENATOR.

21. MINISTER WILSON SAID HE WISHED TO RAISE ONE PROBLEM, NAMELY THE PROBLEM WITH THE US-CANADA EXCHANGE RATE. THERE WAS, HE SAID, NO EFFORT ON THE PART OF THE GOVERNMENT OF CANADA TO HOLD DOWN THE CANADIAN DOLLAR. INDEED, THE BANK OF CANADA WAS SEEKING TO MAINTAIN THE DOLLAR'S VALUE THROUGH A SIGNIFICANT PREMIUM ON THE PRIME RATE COMPARABLE TO THAT IN THE UNITED STATES. SENATOR BENTSON SAID HE FULLY AGREED WITH THIS POSITION. HE RECALLED THAT IN APRIL OF 1985 HE HAD PUSHED FOR COOPERATION ON THE EXCHANGE RATE, A POSITION SUBSEQUENTLY REFLECTED IN THE SEPTEMBER 22, 1985 PLAZA AGREEMENT. THE PROBLEM IN THE EXCHANGE RATE AREA IN THE UNITED STATES TODAY, HE SAID, WAS NOT WITH CANADA BUT WITH TAIWAN AND SOUTH KOREA.

22. IN CONCLUSION, THE PRIME MINISTER NOTED THE ENORMOUS COMMON INTEREST BETWEEN THE UNITED STATES AND CANADA. CANADA WAS NOT, HE SAID, ASKING FOR FAVORS FROM THE UNITED STATES BUT OFFERING TO COOPERATE. BOTH SIDES HAD AN ENORMOUS OPPORTUNITY AND HE SUGGESTED THAT IF THE UNITED STATES AND CANADA COULD NOT REACH A FREE TRADE AGREEMENT, THERE WAS GOOD REASON TO DOUBT WHETHER NEGOTIATIONS BETWEEN ANY OTHER TWO COUNTRIES OR GROUP OF COUNTRIES COULD SUCCEED.

NILES