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ID Doc Type	Document Description	No of Doc Date Restrictions Pages
33246 CABLE	091617Z SEP 85	1 9/6/1985 B1
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33247 CABLE	111435Z SEP 85	2 9/11/1985 B1
33248 CABLE	140041Z SEP 85	1 9/14/1985 B1
33249 MEMO	COBB TO POINDEXTER, RE CANADIAN DECISION	1 9/16/1985 B1
33250 MEMO	STEPHEN I DANZANSKY TO MCFARLANE, RE ADMINISTRATION SUPPORT R 2/22/2016 F1559/1	2 9/17/1985 B1
33251 MEMO	DONALD T REGAN TO THE PRESIDENT, RE BILATERAL TRADE TALKS R 2/22/2016 F1559/1	1 9/17/1985 B1
33252 MEMO	COBB TO DANZANSKY, RE FREE TRADE **R 2/22/2016 F1559/1	1 9/19/1985 B1
33253 MEMO	MCFARLANE TO THE PRESIDENT, RE TELEPHONE CALL	1 9/25/1985 B1
	R 2/22/2016 F1559/1	

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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33254 TALKING POINTS	FOR 33253		L (ATTACHMENT TO	2	ND	B1
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33255 MEMO	DANZANSKY TO MCFARLANE, RE CALL				9/20/1985	B1
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33256 MEMO	SAM	E AS 33251		1	9/17/1985	B1
	R	2/22/2016	F1559/1			
33257 TALKING POINTS	FOR	CALL		1	ND	B1
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33258 MEMCON	100 100 100 100	SIDENT'S CALL W /26/85	ITH PM MULRONEY	3	9/26/1985	B1
	R	3/9/2012	M331/1			

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NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506



ACTION

September 3, 1985

MEMORANDUM FOR WILLIAM F. MARTIN

FROM:

TYRUS W. COBB TWO

SUBJECT:

Permission to Attend NORAD Briefing

I have been invited to fly to Colorado Springs, Colo., for a one-day briefing on NORAD and the new Space Command. Given the extraordinary importance this has for Canada-US relations, I believe I should attend. I will leave the office 8:30 a.m., Thursday, September 5, returning that evening at approximately 10:00 p.m. There will be no cost to the NSC. A schedule of events is attached (Tab A).

RECOMMENDATION

That you approve my attending the NORAD briefing on Thursday, September 5.

Disapprove ____

Jack Matlock and Peter Semmer concur.

Attachment

Tab A Schedule of Events



SPACE COMMAND

VISIT OF THE HONORABLE TOM NILES AMERICAN AMBASSADOR TO CANADA

5 SEPTEMBER 1985

Thursday, 5 Sep 1985

1045 Arrive Peterson APB base operations from Washington Mil Air DC. Het by General Robert T. Herres, Commander Air Force Space Command.

1050 Depart Peterson AFB base operations for Cheyenne CINC's Car Mountain Complex, accompanied by Gen Herres. CP Staff Car

1115 Arrive CMC vehicle gate for security processing.

1130 Briefings in CMC Command Post with Gen Herres and Mr Harlan Moen, Political Advisor, Space Command.

Mr Harlan Moen, Political Advisor, Space Command.

1130 NORAD/Unified Space Command by Gen Bob

130 MORAD/Unified Space Command by Gen Bob CP Conf Rm Herres.

1300 Soviet Space Threat by Lt Col Fred Engelman

CP Conf Rm

1320 SDI/ASAT by Lt Col Ray Barker

CP Conf Rm

1340 Break

1350 Lt Gen Pablo Mackenzie, CF, Deputy Commander in Chief NORAD joins briefings.

1350 NORAD Agreement/CINCNORAD Terms of Agreement CP Conf Rm by Col Jim Knapp.

1410 Complex/Composite Center briefings by Brig Gen Bart Bartholomew, USAF, Asst DCS, Combat Ops.

CP Conf Rm

1450 CMC tour hosted by Brig Gen Bartholomew.

1450 Tour of Missile Warning Center by Lt Col Mike Wenninger.

1500 Tour of Space Surveillance Center by Cmdr Gary Van Horn.

1510 Tour of Air Defense Operations Center by Capt Johanie Schappachar.

1520 Break

1530 Command Page Pelaffice ...

1700	Depart Peterson AFB for Washington DC. Parewell by Gen Herres.	CINC'S Car
	Depart for Peterson APB accompanied by Gen Herres.	
1600	Open discussion. (Heavy snacks available)	Command Post

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E.O. 12356: DECL: OADR TAGS: PARM, PREL, MARR, CA

SUBJECT: PRIME MINISTER MULRONEY ANNOUNCES GOC
- DECISION ON STRATEGIC DEFENSE INITIATIVE

REF: OTTAWA 6421

1. SENTIRE TEXT

- 2. PRIME MINISTER MULRONEY ON AFTERMOON OF SATURDAY, SEPTEMBER 7, ANNOUNCED GOC DECISION ON U.S. INVITATION TO PARTICIPATE IN STRATEGIC DEFENSE INITIATIVE.

