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FOIA

F00-093

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28

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
6717	MEMO	COBB TO ALTON KEEL, RE: ALLEGED CANADIAN INVOLVEMENT IN U.S. ARMS SALES TO IRAN	1	12/18/1986	B1
6718	REPORT	RE: AMERICAS (PAGE 6), WITH MAP OF INDIA ON VERSO D 1/22/2008 NLRRF00-093	2	12	B1
6719	MEMO	DUPLICATE OF #6717	1	12/18/1986	B1
6720	CABLE	#172248Z DEC 86	1	12/17/1986	B1
6721	CABLE	#200236Z DEC 86	1	12/20/1986	B1
6722	LETTER	ALLAN GOTLIEB TO ALLEN WALLIS	2	12/22/1986	B1
6723	MEMO	RODNEY MCDANIEL TO NICHOLAS PLATT, RE: EXERCISE R 2/23/2012 F2000-093/1	1	12/31/1986	B1

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

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ATTACHMENT 1

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 | |

ATTACHMENT 2

December 5, 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 Envoy 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 sulphur and nitrogen oxide emissions.

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 \$5.5 billion. The extent to which individual elements of this effort directly respond to the principal criteria outlined by the Envoys is still under review. The U.S. considers the scope and direction of these efforts to be a major contribution 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. Control Technology Panel (CTP)

A detailed proposal concerning the organization, composition, objectives and responsibilities of this advisory panel is attached (to be provided by DOE). 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. This approach will enable the panel to be established free of the extensive procedural requirements of the Federal Advisory Committee Act, which should enhance its operational flexibility and enable the BACG to monitor the panel's work on a continuing basis. As the attachment spells out, we envisage the key role of the panel to be provision of advice and recommendations on project selection criteria and identification of significant program gaps. It is not possible under U.S. law for the panel to play a direct role in 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 demonstration efforts included in the U.S. 5.5 billion dollar program summary in order to inform the Secretary of Energy and BACG of those aspects of the Envoys' control demonstration recommendations which, in the panels judgment, require additional or priority attention.

C. Review of Existing Programs and Legislation

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 in fulfillment of the Envoys' recommendation that existing air pollution legislation and programs be reviewed in each country to identify opportunities consistent with existing law, for addressing environmental concerns related to transboundary air

pollution. The effort is on schedule to produce a report by mid to late February. It is expected that a draft report will be available for review and comment in January.

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 working to 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 is 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.

Attachment: 10/10/86

INNOVATIVE CONTROLS DEVELOPMENT

- o A preliminary analysis of existing programs with projects having characteristics similar to the Envoys' four criteria was carried out and is attached.
 - research projects and commercial demonstrations included in \$5.5 billion total of projects current in FY-86 or planned for later initiation (attached)
 - 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))
 - new funding that may occur, based on the present CCTP-2 solicitation of interest, could be at least \$700 million.

- o 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 analyses that are based on the publicly available data on the nine projects and interpretations of the criteria by the analysis unit has 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.

- o 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
 - anticipate that private co-funding would be at least 50 percent of project cost
 - timing could be as early as Summer 87 (as a FY-87 budget supplemental element) or with FY 88 appropriations
 - there remains \$350 million that is authorized for clean coal technologies but that is not appropriated. Some discussions would indicate present Congressional planning would be to appropriate \$350 million for CCTP-2, given the solicitations are considered to show sufficient interest.
 - Criteria for projects in the solicitation of interest were, in large part, set by Congress. However, for air pollution proposals, the four Envoys' criteria are approximated (see attached excerpt from 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 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												
<table style="width: 100%; border-collapse: collapse;"> <tbody> <tr> <td style="width: 35%; text-align: right;">TOTAL</td> <td style="width: 15%; text-align: right;">\$ 5.55 billion*</td> <td></td> </tr> <tr> <td style="text-align: right;">Federal</td> <td style="text-align: right;">\$ 2.26 billion</td> <td></td> </tr> <tr> <td style="text-align: right;">State</td> <td style="text-align: right;">\$.34 billion</td> <td></td> </tr> <tr> <td style="text-align: right;">Private</td> <td style="text-align: right;">\$ 2.96 billion</td> <td></td> </tr> </tbody> </table>			TOTAL	\$ 5.55 billion*		Federal	\$ 2.26 billion		State	\$.34 billion		Private	\$ 2.96 billion	
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 CUI PROJECTS TO SPECIAL ENVOYS RECOMMENDATIONS

