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WITHDRAWAL SHEET

Ronald Reagan Library

European & Soviet Affairs Directorate
Collection Name ~~SOMMER PAPER FILES~~ *NSC: Kerouac*

Withdrawer

CAS 1/6/2005

File Folder CANADA 1984 [AUGUST 22-SEPTEMBER 14, 1984]

FOIA

F00-094

Box Number ~~90552~~ *RAC Box 1*

MUNTON

11

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
1692	PAPER	RE MULRONEY (P. 2 ONLY) R 3/11/2008 F00-094	1	ND	B1
1693	MEMO	TYRUS COBB TO ROBERT MCFARLANE RE CANADIAN ELECTION	1	8/22/1984	B1
1694	MEMO	SAME TEXT AS DOC #1693	1	8/22/1984	B1
1695	LETTER	CHARLES GUBSER, PERMANENT JOINT BOARD ON DEFENSE CANADA-US, TO RR R 7/6/2006	2	ND	B1
1696	PAPER	RE CANADA R 3/11/2008 F00-094	1	9/3/1984	B1
5773	MEMO	TYRUS COBB TO ROBERT MCFARLANE RE RECOMMENDED PRESIDENTIAL PHONE CALL (PARTIAL)	1	9/4/1984	B6

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

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
1697	MEMO	MCFARLANE TO RR RE LETTER TO OUTGOING PM TURNER	1	9/6/1984	B1
1698	MEMO	COBB TO MCFARLANER RE DEALING WITH NEW CANADIAN GOVERNMENT	2	9/11/1984	B1
1699	MEMO	MCFARLANE TO RR RE DEALING WITH THE NEW CANADIAN GOVERNMENT	1	ND	B1
1701	PAPER	RE CANADA: INVESTMENT POLICY R 3/11/2008 F00-094	2	9/13/1984	B1
1700	PAPER	RE CANADA: ECONOMIC ASSESSMENT R 3/11/2008 F00-094	3	9/14/1984	B1

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

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File
- Canada

2. CANADA: MULRONEY LIKELY TO WIN BY NARROW MARGIN

The polls, the press, and Canadians in the street all predict a Progressive Conservative (PC) victory in the September 4 elections. Liberal Turner's many mistakes have hurt him, while PC leader Mulroney has stuck to generalities and let the well-oiled PC machine do the job. Although the electorate remains volatile, we believe the PC will win a narrow majority.

* * *

By patting ladies' bottoms, mishandling the patronage issue, and performing clumsily in public appearances, Turner has lost the Liberals' former advantage and opened up golden opportunities for the PC. Mulroney's campaign and charisma seem very likely to pick up at least a dozen seats for the PC in Quebec, where it won only one of 75 last time. Supporters of both the Parti Quebecois and the Liberal party of Quebec (which contains many conservatives) are now canvassing for the PC. Mulroney's Quebec roots and colloquial French have helped him capitalize on this situation. A gain in Quebec would make the PC a genuinely national party, but residual Liberal sentiment in Quebec (and in the traditionally swing province of Ontario) appears too strong to allow the PC a smashing triumph.

The hope of the Liberals to make inroads in the west--they now hold only two seats--seems doomed to failure. Reports from British Columbia and elsewhere have them doing very poorly in a region long hostile to their cause. Party regulars are already speaking of the charms of life in the opposition: one can debate policy much more openly, for instance.

Despite earlier predictions of serious losses for the New Democratic party (NDP), the Liberals' decline has brought it unexpected support. The PC surge now threatens NDP candidates in some formerly safe ridings, and we expect it to lose a half-dozen seats.

The volatility of the electorate and the peculiar Canadian electoral conditions leave considerable uncertainty about the outcome; up to a quarter of the voters themselves apparently remain undecided. The 3-way logic of Canadian elections often forces voters in a given riding to choose between the party they prefer and a less favored candidate more likely to win. If a Liberal is perceived as weak, then Liberal voters split in unpredictable ways between PC and NDP candidates. Or, in a close 3-way race the winner may have a mere 38 or 39 percent of the vote. The incentive is great for Liberals to cut a deal with either the NDP to their left or the PC to their right to support each other's candidates in different ridings.

DECLASSIFIED

NLRR 100-094#1692

BY LBJ, NARA, DATE 3/11/08

File

- CANADA

Draft Press Guidance(If Asked)

Q. Prime Minister Turner has said (August 18, Winnipeg) that he has sent a letter on arms control to Soviet leader Chernyenko. Has the United States received a similar letter?

A. No. The President has not received such a letter. There have been several meetings of senior Canadian officials with U.S. officials in recent months, including a July 13 meeting between Deputy Prime Minister Chretien and Secretary Shultz (in Jakarta).

Q. When will Prime Minister Turner and President Reagan meet?

A. There are no current plans for such a meeting in the near future. We expect to continue consulting closely at senior levels on arms control and other issues.

Draft: POL: ^{GFW} GEWolfe 8/22/84

Clear: POL: RMontgomery 

DCM: JRouse (subs. )

CHECK AGAINST DELIVERY

NOTES FOR REMARKS BY THE PRIME MINISTER
WINNIPEG, AUGUST 17, 1984

In this election, I have talked to Canadians about my plan for Canada. There are four cornerstones - jobs and growth; fairness and security; a new national harmony; and a dynamic role for Canada on the world stage.