 (EARLIER SAME DAY IN WASHINGTON, CANADIAN AMBASSADOR GOTLIEB CALLED ON DEPUTY SECRETARY OF OFFENSE TAFT, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS ARMACOST AND NATIONAL SECURITY ADVISER MCFARLANE TO EXPLAIN GOC DECISION AND TO CONVEY TEXT OF LETTER ON THIS TOPIC FROM DEPUTY PRIME MINISTER AND MINISTER OF NATIONAL DEFENSE ERIK NIELSEN TO DEFENSE SECRETARY WE INBERGER. WE UNDERSTAND DEPARTMENT IS REPORTING TEXT OF NIELSEN LETTER AND SUMMARY OF GOTLIEB-ARMACOST MFFFING.)
- 3. SPEAKING IN BOTH FRENCH AND ENGLISH TO SOMEWHAT IMPATIENT PRINT AND BROADCAST JOURNALISTS, MULRONEY READ A THO-MINUTE STATEMENT AND THEN ANSWERED FOUR QUESTIONS BEFORE LEAVING. IN BOTH HIS PREPARED REMARKS AND HIS RESPONSE TO QUESTIONS HE EMPHASIZED TWO FACTORS: FIRST, HIS GOVERNMENT HAS FROM THE OUTSET -- SINCE EXTAFF MINISTER JOE CLARK'S JANUARY 21 STATEMENT IN THE COMMONS -- CLEARLY EXPRESSED ITS PUBLIC SUPPORT FOR SDI RESEARCH AS BOTH PRUDENT IN THE FACE OF MASSIVE SOVIET EFFORTS AND CONSISTENT WITH THE ABM TREATY. MULRONEY OBSERVED THAT CANADA IS "ALWAYS THE FIRST TO PROVIDE SUPPORT TO THE UNITED STATES" AND THAT GOC SUPPORT FOR OUR SDI RESEARCH EFFORTS WILL CONTINUE. SECOND, IN RESPONSETO SECRETARY WEINBERGER'S MARCH INVITATION TO MINISTER NIELSEN, THE GOC HAS DECIDED THAT

A "GOVERNMENT-TO-GOVERNMENT EFFORT" ON SDI IS NOT IN CANADA'S NATIONAL INTEREST, ALTHOUGH PRIVATE FIRMS AND OTHER ENTITIES WILL REMAIN FREE TO PARTICIPATE IN THE RESEARCH. WHEN QUERIED, THE PRIME MINISTER SAID THAT GOVERNMENT-TO-GOVERNMENT COOPERATION WOULD NOT BE IN CANADA'S INTEREST BECAUSE THE GOC WOULD NOT BE IN A POSITION TO "CALL THE SHOTS."

- 4. MULRONEY NOTED THAT HE HAD PERSONNALLY CONVEYED THI DECISION TO THE PRESIDENT EARLIER IN THE DAY, APPARENTLY REFERRING TO HIS AFTERNOON TELEPHONE TALK WITH THE PRESIDENT. THE PRIME MINISTER DECLINED TO DESCRIBE THE PRESIDENT'S REACTION BUT SAID HE DOES NOT EXPECT ANY "DISAPPOINTMENT" IN THE WHITE HOUSE SINCE THE DECISION REFLECTS CANADA'S SOVEREIGN STATUS AND INDEPENDENT FOREIGN POLICY.
- 5. MULRONEY'S BRIEF PUBLIC COMMENTS WERE MADE IN THE PARLIAMENT HOUSE CORRIDOR TO A LONG-WAITING PRESS "SCRUM" AND FOLLOWED AN ALL-DAY MEETING WITH THE CONSERVATIVE PARTY'S PARLIAMENTARY CAUCUS. THE CAUCUS WAS PREPARING FOR THE NEW SITTING OF THE HOUSE OF COMMONS STARTING SEPTEMBER 9. THE PRIME MINISTER ON AUGUST 22 (REFTEL) HAD TOLD THE PRESS THAT HE WOULD ANNOUNCE THE GOVERNMENT'S DECISION ON THIS HIGHLY CONTROVERSIAL TOPIC BEFORE THE COMMONS RESUMED. AT THAT TIME, HE WAS REACTING TO CRITICISM THAT HE HAD BEEN INDECISIVE DURING HIS FIRST YEAR IN POWER AND TO PREDICTIONS, WHICH PROVED TO BE ACCURATE, THAT A SPECIAL PARLIAMENTARY COMMITTEE CONSIDERING SDI PARTICIPATION WOULD NOT PRODUCE ANY CONCRETE CONCLUSION. (IN THE EVENT, ON AUGUST 23, THE COMMITTEE'S TORY MAJORITY REFUSED TO DECIDE ON THE ISSUE AND TOSSED THE

HOT POTATO BACK TO THE GOVERNMENT. OPPOSITION COMMITTEE MEMBERS FROM THE LIBERAL AND NEW DEMOCRATIC PARTIES, HOWEVER, MADE CLEAR THEIR WELL-KNOWN OPPOSITION TO CANADIAN PARTICIPATION IN SDI RESEARCH.)

- 6. FOLLOWING MULRONEY'S COMMENTS TO THE PRESS TODAY,
 JEAN CHRETIEN OF THE LIBERAL PARTY MET SEPARATELY WITH
 JOURNALISTS TO CLAIM CREDIT FOR THE GOC DECISION
 NOT TO BECOME MORE FULLY INVOLVED IN SDI.
- EMBASSY WILL FAX TO EUR/CAN TRANSCRIPT OF MULRONEY'S COMMENTS AS SOON AS THEY ARE AVAILABLE.

ROBINSON BT

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UNCLAS SECTION Ø1 OF Ø3 OTTAWA Ø6858

E.O. 12356: N/A TAGS: ODIP, CA SUBJECT: TEXTS OF REMARKS OF THE PRESENTATION OF CREDENTIALS

- 1. FOLLOWING ARE THE TEXTS OF THE AMBASSADOR'S REMARKS ON SEPTEMBER 18 ON THE PRESENTATION OF HIS LETTERS OF CREDENCE AND OF THE RESPONSE OF THE GOVERNOR GENERAL OF CANADA. THE AMBASSADOR'S TEXT WAS MADE PUBLIC IN A PRESS RELEASE. A PRESS POOL COVERED THE CEREMONY.
- 2. TEXT OF THE AMBASSADOR'S REMARKS: QUOTE

YOUR EXCELLENCY, DISTINGUISHED GUESTS:

IT IS A SPECIAL HONOR AND PRIVILEGE TO PRESENT THE LETTER ACCREDITING ME TO THE GOVERNMENT OF CANADA AS AMBASSADOR EXTRAORDINARY AND PLENIPOTENTIARY OF THE UNITED STATES OF AMERICA.