OFFEROR NAME:	ABBREVIATED TITLE	RECOMMENDATION 1			PARTIAL	PARTIAL	RECOMMENDATION 4
		APPLICABLE TO UTILITIES	EMISSION REDUCTION		RECOMMENDATION 2	RECOMMENDATION 3	USE HIGH SULFUR COAL
			DEMO	COMMERCIAL	ECONOMIC IMPROVEMENTS	APPLICABLE TO RETROFIT	
AMERICAN ELECTRIC POWER SERV.	TUD CITY DEMO PLANT	Y	Y	Y	Y	Y	Y
THE BABCOCK & WILCOX COMPANY	LIMB 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 REBURNING/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 INJECTION GAS TURBINE	Y	Y	Y	Y	N	Y
THE M.W. KELLOGG COMPANY	THE APPALACHIAN PROJECT	Y	N	Y	Y	Y	Y
OHIO ONTARIO CLEAN FUELS INC.	COAL-PETROLEUM COPROCESSING PLANT	Y	N	Y	Y	N	Y
WEIRTON STEEL CORPORATION	KR THOMPSON 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 location 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.

ATTACHMENT 3

Bilateral Advisory and Consultative Group

Report Outline

I. Introduction

A. Origin and objectives of BACG

B. BACG first year work program

II. Implementation of Envoys' Recommendations

A. Innovative Control Technologies

1. Status of current initiatives

- U.S.
- Canada

2. Future initiatives

- U.S.
- Canada

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. New scientific findings

3. Cooperative research program

III. Future Work of BACG

ATTACHMENT 4

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

December 17, 1986, Washington, D.C.

PARTICIPANTS

John D. Negroponte	(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
Richard E. Benedick	Deputy Assistant Secretary for Environment, Department of State
Dr. H. Lawrence Kulp	Director of Research, National Acid Precipitation Assessment Program
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
Walker 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

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

as of 10-12-86

Canadian 'Magia'

STATE DEPARTMENT

MEDAS, James M., DOB Oct 5, 43
HOMME, Robert O., DOB May 19, 40
GRAY, Victor S., Jr., DOB Feb 16, 39
SMITH, Richard J., DOB Feb 28, 32
ROUSE, John, DOB Jun 22, 33

DEPARTMENT OF DEFENSE

BROWN, Harold J., DOB Aug 12, 40
BADER, George W., DOB Jan 29, 30
MARESCA, John J., DOB Dec 9, 37

TREASURY

CORNELL, Robert, DOB Sep 8, 36
CANNER, Stephen, DOB Apr 19, 37
MURDEN, William C., DOB Jun 28, 54

USTR

MURPHY, Peter O., DOB Mar 23, 48
MERKIN, William S., DOB Apr 4 47

NSC

DANZANSKY, Stephen I.
COBB, Tyrus W.
MAHLEY, Donald A.

at the last two days and he was advised by withhold any detailed last until after he was States toll. Miami, Mr. Hasenfus, what shy and edgy, with a few reporters, with whom he had been during the days before. ly asked reporters to his wife to continue the



- file CANADA

The New York Times/Susan Greenwood

BACK HOME: Eugene Hasenfus with his wife, Sally, at a news conference yesterday in Miami

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nagua, the spokesman

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hen they visit Amer-
verseas, a spokesman
man declined to reveal
conversation, citing
y laws.
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Representative Tony
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ASSEMBLY
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ted 9 A.M. - 4:45 P.M.

The Canadian Link: A New Element

By JOHN F. BURNS
Special to The New York Times

TORONTO, Dec. 18 — A business associate of two Canadians who helped finance secret United States arms shipments to Iran has been identified here as a major figure in the World Anti-Communist League, which is believed to have raised at least \$10 million to aid Nicaraguan rebels.

The associate, John Gamble, told reporters last week that he knew nothing about the secret arms deals with Iran that were financed in part by his business partners here, Ernest Miller and Donald Fraser. But his involvement in the Anti Communist League seemed likely to raise questions about whether the Canadian investors knew that part of Iran's payment for the weapons was being diverted to the Nicaraguan rebels.

Mr. Gamble, a lawyer, was reported to have left Canada last weekend after newspapers here gave prominence to his business connections with Mr. Miller and Mr. Fraser, the Toronto-based businessmen who have been identified as the source of a \$10 million loan for one of the Iran arms shipments.

A report by the Canadian Television Network quoted Mr. Gamble's wife, Kay, as having said that her husband had gone abroad to meet with Mr. Fraser, possibly in Monaco.