What Canadians do on the international stage is a measure of our foresight, our clarity of vision, and our determination to find ways to improve the quality of life for mankind. To do that, the world must first have a fair chance to survive.

For that reason, peace must be the abiding concern of the leader of Canada. As Prime Minister, I will continue the international thrust of Louis Saint-Laurent, Lester Pearson, and Pierre Trudeau.

Eight days ago, it was the 39th anniversary of the bombing of Hiroshima. On that anniversary, I reminded Canadians of the horror of what happened in Hiroshima. In less than nine seconds, 100,000 people were dead; thousands suffer to this day. That was from one nuclear bomb.

Today, the threat is not of nuclear war, but of annihilation. Today there are no less than 50,000 nuclear weapons. Their destructive power is 1,600,000 times that of the bomb that devastated Hiroshima. Our conscience tells us that there must never be another Hiroshima. I believe that there is no such a thing as a winnable nuclear war. No one will win the next nuclear war. That is why the escalation of nuclear weapons build-up must not only be stopped; it must be reversed.

I know that Canadians want to make a contribution to slowing down the arms race. Many Canadians, including many in my Party, believe that Canada should call for a nuclear freeze. I understand those sentiments. I share the deep concern.

A nuclear freeze may be politically popular at home, but we must deal with the harsh realities of a complex international situation. We must accept that nuclear weapons build-up is a five-power problem, not just a two-power problem. That was one of the premises of Mr. Trudeau's peace initiative and we must continue to press that point.

I say we must devote our negotiating skills and our technological expertise to convincing those countries who have nuclear stockpiles that a mutually verifiable nuclear freeze -- which no power can violate -- is possible. We should try to encourage our Allies toward this goal, but when we move, we must move with them. If we do not, we put at risk the credibility and strength of the NATO Alliance.

I want to see us Canadians apply our energy and political will in a more comprehensive effort to lead the superpowers toward disarmament and to lead the world toward peace.

As Prime Minister, I have already acted on three fronts: to establish an institute to develop Canadian expertise; to take action within the forum of the United Nations; and, to take steps towards improving East/West relations.

First, the new Institute for Peace and Security -- which was Mr. Trudeau's follow-up to his peace initiative -- has now been established. The legislation was proclaimed earlier this week. The first meeting of the Board of that Institute will be in mid-September. It will be a new and independent voice in the development of Canadian policies to bring about a more peaceful world.

Second, I have written to United Nations Secretary General Perez de Cuellar, to continue Mr. Trudeau's discussions with him last January for a five-power conference on limiting and reducing their nuclear stockpiles. I also said that Canada wanted to see the UN General Assembly special session on disarmament held earlier than 1988, and I invited him to visit Canada to continue discussions on this matter. That letter was delivered this past Wednesday.

08/22/84
MEMORANDUM FOR THE
NO. 005
ECC

Third, I have also written to Soviet President Konstantin Chernenko. I told him I was firmly committed to improved relations between Canada and the Soviet Union, and between East and West. I told him of my conviction of the need for all leaders to bring their collective political energy, including more personal contact and dialogue, to the task of reducing tension and building confidence. Without that, effective measures for arms control and disarmament cannot be put in place. I also suggested a meeting to discuss matters of bilateral and international importance. That letter was delivered yesterday.

I am also working on arranging a meeting between Canadian and Soviet officials for the first of a regular series of consultations on arms control.

Also, we remain in close contact with our allies on this question and, in particular, with the United States.

When I meet with President Reagan to discuss our mutual interests, -- as I hope to do at the earliest possible date -- I will be raising the issue of disarmament with him and the Secretary of State George Shultz, to reiterate the deep concerns of the Canadian people on this matter.

I am pleased to announce that the Honourable Jean Chrétien, Deputy Prime Minister and Secretary of State for External Affairs, will name as Canada's Ambassador for Disarmament and as Advisor to the Government on Disarmament. Mr. Ignatieff's credentials are outstanding. He is respected both here in Canada and throughout the world as an expert and positive force for peace and disarmament.

His commitment to peace is longstanding. He is presently the Chancellor of the University of Toronto. He is President of the United Nations Association in Canada, a member of the world federalists and a member of the Canadian Pugwash Group on Disarmament.

If nuclear disarmament is to become a reality, then we must constantly renew the superpowers' sense of urgency. We must make them respect our fears and honour our hopes. The government of Canada cannot relax its efforts. There is no task more important for a Canadian Prime Minister to exercise leadership on than the pursuit of peace. That I will do.

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SOMMER, PETER: FILES

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1693	MEMO TYRUS COBB TO ROBERT MCFARLANE RE CANADIAN ELECTION	1	8/22/1984	B1

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National Security Council
The White House

System # I

Package # 4960

1309

5/1/22 2:41 PM

	SEQUENCE TO	HAS SEEN	DISPOSITION
Paul Thompson	<u>1</u>	<u>Δ</u>	
Bob Kimmitt	<u>2</u>	<u>IC</u>	
John Poindexter	<u>3</u>	<u>JH</u>	
Tom Shull	<u>5</u>		
Wilma Hall	<u>6</u>	<u>✓</u>	
Bud McFarlane	<u>7</u>	<u>Rem has seen</u>	<u>A</u>
Bob Kimmitt			
NSC Secretariat			
Situation Room	<u>4</u>		<u>DRCOM to</u> <u>REM</u>

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

cc: VP Meese Baker Deaver Other _____

COMMENTS

Should be seen by: _____

(Date/Time)

Bud

Gotlieb is in Dallas and told
State Protocol he would see
you there.