AS THE PERSONAL REPRESENTATIVE OF THE PRESIDENT OF THE UNITED STATES IN CANADA, MY MISSION WILL BE GUIDED BY THE PRESIDENT'S OBJECTIVES. PRESIDENT REAGAN EMPHASIZED THE IMMENSE SIGNIFICANCE OF YOUR COUNTRY TO THE UNITED STATES, WHEN HE SAID AT THE SUMMIT EARLIER THIS YEAR IN QUEBEC CITY, "NO RELATIONSHIP IS MORE IMPORTANT TO THE UNITED STATES THAN OURS WITH CANADA. "

THE FACTS, THOUGH FAMILIAR, SPEAK FOR THEMSELVES AND BEAR REPETITION -- LEST WE LOSE SIGHT OF OUR SHARED HERITAGE AND OUR COLLECTIVE IMPACT ON THE WIDE COMMUNITY OF NATIONS.

-- AS NEXT DOOR NEIGHBORS GROWING UP TOGETHER IN NORTH AMERICA. THE UNITED STATES AND CANADA HAVE SHARED EXPERIENCES AS FEW COUNTRIES EVER HAVE. WE HAVE EXCHANGED IDEAS, VALUES AND PEOPLE IN DIMENSIONS

UNPARALLELED ELSEWHERE, WHILE FORGING PROUD AND DISTINCTIVE PERSONALITIES OF OUR OWN.

- -- AS DEMOCRATIC SOCIETIES BASED ON A COMMON CONCEPT OF HUMAN RIGHTS AND SHARING A VISION OF THE VALUE OF THE INDIVIDUAL, CANADA AND THE UNITED STATES HAVE TOGETHER LED THE WAY IN STRIVING FOR INTERNATIONAL PEACE AND WELL-BEING AND AGAINST OPPRESSION AND AGGRESSION. WE HAVE FOUGHT SIDE BY SIDE IN TWO WORLD WARS AND KOREA. WE ARE TOGETHER FOUNDING MEMBERS OF THE UNITED NATIONS. ALLIES IN NATO AND PARTNERS IN NORTH AMERICAN AIR DEFENSE AND DEFENSE PRODUCTION.
- -- WE HAVE ACHIEVED AN INCOMPARABLE RECORD IN COOPERATION TO MANAGE OUR COMMON ENVIRONMENT, ALTHOUGH MUCH WORK REMAINS AHEAD IN THIS AREA, NOTABLY ON ACID RAIN.
- -- OURS IS THE LARGEST ECONOMIC RELATIONSHIP IN THE WORLD, BAR NONE. TRADE BETWEEN OUR TWO COUNTRIES EXCEEDED C\$15Ø BILLION IN 1984, MORE THAN ALL US TRADE WITH ALL TEN MEMBERS OF THE EUROPEAN COMMUNITY. WE MUST HELP EACH OTHER RESIST PROTECTIONISM AND ENSURE THE CONTINUED FLOURISHING OF THIS RELATIONSHIP.
- -- WE HAVE MADE GREAT STRIDES IN STRENGTHENING OUR COMMUNITY OF INTERESTS IN THE ENERGY SECTOR TO THE BENEFIT OF BOTH COUNTRIES. CANADA IS BY FAR OUR LARGEST PARTNER IN ENERGY. IT IS OUR GREATEST FOREIGN SUPPLIER OF NATURAL GAS AND ELECTRICITY AND OUR SECOND LARGEST SOURCE OF OIL. WE ARE CANADA'S LARGEST SUPLIER OF

THE BREADTH, MAGNITUDE AND INTENSITY OF OUR RELATIONSHIP SUGGEST THAT POSSIBILITIES FOR BOTH AGREEMENT AND DISAGREEMENT WILL ALWAYS BE WITH US. THEREIN LIES THE

CENTRAL AND CONTINUING CHALLENGE FOR BOTH COUNTRIES. IT IS, SIMPLY PUT, TO ADDRESS OUR MUTUAL CONCERNS, POSITIVELY AND SERIOUSLY.

IN THAT SPIRIT, THE PRESIDENT ASKED ME TO PURSUE THE AMBITIOUS AGENDA FOR ACTION OUTLINED AT THE QUEBEC SUMMIT. THAT MEETING OF HEADS OF GOVERNMENT UNDERSCORED THE HISTORIC OPPORTUNITIES BEFORE US. MY MISSION IS TO CONTRIBUTE TO THE MAINTENANCE OF THE CURRENT MOMENTUM IN CANADIAN-US RELATIONS AND TO MARSHAL IT FOR MORE ENDURING EFFECT.

DISCUSSIONS AT QUEBEC AND SINCE THEN SUGGEST THE LARGER PRIORITIES BEFORE US:

-- TO ENHANCE OUR STRONG NATO AND NORAD TIES, IN ORDER TO PRESERVE BOTH NORTH AMERICAN AND TRANSATLANTIC BT

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E.O. 12356: N/A TAGS: ODIP, CA SUBJECT: TEXTS OF REMARKS OF THE PRESENTATION OF

SECURITY;

- -- TO BOLSTER THE CLOSE COOPERATION WHICH ALREADY CHARACTERIZES OUR ECONOMIC RELATIONSHIP, IN ORDER TO ASSURE SUSTAINED GROWTH, EXPANDING TRADE AND MORE JOBS FOR OUR CITIZENS:
- -- TO FOSTER CONTINUING BILATERAL CONSULTATIONS, IN ORDER TO ADDRESS SUCH BILATERAL CONCERNS AS CARE FOR THE ENVIRONMENT AND SUCH GLOBAL MATTERS AS SUCCESSFUL CONCLUSION OF ARMS CONTROL NEGOTIATIONS.