Former Member of Parliament

Mr. Gamble is associated with Mr. Miller and Mr. Fraser in at least two Toronto companies, Vertex Financial Corporation and Vertex Investments Ltd. A related company in the Cayman Islands, Vertex Finances S.A., is re-

ported to have made \$21 million in loans in a two-month period beginning late last year to Adnan M. Khashoggi, the Saudi Arabian who has emerged as a key intermediary in the secret arms shipments.

Mr. Gamble is a former Conservative Party member of the Canadian Parliament and was the only sitting member to be defeated when the party won a sweep in the 1984 election. Before the Iran arms affair developed, his association with right-wing causes — in addition to his role in the World Anti-Communist League, he is chairman of the organization's Canadian chapter, the Canadian Freedom Foundation — had caused controversy within the governing party.

The American best known for his association with the World Anti-Communist League is Gen. John Singlaub, who has acted as the main fund-raiser for the Nicaraguan rebels in the United States. According to a report in The Globe and Mail, a Toronto newspaper, Mr. Gamble took part in the league's convention last year in Dallas and spoke there on ways of answering the league's critics.

Questions about Mr. Gamble's possible connection to the secret arms shipments to Iran were raised at today's session of Parliament in Ottawa. The Solicitor General, James Kelleher, said

an investigation by the Royal Canadian Mounted Police that the Government ordered last week "will involve anyone that comes to the notice" of the investigators.

Shares Fall in Price

Meanwhile, in another repercussion of the Iran arms affair, shares in a Canadian company that is part-owned by Mr. Khashoggi plunged today when trading in them was resumed on the Vancouver Stock Exchange. Traders said that the shares in Tangent Oil and Gas Corporation, valued at \$17.25 in Canadian funds when trading was suspended last week after the arms deal revelations, fell to \$5 shortly after the exchange opened before recovering to about \$10 later in the day.

Directors of the exchange ordered that trading in another Khashoggi company, Skyhigh Resources Ltd, remain suspended. After Mr. Khashoggi joined Skyhigh's board in July its shares soared, as did Tangent's after Mr. Khashoggi and his Canadian partners, Mr. Miller and Mr. Fraser, revived it last month. A plan by the businessmen to sell the Edgington Oil Company of Long Beach, Calif., a highly profitable part of Mr. Khashoggi's troubled Triad America Corporation, to Skyhigh has been delayed pending litigation.

Italians Say White House Agreed To Secret U.S. Overtures to Libya

Continued From Page 1

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6720	CABLE #172248Z DEC 86	1	12/17/1986	B1

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

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

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F.6
- Canada



Canadian Embassy

Ambassade du Canada

1746 Massachusetts Ave. N.W.
Washington, D.C. 20036
December 19, 1986

Dear Dr. Cobb,

You may have seen a December 16 telex to the President from the Concord School in New Hampshire. This private initiative seeks the President's support for the recording of a song dedicated to Christine McAulliffe, the teacher/astronaut that lost her life in the Challenger. I am writing to you to indicate my government's support of this initiative.

The song in question, 'Christmas on the Moon' was written by Canadian songwriter Michel Blanchard and is interpreted by Pierre Robichaud. The song is written in memory of Christine McAulliffe, who was from Concord, New Hampshire, and the Concord School Choir has participated in the preparation of a tape which is now being widely played in New Hampshire. The school has telexed the President seeking his support with CBS to have the song broadcast on that network during the Christmas season.

I believe that this is a creative and worthwhile private initiative and I hope you will be able to recommend that the President lend his endorsement.

Yours sincerely,

Allan

Allan Gotlieb
Ambassador

Dr. Tyrus Cobb
Director
Soviet and European Affairs
National Security Council
Old Executive Office Building
Room 365
Washington, D.C. 20506

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6721	CABLE #200236Z DEC 86	1	12/20/1986	B1

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6722	LETTER ALLAN GOTLIEB TO ALLEN WALLIS	2	12/22/1986	B1

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

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

PAGE 01

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TO AMEMBASSY OTTAWA IMMEDIATE 5976

<SUBJ?SUBJECT: ANNOUNCEMENT OF NEXT MEETING BETWEEN PRESIDENT
REAGAN AND PRIME MINISTER MULRONEY

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E.O. 12356: N/A

TAGS: PREL, OVIP, CA

SUBJECT: ANNOUNCEMENT OF NEXT MEETING BETWEEN PRESIDENT
REAGAN AND PRIME MINISTER MULRONEY

REF: 392842 *dlb 3/30/05*

1. (LOW) - ENTIRE TEXT

2. WE UNDERSTAND FROM CANADIAN EMBASSY THAT PMO WOULD
LIKE TO MAKE PUBLIC ANNOUNCEMENT OF APRIL 5-6 MEETING
BETWEEN PRESIDENT REAGAN AND PRIME MINISTER MULRONEY AS
SOON AS POSSIBLE. TEXT OF ANNOUNCEMENT WOULD BE ALONG
FOLLOWING LINES:

BEGIN TEXT:

PRIME MINISTER MULRONEY ANNOUNCED TODAY THAT HIS ANNUAL
MEETING WITH PRESIDENT REAGAN WILL TAKE PLACE IN CANADA
APRIL 5-6. FURTHER DETAILS WILL BE PROVIDED LATER. END
TEXT.