~~Secret~~ SECRET

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES 2

IMMEDIATE

DACOM # _____

RELEASER Wtc

PRIORITY

DEX # _____

DTG 222329Z Aug 84

ROUTINE

TTY # _____

F.F # 184

FROM/LOCATION/

1. THE WHITE HOUSE SITUATION ROOM

TO/LOCATION/TIME OF RECEIPT

1. TOM SHULL FOR ROBERT C. McFARLANE/DALLAS/ TOR:

2. _____

3. _____

4. _____

INFORMATION ADDEES/LOCATION/TIME OF RECEIPT

1. _____

2. _____

SPECIAL INSTRUCTIONS/REMARKS:

ATTACHED:

UNCLASSIFIED INFO REMOVAL
OF CLASSIFIED ENCLOSURE(S)

Secret AS 1/6/02

CLASSIFICATION

SECRET

~~Secret~~

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES

2

IMMEDIATE

DACOM #

RELEASER

WTC

PRIORITY

DEX #

DTG

222329Z AUG

ROUTINE

TTY #

84

FF # 184

FROM/LOCATION/

1. THE WHITE HOUSE SITUATION ROOM

TO/LOCATION/TIME OF RECEIPT

TOM SHULL FOR ROBERT C. McFARLANE/DALLAS/ TOR:

TOR: 23 0038Z AUG 84

INFORMATION ADDEES/LOCATION/TIME OF RECEIPT

SPECIAL INSTRUCTIONS/REMARKS:

ATTACHED:

84 AUG 22 P 8: 57

WHITE HOUSE
SITUATION ROOM

~~Secret~~

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CAS 1/6/05

UNCLASSIFIED UPON REVIEW
OF CLASSIFIED ENCLOSURE(S)

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6143

File - Canada

MEMORANDUM

NATIONAL SECURITY COUNCIL

UNCLASSIFIED WITH
~~CONFIDENTIAL ATTACHMENT~~

ACTION

August 23, 1984

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: JOHN W. DOUGLASS ^{TWD}

SUBJECT: U.S.-Canada Permanent Joint Board on Defense

At Tab A is the report to the President from Mr. Gubser on the results of the June 25-28 session of the U.S.-Canada Permanent Joint Board on Defense.

There are no issues in the report that appear to warrant the President's attention or require a Presidential reply.

Unless you are aware of a protocol or personal reason which would warrant a Presidential reply or a reply from Bud, no reply is planned.

Ron Lehman, Don Fortier, Ty Cobb, Don Mahley and Bob Linhard concur.

RECOMMENDATION

That no reply be prepared to the report.

Approve _____ Disapprove _____

Attachment

Tab A Incoming Correspondence

UNCLASSIFIED WITH
~~CONFIDENTIAL ATTACHMENT~~

~~CONFIDENTIAL~~

TO MCFARLANE

FROM LINDER, R

DOC DATE 09 AUG 84

DECLASSIFIED

White House Guidelines, August 29, 1997

By CS NARA, Date 1/6/05

SUSPENSE

KEYWORDS DEFENSE POLICY

CANADA

SUBJECT: RECORD OF PERMANENT JOINT BOARD ON DEFENSE - PJBD CANADA - US MTG
OF 24 JUN

ACTION: ANY ACTION NECESSARY DUE: 16 AUG 84 STATUS S FILES PA

FOR ACTION

FOR CONCURRENCE

FOR INFO

DONLEY

FORTIER

COBB

MAHLEY

SOMMER

MCMINN

LINHARD

COMMENTS NOT ABLE TO COPY ATTACHMENT, ORIGINAL SENT TO ACTION OFFICER

LF# LOG NSCIFID (CT)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
<u>maley</u>	<u>= 8/21</u>	<u>Recd Gusser memo</u>		<u>D, CO</u>

PATCH W/ATTCH FILE (C)



PERMANENT JOINT BOARD ON DEFENSE
CANADA-UNITED STATES

~~CONFIDENTIAL~~

UNITED STATES SECTION
THE JOINT CHIEFS OF STAFF
WASHINGTON, D.C. 20301

Dear Mr. President:

It is my pleasure to report to you once again on the deliberations of the Canada-US Permanent Joint Board on Defense, which held its 168th meeting at the Canadian Forces Base at Esquimalt, British Columbia, June 25-28. As with previous Board meetings that I have had the honor to co-chair, this exchange between senior Canadian and US officials proved to be an invaluable opportunity to address current defense issues affecting our two countries. As usual, our Canadian hosts put on an excellent program, which included participation in naval training maneuvers in the beautiful Straits of Juan de Fuca which divide Vancouver Island and the State of Washington but at the same time unite our like-minded peoples.