THE GOALS WE SHARE ARE AMBITIOUS, BUT OUR COMMON EXPERIENCE WITHIN OUR NORTH AMERICAN COMMUNITY STRONGLY SUGGESTS THAT THEY ARE ALSO ATTAINABLE. IN MY JUDGMENT, THERE IS LITTLE THAT OUR TWO GREAT TRANSCONTINENTAL NATIONS CANNOT ACHIEVE TOGETHER.

PRESIDENT REAGAN SAID AT QUEBEC THAT THE WAYS OF CANADA AND THE UNITED STATES ARE BOTH PARALLEL AND COMPLEMENTARY. IN HIS WORDS: "BECAUSE THEY ARE DIFFERENT, THEY CAN TEACH ONE ANOTHER ABOUT THE COMMON NORTH AMERICAN EXPERIENCE. BECAUSE OF THEIR COMMON INTERESTS, THEY ARE BUILDING A NEW PARTNERSHIP."

- I LOOK FORWARD TO CONTRIBUTING TO THAT HISTORIC PARTNERSHIP. END QUOTE.
- 3. TEXT OF GOVERNOR GENERAL'S RESPONSE.

 (THE FOLLOWING TEXT DOES NOT REFLECT SEVERAL AMENDMENTS HADE PERSONALLY BY THE GOVERNOR GENERAL IN THE TEXT AS DELIVERED. THESE WERE MADE PRINCIPALLY IN THE FRENCH TEXT AND WILL BE REPORTED WHEN AVAILABLE.)

QUOTE EXCELLENCY:

IT IS A PLEASURE TO RECEIVE YOUR LETTERS OF CREDENCE.

I WELCOME YOU TO OTTAWA, OUR COUNTRY'S CAPITAL CITY.

JE PEUX VOUS ASSURER DE L'APPUI DES AUTORITES

CANADIENNES DANS L'EXERCICE DE VOS FONCTIONS. JE SUIS

PERSUADEE QUE L'AMITIE QUE VOUS TROUVEREZ ICI'S S'AVERERA

UNE BASE SOLIDE DANS LA POURSUITE DES BONNES RELATIONS

QUI EXISTENT DEJA ENTRE NOS DEUX PAYS. EARLIER THIS

YEAR, PRIME MINISTER MULRONEY WELCOMED PRESIDENT REAGAN

AT QUEBEC. THAT VISIT AND THE SPIRIT OF THE SUMMIT

UNDERLINED THE IMPORTANCE OUR COUNTRIES ATTACH TO

COOPERATION WITH ONE ANOTHER AND THE BENEFITS OF MUTUAL

COOPERATION.

NOTRE VOISINAGE N'EST PAS SIMPLEMENT UNE AFFAIRE DE GEOGRAPHIE: C'EST UN ETAT D'ESPRIT. NOUS PARTEGEONS LES REVES QUI ONT FAIT DE CE CONTINENT UN HAVRE D'ESPOIR POUR L'HUMANITE. NOUS PARTAGEONS EGALEMENT LE CDURAGE ET L'AMOUR DU TRAVAIL QUI NOUS ONT PERMIS D'EDIFIER, COTE-A-COTE, DEUX GRANDS ETATS FEDERAUX QUI S'ETENDENT DES BORDURES DE L'ATLANTIQUE JUSQU'AUX RIVES LOINTAINES DU PACIFIQUE. NOUS SOMMES DECIDES A PRESERVER NOTRE PATROIMOINE, MAIS EN MEME TEMPS NOUS AVONS CONSENTI AVEC JOIE DE PARTAGER LA PROSPERITE ET LA LIBERTE QUE NOUS AVONS TROUVEES EN CES LIEUX.

YOU HAVE CREATED A GREAT REPUBLIC WHILE WE CHOSE A CONSTITUTIONAL MONARCHY. WE HAVE TAKEN SEPARATE ROADS TO INDEPENDENCE, BUT WE SHARED THE COMMON GOAL OF A DEHOCRATIC GOVERNMENT BY THE PEOPLE AND FOR THE PEOPLE. OUR HERITAGE IS THE SAME BUT OUR IDENTITIES ARE DIFFERENT. WE ARE UNITED IN OUR DEFENCE OF FREEDOM, A COMMITMENT TO PEACE AND FAITH IN THE RIGHTS OF THE INDIVIDUAL. WITHIN OUR BORDERS, WE HAVE BROUGHT TOGETHER A WIDE VARIETY OF PEOPLES AND POINTS OF VIEW

JOINED BY THE BELIEF, PERHAPS BEST EXPRESSED BY OUR FIRST ENVOY TO YOUR NATION AND MY PREDECESSOR IN THIS OFFICE, VINCENT MASSEY, THAT "TOLERATION OF DIFFERENCES IS THE MEASURE OF CIVILIZATION. " IN NORTH AMERICA, WE SOMETIMES FEEL OURSELVES HAPPILY IMMUNE FROM THE TROUBLES WHICH BESET THE OLDER CONTINENT BUT THERE IS, OF COURSE, NO TRUE IMMUNITY FOR WE ARE LIVING IN A SHRUNKEN WORLD. WE CANNOT ESCAPE CONTAGION FROM ECONOMIC ISOLATIONISH AND POLITICAL FOLLY. WE HAVE FOUGHT TOGETHER IN TWO WORLD WARS IN SUPPORT OF OUR BELIEFS AND WORKING TOGETHER HAVE CREATED INTER-NATIONAL INSTITUTIONS TO PRESERVE THE PEACE AND MAINTAIN ECONOMIC GROWTH AND HARMONY. AS NEIGHBOURS AND PARTNERS IN THE NEW WORLD, WE RECOGNIZE THAT THE OLD WORLD AND THE DEVELOPING COUNTRIES LOOK TO US FOR EXAMPLE AND LEADERSHIP.