3. EMBASSY SHOULD INFORM PMO THAT USG HAS NO OBJECTION
TO ANNOUNCEMENT ALONG ABOVE LINES AND THAT WE PLAN NO
ANNOUNCEMENT FROM WASHINGTON AT THIS TIME. WHITEHEAD

<SECT?SECTION: 01 OF 01<SSN? 6042<TOR? 861223231335 MSG000157072414

~~CONFIDENTIAL~~

~~SECRET~~

Cobb
6723

~~SECRET~~

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20508

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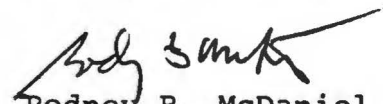
December 31, 1986

file
- CTA/ADA

MEMORANDUM FOR MR. NICHOLAS PLATT
Executive Secretary
Department of State

SUBJECT: United States/Canada Counter-Terrorism Exercise
(U)

NSC has reviewed the request for the proposed United States/
Canada Counter-Terrorism Exercise and approves interdepartmental
participation in the two-day table top exercise. (S)


Rodney B. McDaniel
Executive Secretary

~~SECRET~~
Declassify: OADR

~~SECRET~~

DECLASSIFIED
NLRRF00-093#6723
BY RW NARA DATE 2/23/12



8638687

United States Department of State

Washington, D.C. 20520

0008

December 31, 1986

MEMORANDUM FOR DR. ALTON G. KEEL, JR.
THE WHITE HOUSE

SUBJECT: The State of the Union Address: Reference to
US-Canadian Free Trade Negotiations

The Department recommends that the State of the Union address mention our Free Trade Negotiations with Canada.

For several months now, the US-Canadian FTA negotiations have been largely unnoticed by the general public. This is as it should be, given the preliminary stage of the negotiations, and the uncertainty as to the outcome. The pace of the negotiations is now picking up, however, with encouragement from Congress. There is heavy coverage of the talks in Canada.

Conclusion of a free trade arrangement with Canada would be an historic event in this important bilateral relationship, a clear example of the Administration's commitment to an open world market, and an example of where the Administration's market-opening strategy can bring results.

Failure to mention these negotiations in the State of the Union address would be seen in Canada, and probably in the Congress, as disinterest on the part the Administration and work against successful conclusion of an agreement.

Ambassador Peter Murphy, our FTA negotiator, joins us in recommending that the attached draft reference be included in the State of the Union address. This draft addresses Ambassador Murphy's concern that the reference not put us in a position of demandeur in the talks, so as not to undercut his negotiating position.

Nicholas Platt

Nicholas Platt
Executive Secretary

Attachment: As stated.

*Rec sent
to Steve for
file
C. H. Holt*

Draft Section for State of the Union Address

Our negotiations with Canada toward a bilateral Free Trade Area represent a clear example of how we can benefit the US economy, and improve US competitiveness. Our two countries, which already enjoy the world's largest bilateral economic relationship, need to continue to negotiate to eliminate trade and investment barriers in order better to meet the challenges of international competition. Difficult issues remain, however, and concessions will be required on both sides if we are to take advantage of this historic opportunity. I appreciate the support of Congress for this endeavor, and we will continue to work closely with you to negotiate the best possible agreement in the interest of both countries.

STATEMENT FROM UNITED STATES DEPARTMENT OF AGRICULTURE
ON CANADIAN COUNTERVAILING DUTY ANNOUNCEMENT

R/E
- CANADA

Secretary of Agriculture Richard E. Lyng reacted to Canada's announcement that it will impose countervailing duties on U.S. corn imports with the following statement:

I am astonished and dismayed at the announcement by the Canadian government that it intends to impose a countervailing duty on imports of U.S. corn. U.S. exports of corn to Canada are not subsidized. In the classic definition, an export subsidy means that a lower price is offered to foreign buyers than to domestic buyers. This simply is not true in this case. The price for U.S. corn is the same for Canadian buyers as for our own.