The issue of modernizing our joint North American air defense system was again a major focus of discussion between the two delegations. The Canadian side expressed some concern over what they see as a less than full US commitment to implement the package of improvements proposed in the North American Air Defense Master Plan agreed to last year on an ad referendum basis. Aside from a number of important questions about division of responsibilities and costs for carrying out this modernization, which are being addressed by the North American Air Defense Responsibilities Sharing Steering Group, there also remain some questions about certain technological aspects of the Master Plan which have been raised within the Defense Department and which will have to be resolved before we proceed with the Canadians. We therefore can expect this issue to remain on the Board's agenda.

During the Board's meeting in Esquimalt the Canadian side also tabled the draft of a Memorandum of Understanding between the US Navy and the Canadian Forces, the aim of which is to expand and enhance cooperative programs in naval aviation. In view of Canada's recent purchase of 138 CF-18 aircraft and the likely mutual benefit from a formalized exchange of information relating to air operations and aircraft weapons systems, the Navy is reviewing the Canadian proposal and will respond through the Board's mechanism.

DECLASSIFIED

NLS F00-094#1695

BY LOS, NARA, DATE 7/6/06

The President,
The White House.

~~CONFIDENTIAL~~

DECLASSIFIED

~~CONFIDENTIAL~~

-2-

Another issue addressed at Esquimalt, which the US side has raised at a number of past Board meetings, is the need to secure more uniformly equitable treatment for US non-diplomatic military personnel and their dependents stationed in Canada. We are receiving excellent cooperation from the Canadian Board members in working at this problem, but in view of the fact that difficulties continue to arise we intend to press this issue at future sessions.

A full report on the Esquimalt meeting is being sent to Mr. McFarlane at the National Security Council, and I am looking forward to the next session of the Permanent Joint Board on Defense which will take place in Ottawa this fall shortly after the Canadian national elections.

Sincerely,



Charles S. Gubser

~~CONFIDENTIAL~~

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

INCOMING 34 AUG 21 P 1: 45

DATE RECEIVED: AUGUST 21, 1984

NAME OF CORRESPONDENT:

SUBJECT: UNOPENED

ROUTE TO: OFFICE/AGENCY (STAFF NAME)	ACTION		DISPOSITION	
	ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
CRAIG L. FULLER	ORG	84/08/21		C 84/08/21
REFERRAL NOTE: <i>NS McParlane</i>		<i>A 84/08/21</i>		<i>1/1</i>
REFERRAL NOTE:		<i>1/1</i>		<i>1/1</i>
REFERRAL NOTE:		<i>1/1</i>		<i>1/1</i>
REFERRAL NOTE:		<i>1/1</i>		<i>1/1</i>
REFERRAL NOTE:		<i>1/1</i>		<i>1/1</i>

COMMENTS: ORIGINAL TO CRAIG FULLER, CONFIDENTIAL

ADDITIONAL CORRESPONDENTS: MEDIA: S INDIVIDUAL CODES:

MI MAIL USER CODES: (A) (B) (C)

- *****
- | | | | |
|--------------------------|----------------------|----------------------|---|
| *ACTION CODES: | *DISPOSITION CODES: | *OUTGOING | * |
| * | * | * CORRESPONDENCE: | * |
| *A-APPROPRIATE ACTION | *A-ANSWERED | *TYPE RESP=INITIALS | * |
| *C-COMMENT/RECOM | *B-NON-SPEC-REFERRAL | * OF SIGNER | * |
| *D-DRAFT RESPONSE | *C-COMPLETED | * CODE = A | * |
| *F-FURNISH FACT SHEET | *S-SUSPENDED | *COMPLETED = DATE OF | * |
| *I-INFO COPY/NO ACT NEC* | | * OUTGOING | * |
| *R-DIRECT REPLY W/COPY * | | | * |
| *S-FOR-SIGNATURE * | | | * |
| *X-INTERIM REPLY * | | | * |
- *****

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
(ROOM 75, OEOB) EXT. 2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

R.4
Canada

BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS - SEPTEMBER 3, 1984

1. CANADA: IF MULRONEY WINS

Both major party candidates sound alike on many issues, but the September 4 elections may nonetheless change Canada's course, especially on economic policy. Progressive Conservative (PC) Mulroney, now the overwhelming favorite, appeals to a constituency very different from the old Liberal coalition. The United States can expect greater cooperation regardless of who wins, but trouble for us may be in store as a result of renewed national debate on "peace" issues.

* * *

New Democratic Party candidate Broadbent has called Mulroney and Liberal Turner the "Bobbsey twins of Bay Street" in reference to their background as corporate lawyers. However, the two men have different agendas, and that may count more than their background when the electoral dust settles. Despite his campaign promises to preserve the welfare state and pursue peace initiatives, a victorious Mulroney would cater primarily to his business and party supporters. He would foster a free enterprise economy--though this runs counter to the proclivities of many Canadians who are accustomed to state intervention and are voting PC only out of disgust with the Liberals. Under Mulroney, the National Energy Program would be scaled down or abolished. The government would replace the Foreign Investment Review Act with a program called Investment Canada--still aimed, however, at keeping "foreign" (US) investment from monopolizing key sectors of the economy.