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33249 MEMO 1 9/16/1985 B1

COBB TO POINDEXTER, RE CANADIAN DECISION

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BY LOS NARA DATE 2/22/16

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September 17, 1985

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

STEPHEN I. DANZANSKY

SUBJECT:

Administration Support for Canada Free Trade Area -- Proposed Telephone Call: Mulroney

to Reagan

I attended an interagency meeting today to discuss the Administration's response to a Canadian initiative to begin negotiations on a U.S.-Canada Free Trade Area (attended by State, Treasury, USTR, Agriculture, CEA, and McAllister). This issue is complicated by legal requirements that full scale negotiations can only occur with the consent of the Ways and Means and Finance Committees.

The Canadian Government has indicated that political pressures there require that they make some announcement about the commencement of U.S.-Canada discussions this week. To begin the process, it is likely that Prime Minister Mulroney will call the President sometime on Thursday.

Because of the current mood on the Hill regarding trade issues, and because insufficient political spade work has been done to prepare the Committees for this proposal, today's meeting was called to coordinate the Administration's response.

Two options were outlined as suggestions to be made to the Canadians.

- 1. Suggest to the GOC that they postpone any communication on this proposal until there is a more receptive political atmosphere on the Hill -- perhaps until the new year when the President could announce the negotiations in the State of the Union.
- 2. If Canada cannot wait to make the announcement for political reasons (it appears they can't), go ahead with the call on Thursday from Mulroney to the President, however suggest that Canada not formally request negotiations, but rather express an interest to begin "exploratory negotiations" in the coming months. This will enable the U.S. enough time to gauge the political climate and work the Committees in order to get a signal on how they will go. In the meantime, the President will be warm, but not hot, on the idea, subject to Congressional review.

All agencies attending the meeting supported Option 2 (including Treasury) and the Canadians apparently are willing to take this tack.

McAllister has prepared a memorandum to the President (Tab I) which I have approved outlining this approach which I will review before it goes forward. The suggested timetable is for the memorandum to go to the President tomorrow. The Canadians are expected to confirm that Mulroney will make the Thursday phone call to the President with enough lead time so that Clayton Yeutter can make phone calls to the Congressional leadership beforehand in order to begin the consultation process.

At John Poindexter's suggestion, I requested:

- -- that the memo not be sent to the President until you had personally signed off on its contents.
- -- that the memo include language that you concurred in the decision or be sent from you and Regan jointly.

RECOMMENDATION:

That you concur with the attached Regan memo to the President (Tab I).

Disapprove ____

Attachment

Tab I

Memo to the President

THE WHITE HOUSE

WASHINGTON

September 17, 1985

MEMORANDUM FOR THE PRESIDENT

FROM:

DONALD T. REGAN

SUBJECT:

Bilateral Trade Talks

At the Quebec Summit in March, you and Prime Minister Mulroney voiced a strong desire to reduce and eliminate barriers to the free flow of goods and services between the United States and Canada. Prime Minister Mulroney is scheduled to call you on Thursday, September 19 to express Canada's desire to explore more directly the prospects for a free trade arrangement.

The Economic Policy Council enthusiastically supports the principle and philosophy of a free trade arrangement with the Canadians. The Council, however, has concerns that in the protectionist atmosphere on the Hill, the Congress, which will be notified of formal negotiations, might place unreasonable conditions or restrictions on the scope and substance of discussions, or, in the extreme, take action to deny you the opportunity to negotiate.

Because of their own domestic political considerations, the Canadians want to proceed with informal, exploratory talks, rather than postpone moving forward on this historic initiative. We have therefore advised the Canadians that it would be in their best interest to phrase their request in terms of exploring bilateral trade negotiations with the United States that would lead to closer trade ties.

In your discussions with Prime Minister Mulroney, the Economic Policy Council recommends a warm response to the idea of exploratory talks, but no commitment to formal negotiations. If the circumstances permit, your intention to enter formal negotiations with Canada for a free trade arrangement could be a major feature of your next State of the Union Address.

Bud McFarlane concurs in this approach.

CONFIDENTIAL

NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506

33252

CONFIDENTIAL

September 19, 1985

ACTION

MEMORANDUM FOR STEVE DANZANSKY

FROM:

TY COBB The

SUBJECT:

Free Trade Initiative

Ambassador Niles just called from Ottawa to pass on the latest Canadian thinking on the free trade initiative.

- -- The Canadians prefer that the formal communication of their decision to us be made next Wednesday, September 25.
- -- Niles anticipates that PM Mulroney would call the President that day in addition to sending a letter with a more detailed explanation. He also plans to make a statment in Parliament. Trade Minister Jim Keliher would table a report to Parliament to begin the process.
- -- They would hope that we would welcome this initiative and begin our congressional process without delay.

The Canadians need to know if we concur with the above, or if we have other preferences re: timing and modalities. In order to eliminate confused channels of communication, I think our decision should be communicated back to the Canadians from State through Ambassador Niles. The Canadian Government hopes that we will be able to respond to them by tomorrow afternoon.

RECOMMENDATION

That after you have completed your consultations with the trade community, that we communicate our decision to the Canadians through Ambassador Niles. Further, that we agree to the timing and modalities suggested by the Canadians.

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THE WHITE HOUSE

WASHINGTON

September 24, 1985

Received bid F5 SIP 24 FM 7-19

INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM:

ROBERT C. MCFARLANE

SUBJECT:

USTR Report on Bilateral Trade

Liberalization with Canada

Conda

Issue

To provide you with a summary of a report by USTR on bilateral trade liberalization with Canada.

Facts

At your summit meeting last March with Prime Minister Mulroney, you directed the United States Trade Representative to report back to you in six month's time on the results of an examination of all possible ways to reduce and eliminate barriers to U.S.-Canadian bilateral trade. A similar report was to be prepared by the Canadian trade minister.