U.S. farm programs have not benefitted corn exports to Canada. The trade figures speak for themselves. U.S. corn exports to Canada were as high as 650,000 tons in the 1980/81 marketing year, but have dropped to between 250,000 and 400,000 tons in recent years.

The allegation by the Ontario Corn Growers' Association that Canadian corn growers are entitled to relief from the competition of U.S. corn is completely unwarranted.

Furthermore, the Canadian action is inconsistent with recent efforts by both the United States and Canada to bring about freer and fairer trade. The new round of GATT multilateral trade negotiations launched last month in Punta del Este, Uruguay and the bilateral talks with Canada on a free trade agreement are both efforts to resolve agricultural trade issues. This action is not helpful to either set of talks.

Trade Doesn't Need Scapegoats

By William N. Walker

As Congress returns to work, the word on everyone's lips (after Iraqism) is "trade." There is much indignation about unfair trade practices and brave talk of forcing the President to get tough with other trading nations. The reason, of course, is the nation's estimated trade deficit of \$170 billion for fiscal 1986. Before the subject becomes entirely obscured in the clouds of rhetoric, however, it may be useful to set out a few benchmarks.

The first is that trade measures don't have much to do with the size of the trade deficit; for that, we have to look to factors like the size of the budget deficit, the impact of exchange rates and the pace of growth rates here and abroad.

Second, a large part of the trade imbalance is a direct result of actions we have taken in the past, continue to follow today and seem unlikely to change; bashing foreigners may be fun, but we could accomplish more by bashing ourselves.

Third, fairness is in the eyes of the beholder, and before we accuse too many other countries of unfairness, we should recognize that some of our

William N. Walker, a lawyer, was Deputy United States Trade Representative from 1975 to 1977.

own practices are not above reproach.

In 1981, the United States enjoyed a \$11 billion trade surplus with the European Community. By 1985, we suffered a \$22 billion deficit. Similarly, in 1981, developing countries accounted for nearly 98 percent of our merchandise exports; by 1985, that share had dwindled to 54 percent, a decline of \$17 billion. But what happened during those intervening four years to devastate our trade balance with the European Community and our sales to developing countries has nothing much to do with the trade policies in these places. The foreign trading practices that we rail against today are not very different from the measures that

were in effect in 1981. Indeed, access to Japanese markets today is clearly easier than it was five years ago when our bilateral deficit was less than half the current level.

The major changes that occurred during the interim were the debt crisis, which throttled developing country imports, and the large-scale devaluation of the world's currencies against the dollar, which made American exports uncompetitive and sucked in the world's exports. So, if trade measures did not get us into the

dilemma in the first place, trade legislation seems unlikely to get us out of it.

Moreover, we already have it within our grasp to shrink the trade deficit sharply, but we have not acted. We forbid the export of Alaskan crude oil and limit the export of logs cut on Federal land, which, together, could be worth as much as \$20 billion.

We handcuff American exporters by imposing restrictive export controls on high-tech products. Exports of oil drilling equipment to the Soviet

Union are banned. And not until last November did we allow exports of drugs that were perfectly legal in the market of destination but which the Food and Drug Administration had not gotten around to approving

here. The most egregious self-inflicted wound is in the telecommunications industry where the United States unilaterally dismantled the Bell System, deregulated the industry, forbade the operating companies to produce equipment and invited the rest of the world to come in and exploit our market — without getting anything in return.

Advocates of the level playing field seem to assume that only foreigners engage in field-tilting. But we impose restraints of one kind or another on

imports of meat, sugar, rice, peanuts, tobacco, dairy products, leather, apparel, motorcycles, automobiles, machine tools, semiconductors and steel. Concern is voiced about growing South Korean penetration of the United States market, but nearly 40 percent of South Korea's exports to the United States are already subject to restraint.

Trade invites mischievous legislation. Foreigners, after all, don't vote; the temptation is, therefore, strong to get in a few licks. There are lots of reasons why that would be bad policy. Among other things, imposing import barriers here can provoke retaliation.

A recent Canadian decision to impose a 62 percent punitive duty on United States corn exports was hardly unrelated to earlier American actions to penalize Canadian lumber and shingle exports. Similarly, the United States and the European Community are threatening each other with retaliation and counter-retaliation for what each believes is commercial misbehavior by the other.

Probably the best reason to oppose belligerent trade legislation is that it would not do anything to solve the trade deficit — supposedly the object of the exercise. So, as Congress gets down to the business of drafting trade legislation, we should encourage it to avoid seeking scapegoats. Don't blame someone else for a series of problems that were brought about largely by our own actions and that we can solve only by ourselves.

Beware protectionist legislation.