The "peace" issue, the ultimate Canadian motherhood issue, has inevitably popped up in the campaign. In what may be the opening salvo of the next Liberal leadership contest, noted Liberals broke with Turner to endorse a nuclear freeze; the prime minister's letters to Chernenko and Perez de Cuellar tried to appeal to peace-minded Canadian voters even as he stood firmly against a freeze. If the Liberals lose, they are very likely to step up criticism of Reagan administration defense and disarmament efforts. Mulroney, in turn, will have to tone down his pro-American comments if he does not want to be branded a US lackey. Still, unlike Trudeau and even Turner, he will be under no pressure from his party constituency to criticize the United States.

Finally, Mulroney has promised a new era in the crucial and controversial area of federal-provincial relations--after the tensions of the Trudeau years and in contrast to the sharp statements Turner has made against Quebec separatism. However, Canada would break into ten pieces if the provincial premiers got all the concessions they want: at some point Mulroney will have to draw the line, and a renewal of Quebec separatist feeling may ensue.

DECLASSIFIED

NLRR F00-094#1696

BY L0J NARA, DATE 3/11/08

~~CONFIDENTIAL~~

Cobb
6596
① - File
② - File

MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

ACTION

September 4, 1984

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: TYRUS W. COBB *TWC*

SUBJECT: White House Statements and Draft Letters to the Canadian Prime Minister

Attached at Tab A are two draft White House press statements reflecting State and my agreed text on the outcome of the Canadian elections -- one keyed to the expected Mulroney victory and the other to a Turner win. Attached at Tab B are two draft cables, again reflecting State and my agreement, to the winner -- one for a Mulroney victory and one for a Turner surprise. I have separately forwarded a recommendation for a Presidential telephone call and a package recommending a Presidential letter to Turner, if he loses.

Speechwriters have cleared.

RECOMMENDATION

That you approve the draft White House statements at Tab A and forward them to Darman for release tomorrow, September 5, and that you approve for dispatch tomorrow the draft cables at Tab B to either Mulroney or Turner.

Approve _____

Disapprove RMK

Attachments

- Tab A - Draft White House Statements
- Tab B - Draft Cables

*as discussed,
we will go
with call to
Mulroney and
letter to Turner,
contained in
earlier packages.*

DECLASSIFIED

White House Guidelines, August 28, 1997

By *[Signature]* NARA, Date 1/6/05

Bob 9/5

CONFIDENTIAL

Declassify: OADR

~~CONFIDENTIAL~~

Draft White House Press Statement

(In the event that Brian Mulroney wins)

The President has extended his congratulations and best wishes to the winner of the Canadian national elections, Progressive Conservative candidate Brian Mulroney. During his campaign, Mr. Mulroney called for even closer ties to the United States. The President has reciprocated this wish and has expressed his readiness to work closely with Mr. Mulroney to the mutual benefit of both Canada and the United States.

Draft White House Press Statement

(In the event that John Turner wins)

The President has extended his congratulations and best wishes to the ~~surprise~~ winner of the Canadian national elections, Liberal candidate John Turner. During his campaign Mr. Turner made clear his commitment to good ties with the US and to Canada's other NATO allies. The President has expressed appreciation for the commitment and has announced his readiness to work closely with Mr. Turner to the mutual benefit of both Canada and the United States.

① IS Mulroney wins 1

Dear Mr. Mulroney,

It is indeed a pleasure to extend my warmest congratulations on your impressive electoral victory.

I look forward to working closely with you on a wide range of issues that affect our two countries, and I hope that we can arrange to meet personally before too long to resume the fruitful dialogue we initiated during your visit to Washington in June.

Sincerely,

Ronald Reagan

(2) If Turner wins 3

Dear Mr. Prime Minister,

It is a pleasure to convey my warmest congratulations on your stunning electoral victory. I am sure that there is an added measure of satisfaction in having confounded the pollsters and pundits so thoroughly!

I look forward to an early opportunity to meet with you to discuss the wide range of issues which affect our two countries.

Sincerely,

Ronald Reagan

THE WHITE HOUSE
WASHINGTON

Cobbs
imp 6594
- File
CANADA

RECOMMENDED TELEPHONE CALL

TO: The new Prime Minister of Canada (Brian Mulroney expected to win with a commanding margin).

DATE: September 5, 1984

RECOMMENDED BY: Robert C. McFarlane

PURPOSE: To congratulate the newly-designated Prime Minister of Canada.

BACKGROUND: You had a highly successful meeting with Canadian Conservative challenger Brian Mulroney in June and it appears that he will win the Prime Ministership by a commanding margin in elections being held today. This telephone call, in addition to your more formal letter of congratulations, will get you off to a special start with the new Prime Minister.

TOPICS OF DISCUSSION:

1. Offer congratulations on his victory and express your desire to continue to build on the excellent relationship that now exists between the U.S. and Canada.
2. Indicate that you thoroughly enjoyed your session with him in June and that you look forward to developing a close working relationship with him in office.

(Talking Points attached at Tab A)

Date of Submission:

Action

done by RR 9/5/84 in Chicago

RMK
9/6

CONFIDENTIAL

6594

MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

ACTION

September 4, 1984

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: TYRUS W. COBB *TC*

SUBJECT: Recommended Presidential Call to Canada's Probable New Prime Minister

We anticipate that Conservative challenger Brian Mulroney will be elected as the new Canadian PM today, and strongly recommend that the President call Mulroney tomorrow. You may recall that the President called current PM Turner after his selection as leader of the Liberal Party and PM-designate. A call from the President will supplement the official statement we are preparing and a congratulatory note from the President to Mulroney.

one so
Jack Matlock and Peter Sommer concur.