Discussion

Ambassador Yeutter has completed his report (Tab A). In it he concludes that:

- -- Trade barriers exist in Canada which inhibit U.S. exports.
- -- There is private sector and Congressional interest in removing these barriers.
- -- Bilateral negotiations would be the best means of resolving these problems.

If Prime Minister Mulroney expresses an interest in bilateral negotiations, he recommends that:

- -- Consultations begin with the Ways and Means and Finance Committees towards the commencement of bilateral negotiations.
- -- Other necessary domestic legal procedures be undertaken.

Ambassador Yeutter also reports on the limited success of discussions in the last six months on selected trade topics with Canada, and suggests that in those areas where no progress has been made, these topics be subsumed in broader

bilateral negotiations. He will report back to you in six months in the areas where there has been some progress.

Attachment

Tab A USTR Report

Prepared by: Stephen I. Danzansky

THE UNITED STATES TRADE REPRESENTATIVE WASHINGTON 20506

September 18, 1985

MEMORANDUM TO:

THE PRESIDENT

FROM:

Ambassador Clayton Yeutter

SUBJECT:

Report on Bilateral Trade Liberalization

with Canada

At your meetings in Quebec City on March 17 and 18 with Prime Minister Brian Mulroney, a trade declaration was issued which directed the Canadian Trade Minister and me to examine all possible ways to reduce and eliminate existing barriers to our bilateral trade, and to report back in six months. I am pleased to submit my report, a copy of which is attached. I understand that Minister Kelleher is also submitting his report to the Prime Minister at this time.

Attachment

THE UNITED STATES TRADE REPRESENTATIVE WASHINGTON 20506

Report by the United States Trade Representative to the President on Bilateral Trade with Canada

The "Declaration by the Prime Minister of Canada and the President of the United States of America Regarding Trade in Goods and Services" issued at the Quebec Summit on March 18 charged the Minister for International Trade and me to establish immediately a bilateral mechanism to chart all possible ways to reduce and eliminate existing barriers to trade and to report to you and the Prime Minister of Canada within six months. Since I have assumed my duties as United States Trade Representative, I have met with the Canadian Trade Minister, James Kelleher, on several occasions to discuss ways to improve our bilateral trading relation-In addition, our respective staffs have worked closely over the past six months to provide Minister Kelleher and me with specific advice. There are several ways in which we could reduce and eliminate barriers to our bilateral trade in goods and services. The most promising would be the exploration of a comprehensive bilateral trade negotiation.

We are committed to pursue negotiations aimed at a further liberalization of trade, be they on a bilateral, plurilateral, or multilateral basis. Over the past decade, Canadian and American Governments have been at the forefront of efforts to achieve a greater degree of global trade liberalization under the multilateral trading system based on the General Agreement on Tariffs and Trade (GATT). Both Canada and the United States are actively pursuing a strengthening of the multilateral system through a new round of multilateral negotiations under the auspices of the GATT.

Earlier this year, the Canadian Government initiated a review of options for securing and enhancing trade with the United States. Canada's interest in bilateral trade liberalization with the U.S. is understandable. Canada's exports constitute nearly one third of its GNP, and exports to the United States account for over 75 percent of its total exports. Exploiting additional economies of scale by expanding trade and obtaining greater security for its trade with the United States are, therefore, priority Canadian objectives.

From preliminary, informal discussions which my staff and I have held with representatives of the private sector and Members of Congress, I believe that a number of U.S. industries have

an interest in expanding their access to a prosperous and proximate Canadian market. Canada takes nearly one-fifth of our total exports, and there exist significant barriers to U.S. exports of goods and services in a number of sectors. In particular, these include:

- o high Canadian tariffs across a wide spectrum of products which act as major impediments to U.S. exports;
- o nontariff barriers at both the federal and provincial level which effectively preclude many U.S. exports from entering the Canadian market;
- o obstacles to U.S. investment; and
- o federal and provincial regulations which impede U.S. exports of services.

In addition, a great many U.S. industries and Members of Congress have expressed concern over a number of governmental assistance programs, both federal and provincial, which allegedly result in subsidized competition. I have been urged to obtain in any bilateral discussions agreement on procedures to limit the use of subsidies.

My discussions with Trade Minister Kelleher indicate that the Canadian Government is prepared to seriously explore these issues. Minister Kelleher shares my belief that they could be best addressed in a bilateral negotiation which would complement your efforts to launch a new round of multilateral trade negotiations. Clearly, any bilateral negotiation would be pursued in a manner consistent with our GATT obligations.

If the Canadian Government announces its desire to explore bilateral negotiations with us, I recommend that we begin consultations with the Committee on Ways and Means of the U.S. House of Representatives and the Finance Committee of the U.S. Senate on their views regarding possible negotiations with Canada. I further recommend that other domestic procedures be initiated in order to ensure that all interested parties have an opportunity to advise on any potential negotiations. These procedures include seeking the advice of the U.S. International Trade Commission, holding public hearings by the Executive Branch, and extensive consultations with our private sector advisory committees.

I would also like to report on progress being made in achieving results on the eight items identified in the trade declaration of March 18, 1985 as specific impediments to trade. I believe that, should bilateral trade negotiations commence, further work on government procurement, tariff barriers, barriers to trade in high technology goods and services, and intellectual property rights be subsumed in those negotiations. Our discussions aimed at achieving an enhanced market approach in our bilateral

energy trade have been successful. A good beginning has also been made in improving the bilateral air transport agreement and facilitating travel for business and commercial purposes. Work is proceeding on these matters as well as on means to standardize, reduce and simplify regulatory requirements which would facilitate trade in goods and services. Minister Kelleher and I will report to the Prime Minister and you on further progress in six months time.

Minister Kelleher will be reporting along similar lines to Prime Minister Mulroney.

Summary of Report to the President on Bilateral Trade Liberalization with Canada

The USTR report notes the existence of several types of Canadian trade barriers that limit U.S. exports. In addition, there exist a number of Canadian governmental assistance programs, both federal and provincial, which are alleged to result in subsidized competition. USTR indicates that there is both private sector and Congressional interest in eliminating these barriers and distortions.

Ambassador Yeutter expresses his belief, which he says is shared by his counterpart in Canada, that the best way to résolve these existing barriers to U.S. exports would be in the context of bilateral negotiations. Such negotiations would complement the President's effort to launch a new round of trade negotiations and would be consistent with our GATT obligations (i.e., a free trade area arrangement similar to what we have established with Israel).

To achieve the elimination of these barriers, if Mulroney expresses an interest in beginning bilateral discussions, Yeutter recommends:

- -- that consultations begin with the Ways and Means and Finance Committees on their views regarding such an initiative; and
- -- that domestic procedures necessary to the implementation of a U.S.-Canada agreement be commenced (i.e., legally required consultations with the private sector and advice from the International Trade Commission).

USTR also reports on the success to date of specific negotiations which have been undertaken in the last six months. Reportedly, success has been achieved in discussions aimed at achieving enhanced market access in energy trade. Progress has been made on a bilateral air transport agreement and on the standardization and simplification of regulatory requirements. In other areas, Yeutter recommends that discussions be subsumed in broader bilateral negotiations (which suggests that there has been little progress).

Prepared by: Stephen I. Danzansky

WHITE HOUSE STAFFING MEMORANDUM

DATE:	9/18/85	ACTION/CONCURRENCE/COMMENT DUE BY:							
SUBJECT: _	USTR REPOR	T ON BILATER	AL TR	ADE LIBERAL	JIZATION WITH C	ANADA			
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NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506

September 23, 1985

ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

STEPHEN I. DANZANSKY

SUBJECT:

USTR Report on Trade Liberalization with

Canada //

At the "Shamrock Summit" on March 17, 1985, the President and Prime Minister Mulroney directed their respective trade ministers to report back to them in six month's time on their examination of trade barriers between the U.S. and Canada and ways to eliminate them. Attached (Tab II) is a summary of Ambassador Yeutter's report to the President that I have prepared for your review. Apparently, Minister Kelleher of Canada has simultaneously made his report to the Prime Minister.

The USTR report (Tab A) notes that there are existing Canadian barriers to U.S. exports and government assistance programs that are alleged to be subsidies. Interest exists in the Congress and the U.S. private sector to eliminate these barriers and distortions. Ambassador Yeutter is in favor of the commencement of bilateral trade negotiations with Canada resulting in a GATT consistent free trade area arrangement (such as the U.S.-Israel agreement). If Mulroney expresses an interest in beginning negotiations (as we expect he will in his telephone call to the President), Yeutter recommends beginning consultations with the Ways and Means and Finance Committees and initiating necessary domestic procedures. Yeutter also reports on the apparently limited success the U.S. and Canada have had in the last six months in resolving identified bilateral problems.

A memorandum for the President summarizing Ambassador Yeutter's report is attached (Tab I), if you would like to bring it to his attention in connection with Mulroney's proposed_telephone call on Wednesday.

RECOMMENDATION:

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

Disapprove ____

Ty Cobb concurs

Attachments

Tab I Memo to President

Tab A USTR Report

Tab II Summary of USTR Report

SECRET

The President has seen

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THE WHITE HOUSE

WASHINGTON

September 25, 1985

1500 11 5

ACTION

MEMORANDUM FOR THE PRESIDENT

FROM:

ROBERT C. MCFARLANE

SUBJECT:

Telephone Call from Canadian Prime

Minister Mulroney

Para Maria

Issue

To answer Prime Minister Mulroney's telephone call to you on September 25 regarding Canadian interest in beginning "exploratory negotiations" on a U.S.-Canada free trade arrangement.

Facts

The Canadian Government is on the verge of an historic decision regarding closer economic relations with the United States. The Prime Minister appears to be ready by next Wednesday to propose to Parliament comprehensive bilateral trade negotiations with the United States. However, because of the current protectionist political climate on the Hill, we have advised the Canadians to phrase any request to the United States in terms of "exploring" bilateral trade negotiations. Before publicly announcing his intentions, the Prime Minister will be calling you to inform you of his decision and to seek your response.

Discussion

The Economic Policy Council enthusiastically supports the principle and philosophy of a free trade arrangement with the Canadians and recommends that you warmly welcome the Prime Minister's initiative. However, you should nonetheless remind him that we are bound to consult with the Congress and to seek advice from the private sector before you can legally initiate negotiations. Suggested talking points are attached at Tab A.

Recommendation

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That you use the attached talking points in your telephone conversation with Prime Minister Mulroney.

Attachment

Tab A

Suggested Talking Points

Prepared by: Stephen I. Danzansky

SECRET



TALKING POINTS

- -- I am pleased, Brian, that you are prepared to explore with us this action, which would be an historic step in relations between our two countries.
- -- I personally welcome such an initiative.
- -- We both recognized at the Quebec Summit in March that our economic relationship is unique, but that it needs to be reinvigorated.
- -- That is why we gave the highest priority to finding means to reduce and eliminate existing barriers to our bilateral trade in order to secure and facilitate trade and investment flows.
- -- As you are no doubt aware, we must consult with our Congress and our private sector before formal negotiations begin.
- -- However, following preliminary informal consultations with key members of Congress, I will instruct my Trade Representative, Clayton Yeutter, to give a high priority to your initiative and appoint a U.S. team to begin exploratory discussions.

DEGLASSIFUED

NLRR F1559 #33254

BY MY NARA DATE 2/22/16



- This conversation also gives me an opportunity to thank you for your recent intervention with the Japanese on our bilateral trade issues. Having our concerns expressed by you, as the leader of a major trading nation, should be very helpful.
- As I wrote to you last week, Brian, I will be meeting with Soviet Foreign Minister Shevardnadze this Friday.