RECOMMENDATION

That you sign and forward the call memorandum at Tab I.

Approve _____

Disapprove _____

Attachments

Tab I - Recommended Call Memo

Tab A - Suggested Talking Points

Bud: Mulroney will be at the following number until 10³⁰ am on Wednesday, 9/5'

B6



DECLASSIFIED

White House Guidelines, August 28, 1997

By *MS* NARA, Date *1/6/05*

CONFIDENTIAL

Bok

TALKING POINTS FOR THE PRESIDENT'S TELEPHONE CALL
TO MULRONEY (MUL ROC-nee)

- I want to extend my personal congratulations on your impressive victory; it's a tribute to the outstanding campaign you ran. I may send some of my own reelection team up to Ottawa for some pointers.

- With the strong support you received from all sections of the country, you appear to be in an excellent position to speak for all Canadians.

- I have often said that relations between the U.S. and Canada are as close as those existing between any two countries. I know you and I will work closely to make these ties even warmer.

- I am delighted that we had the chance in June to become acquainted and to initiate talks on various issues concerning Canada and the U.S. I hope that we can work out a mutually convenient time soon to resume our dialogue.

CONF.

CLASSIFICATION

CIRCLE ONE BELOW

MODE

PAGES 6

IMMEDIATE

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TO/LOCATION/TIME OF RECEIPT

ML ROBERT C. MCFARLANE / SITTO # 028 / CHICAGO IL / TOR: 042305 Z sep 84

2. _____

3. _____

4. _____

INFORMATION ADDRESSEES/LOCATION/TIME OF RECEIPT

1. _____

2. _____

SPECIAL INSTRUCTIONS/REMARKS:

ATTACHED:

System I PKG. # 6594

LOG # _____

CONF.

CLASSIFICATION

UNCLASSIFIED UPON REMOVAL
OF CLASSIFIED ENCLOSURE(S)

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CANADA

THE WHITE HOUSE
WASHINGTON

September 6, 1984

Dear Mr. Prime Minister:

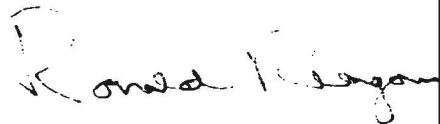
I would like to convey to you my very best personal wishes and my appreciation for the contribution which you have made to moving our two countries' relations in an even more positive direction.

I also wish to pay special tribute to your statesmanlike positions in advocating realistic and meaningful arms control initiatives, and in staunchly supporting Allied cohesion in tackling the difficult issues of disarmament and relations with the Soviet Union. Only through such unity and realism will we achieve the significant reductions in armaments and in East-West tensions which the Canadian and American peoples so fervently desire.

I am certain that the contributions you have made over the years to the welfare of your great nation and to the strengthening of our unique bilateral relationship will continue in the future.

Nancy and I wish you and your wife all the best.

Sincerely,



The Right Honorable
John Napier Turner, P.C., M.P.,
Prime Minister of Canada
Ottawa

REFERRAL

DATE: 06 SEP 84

MEMORANDUM FOR: STATE SECRETARIAT

URGENT

DOCUMENT DESCRIPTION:

TO: TURNER, JOHN N

SOURCE: PRESIDENT

DATE: 06 SEP 84

KEYWORDS: CANADA

ARMS CONTROL

TURNER, JOHN

SUBJ: PRES LTR TO OUTGOING CANADIAN PM TURNER

REQUIRED ACTION: FOR DISPATCH

DUE DATE:

COMMENTS:

FOR ROBERT M. KIMMITT

EXECUTIVE SECRETARY

601
Received

WASHFAX RECEIPT

THE WHITE HOUSE DEPARTMENT OF STATE

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URGENT

MESSAGE NO. 568 CLASSIFICATION UNCLAS PAGES 1
 FROM R. KIMMITT
 (NAME) (EXTENSION) (ROOM NUMBER)

MESSAGE DESCRIPTION LTR TO PM TURNER

<u>TO (AGENCY)</u>	<u>DELIVER TO:</u>	<u>DEPT/ROOM NO.</u>	<u>EXTENSION</u>
<u>BRAVO</u>	<u>CHARLES HILL</u>		

REMARKS

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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>
1697	MEMO MCFARLANE TO RR RE LETTER TO OUTGOING PM TURNER	1	9/6/1984	B1

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

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

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

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~~CONFIDENTIAL~~

MEMORANDUM

NATIONAL SECURITY COUNCIL

CONFIDENTIAL

ACTION

September 4, 1984

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: TYRUS W. COBB *we*

SUBJECT: Letter to Probable Outgoing Canadian Prime Minister Turner

We expect that Canadian PM Turner will be voted out of office today in a Mulroney landslide. Prime Minister Turner resisted strong political pressures during the electoral campaign to support a nuclear freeze, to come out for a "No First-Use Policy", and to push an untimely ASAT ban proposal in the CD. We strongly recommend a Presidential letter to him expressing our appreciation for his principled stance on arms control issues.

Speechwriters have cleared.

RECOMMENDATION

That you sign the memorandum to the President at Tab I forwarding the letter to Canadian Prime Minister Turner.

Approve ✓

Disapprove

Attachment

Tab I - Memo to the President

Tab A - Letter to PM Turner

~~CONFIDENTIAL~~
Declassify: OADR

DECLASSIFIED
White House Guidelines, August 28, 1997
By CS NARA, Date 1/6/05

~~CONFIDENTIAL~~

Dear Mr. Prime Minister:

I would like to convey to you, ~~before you leave office,~~ my very best personal wishes and my appreciation for the contribution which you have made to moving our two countries' relations in an even more positive direction.

I also wish to pay special tribute to ^{you} the statesmanlike position ~~you took, these past two months,~~ in advocating realistic ~~and~~ meaningful arms control initiatives, and in staunchly supporting Allied cohesion in tackling the difficult issues of disarmament and relations with the Soviet Union. ~~Surely it is only~~ z through such unity and realism ~~that~~ we will achieve the significant reductions in armaments and in East-West tensions which the Canadian and American peoples so fervently desire.

I am certain that the contributions you have made over the years to the welfare of your great nation and to the strengthening of our unique bilateral relationship will continue in the future.

Nancy and I wish you and your wife all the best.

Sincerely,

Ronald Reagan

A
F.6
- Canada

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USIA FOR EU
BRANCHES FOR CONGENS AND BPAOS
E. O. 12356 N/A

TAGS: ECPS, CA, PGOV

SUBJECT: AMBASSADOR ROBINSON'S STATEMENT ON THE CANADIAN
- ELECTION

1. FOLLOWING STATEMENT HAS BEEN APPROVED BY THE AMBASSADOR
FOR USE FOR RESPONSE TO QUESTIONS ABOUT THE U. S. REACTION
TO THE CANADIAN ELECTION (ON IF ASKED BASIS).

BEGIN TEXT:

I CONGRATULATE MR. MULRONEY AND HIS PARTY ON THEIR ELEC-
TION VICTORY AND LOOK FORWARD TO WORKING WITH HIM AND HIS
CABINET ON MATTERS WHICH CONCERN BOTH OF OUR NATIONS.
WE HAVE ENJOYED A CLOSE AND FRIENDLY RELATIONSHIP WITH
THE GOVERNMENTS OF BOTH PRIME MINISTER TRUDEAU AND PRIME
MINISTER TURNER. WE HOPE AND EXPECT THAT THIS RELATION-
SHIP WILL CONTINUE UNDER THE NEW PROGRESSIVE CONSERVATIVE
GOVERNMENT.

DURING THE ELECTORAL CAMPAIGN, MR. MULRONEY MADE ~~COURAGE-~~
OUS STATEMENTS ON SUCH ISSUES AS INVESTMENT, TRADE AND
DEFENSE THAT INDICATED A DEEP CONCERN FOR THE SHARED IN-
TERESTS OF CANADA AND THE UNITED STATES. I FEEL
CERTAIN THAT WE CAN ADVANCE THOSE COMMON INTERESTS BY
WORKING TOGETHER CLOSELY IN THE YEARS TO COME.

END TEXT
ROBINSON
BT

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

File
- Cobb

September 6, 1984

Dear Allan:

I am sorry I cannot make your meeting today with Mr. Meese. A previous commitment made it impossible.

I mentioned to Bud that we were planning to get together to outline a strategy for improving Canadian/American relations with the advent of the new Canadian leadership -- he was quite interested. Ambassador Jack Matlock would also like to sit in on that session. Please have your secretary call Jeanne Hickie in my office and set up an appointment at your convenience.

Sincerely,



Tyrus W. Cobb
Deputy Director for Soviet
& Western European Affairs

His Excellency
Allan E. Gottlieb
Ambassador of Canada
Washington, D. C.

~~CONFIDENTIAL~~

NATIONAL SECURITY COUNCIL
SECRETARIAT

JS
P.L.
- Canada

PAGE 01
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~~CONFIDENTIAL~~

CAE 1/6/05

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E.O. 12356:

TAGS: OPDC, CA

SUBJECT: LETTER FROM PRESIDENT TO PRIME MINISTER

1. PLEASE DELIVER TEXT OF FOLLOWING LETTER FROM
PRESIDENT REAGAN TO PRIME MINISTER TURNER. LETTER IS
DATED SEPTEMBER 6, 1984.

2. BEGIN TEXT:

DEAR MR. PRIME MINISTER:

I WOULD LIKE TO CONVEY TO YOU MY VERY BEST PERSONAL
WISHES AND MY APPRECIATION FOR THE CONTRIBUTION WHICH YOU
HAVE MADE TO MOVING OUR TWO COUNTRIES' RELATIONS IN AN
EVEN MORE POSITIVE DIRECTION.

I ALSO WISH TO PAY SPECIAL TRIBUTE TO YOUR STATESMANLIKE
POSITIONS IN ADVOCATING REALISTIC AND MEANINGFUL ARMS
CONTROL INITIATIVES, AND IN STAUNCHLY SUPPORTING ALLIED
COHESION IN TACKLING THE DIFFICULT ISSUES OF DISARMAMENT
AND RELATIONS WITH THE SOVIET UNION. ONLY THROUGH SUCH
UNITY AND REALISM WILL WE ACHIEVE THE SIGNIFICANT
REDUCTIONS IN ARMAMENTS AND IN EAST-WEST TENSIONS WHICH
THE CANADIAN AND AMERICAN PEOPLES SO FERVENTLY DESIRE.

I AM CERTAIN THAT THE CONTRIBUTIONS YOU HAVE MADE OVER
THE YEARS TO THE WELFARE OF YOUR GREAT NATION AND TO THE
STRENGTHENING OF OUR UNIQUE BILATERAL RELATIONSHIP WILL
CONTINUE IN THE FUTURE.

NANCY AND I WISH YOU AND YOUR WIFE ALL THE BEST.

SINCERELY,

RONALD REAGAN. END TEXT.

3. SIGNED ORIGINAL WILL FOLLOW. DEPARTMENT DOES NOT
PLAN TO RELEASE TEXT OF LETTER BUT HAS NO OBJECTION
SHOULD ADDRESSEE WISH TO DO SO. SHULTZ
BT

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1698	MEMO COBB TO MCFARLANER RE DEALING WITH NEW CANADIAN GOVERNMENT	2	9/11/1984	B1

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

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1699	MEMO MCFARLANE TO RR RE DEALING WITH THE NEW CANADIAN GOVERNMENT	1	ND	B1

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Memorandum

ACTION

BRIEFING

INFORMATION

FOR: SECRETARY REGAN
THRU: DEPUTY SECRETARY McNAMAR

DATE:

SEP 14 1984

*File
CAN 133*

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

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

Other points to be noted are:

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

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

EXPORT ENFORCEMENT WITH CANADA

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

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

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

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

CANADA: ECONOMIC ASSESSMENTCurrent Situation:

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

Problem Areas

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

Developments

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

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

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

DECLASSIFIED

 NLRR 100-094#1700
 BY h0J, NARA, DATE 3/11/08

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

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

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

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

M1A continued its large increase at a simple annual rate of over 13 percent (s.a.) in the three months to July 1984. Canadian monetary policy continues to concentrate on the trade-off between interest rates and the exchange rate, rather than on a monetary target (M1 targeting was abandoned in November 1982). Over the past year, improvements in Canadian inflation performance and a current account surplus have provided the Bank of Canada (BOC) with more flexibility to narrow the interest rate differential vis-a-vis the U.S. without a consequent weakening in the Canadian dollar. However, the Canadian dollar was recently under downward pressure as U.S. interest rates increased and Canadian rates failed to follow suit. Despite heavy intervention by the BOC, the Canadian dollar dropped from \$.80 to an historic low of \$.74 forcing the BOC to increase its bank rate and the large Canadian banks to increase their prime rates. Because of the inflationary impact of any substantial depreciation of the Canadian dollar, the BOC has indicated that it prefers slight increases in Canadian interest rates to maintain the stability of the Canadian dollar, and the Canadian dollar has now returned to the \$.76-.77 range.

IMI/wcm
9/14/84

U.S. - CANADA ECONOMIC FACT SHEET

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

Note: Projections for Canada classified.

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

1/ Refers to less comprehensive CPI-W

U.S. - CANADA TRADE

ISSUE:

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

BACKGROUND:

Sectoral Free Trade Area

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

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

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

Steel

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

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

FIRA Performance Requirements

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

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

ITT/OASIA
September 17, 1984

CANADA: INVESTMENT POLICY

Issue

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

Talking Points

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

Background

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

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

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

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NLRR F00-094 #1701

BY LOJ, NARA, DATE 3/11/08

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

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

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

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

NATIONAL SECURITY COUNCIL

*Canada*ACTION

September 14, 1984

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: TYRUS W. COBB *TC*SUBJECT: Proclamation of Tax Convention with
Canada

Attached at Tab A for signature by the President is the proclamation of the Convention between the U.S. and Canada with respect to Taxes on Income and on Capital. The Senate gave its advice and consent to ratification of the Convention, the two protocols, and related exchanges of notes on June 28, 1984; the President signed the instruments of ratification on July 16, 1984; and the instruments of ratification were exchanged and entered into force at Ottawa and Washington on August 16, 1984. At Tab I is a memo from you to the President, forwarding the Convention for signature.

Paul Thompson concurs.

RECOMMENDATION

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

Approve _____

Disapprove _____

Attachments

Tab I - Memo to the President

Tab A - Document for Signature

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: ROBERT C. MCFARLANE

SUBJECT: Proclamation of the Tax Convention with
Canada

Issue

To sign the subject Proclamation of the Tax Convention with
Canada.

Facts

The Senate gave its advice and consent to ratification of the
of the Convention, the two protocols, and related exchanges of
notes on June 28, 1984; you signed the instruments of
ratification on July 16, 1984; and the instruments of ratifi-
cation were exchanged and entered into force at Ottawa and
Washington on August 16, 1984. The Proclamation is now ready
for your signature.

RecommendationOKNo

_____ That you sign the Proclamation document at Tab
A.

Attachment

Tab A - Proclamation Document

Prepared by:
Tyrus W. Cobb