 I will send you a special letter following that meeting, detailing my perspectives on how it went.

 Again, as we approach the meeting with Gorbachev, I would appreciate any thoughts you might have.
- -- (If asked) I too am pleased with the appointment of our special envoy on acid rain. I have not seen their report, but I will read it with interest.

MEN ESSOR 5326

NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506

ECRET

ACTION

September 20, 1985

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM:

STEPHEN I. DANZANSK

SIGNED

SUBJECT:

Telephone Call to the President from

Canadian Prime Minister Mulroney

We are trying to get back in control of the Canadian free trade issue. You may recall that the EPC last Monday recommended to the President (with your concurrence -- see Tab II) that because of domestic political considerations the President would not be prepared at this time to formally notify the Congress of his intention to enter into a free trade arrangement with the Canadians.

The decision was to suggest that Canada not formally request negotiations but rather express our interest to begin "exploratory negotiations" in the coming months. This was communicated to the Canadians earlier this week.

As of now, the following will occur:

- 1. Prime Minister Mulroney will call the President on Wednesday, September 25, at a time to be decided. Al Kingon indicates that the President will be available on that day.
- 2. The Prime Minister will use our recommended language, i.e. "exploratory negotiations" in his call to the President. This was confirmed to me by Clayton Yeutter who had communicated same to Trade Minister Kelleher on Wednesday.
- 3. I have reached agreement with Kingon to eliminate any specific mention of Canada Free Trade in the President's trade speech.

Attached at Tab I is a memorandum from you forwarding proposed Presidential talking points worked out between Ty Cobb, State and me.

RECOMMENDATION:

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

Approve ____

Disapprove ____

Attachments

Tab I

Memo to the President
Tab A Talking Points

Tab II

Ty Cobb concurs. G.McAllister (EPC), D.McMinn (State), and Alan Holmes SERRET (USTR) concur.

DECLASSIFY ON: OADR

NIFR F1559#33256 BY 120 NARA DATE 2/22/16

THE WHITE HOUSE WASHINGTON

September 17, 1985

MEMORANDUM FOR THE PRESIDENT

FROM:

DONALD T. REGAN

SUBJECT:

Bilateral Trade Talks

At the Quebec Summit in March, you and Prime Minister Mulroney voiced a strong desire to reduce and eliminate barriers to the free flow of goods and services between the United States and Canada. Prime Minister Mulroney is scheduled to call you on Thursday, September 19 to express Canada's desire to explore more directly the prospects for a free trade arrangement.

The Economic Policy Council enthusiastically supports the principle and philosophy of a free trade arrangement with the Canadians. The Council, however, has concerns that in the protectionist atmosphere on the Hill, the Congress, which will be notified of formal negotiations, might place unreasonable conditions or restrictions on the scope and substance of discussions, or, in the extreme, take action to deny you the opportunity to negotiate.

Because of their own domestic political considerations, the Canadians want to proceed with informal, exploratory talks, rather than postpone moving forward on this historic initiative. We have therefore advised the Canadians that it would be in their best interest to phrase their request in terms of exploring bilateral trade negotiations with the United States that would lead to closer trade ties.

In your discussions with Prime Minister Mulroney, the Economic Policy Council recommends a warm response to the idea of exploratory talks, but no commitment to formal negotiations. If the circumstances permit, your intention to enter formal negotiations with Canada for a free trade arrangement could be a major feature of your next State of the Union Address.

Bud McFarlane concurs in this approach.

United States Department of State



Washington, D.C. 20520

September 17, 1985

MEMORANDUM FOR MR. ROBERT C. MCFARLANE THE WHITE HOUSE

SUBJECT: Telephone Call from Canadian Prime Minister

Mulroney

The attached memorandum suggests talking points for the President's use in responding to an anticipated telephone call from Canadian Prime Minister Mulroney. The PM is expected to call the President soon to inform him of the Canadian Government's decision to seek comprehensive trade negotiations with the United States.

Nicholas Platt
Executive Secretary

Attachment:

As stated.

Issue

The Canadian Government is on the verge of an historic decision regarding closer economic relations with the United States. The Prime Minister appears to be ready next week to propose to his nation comprehensive bilateral trade negotiations with the United States. However, before publicly announcing his intentions, he will be calling the President to inform him of his decision and to seek the President's reaction.

Recommendation

The Department of State and USTR strongly recommend that the President welcome the Prime Minister's initiative. The President should nonetheless remind him that we are legally required to consult with the Congress and to seek advice from the private sector before the U.S. can formally begin negotiations.

Suggested Talking Points

- -- I am pleased, Brian, that you are prepared to take this action, which would be an historic step in relations between our two countries.
- -- I personally welcome such an initiative.
- -- We both recognized at the Quebec Summit in March that our economic relationship is unique, but that it needs to be reinvigorated.
- -- That is why we gave the highest priority to finding means to reduce and eliminate existing barriers to our bilateral trade in order to secure and facilitate trade and investment flows.
- -- As you are no doubt aware, we must consult with our Congress and our private sector before we can formally initiate negotiations.
- Once these steps are taken, I will instruct my Trade Representative, Clayton Yeutter, to give a high priority to your initiative and appoint a U.S. negotiating team for the upcoming trade talks.
- -- This conversation also gives me an opportunity to thank you for your recent intervention with the Japanese on our bilateral trade issues. Having our concerns expressed by you, as the leader of a major trading nation, should be very helpful.

DECLASSIFIED

NLRR F1559 #33257

BY LAT NARA DATE 2/22/16



NATIONAL SECURITY COUNCIL WASHINGTON, D.C. 20506

File Composite Disapproved

UNCLASSIFIED WITH CONFIDENTIAL ATTACHMENT

September 26, 1985

MEMORANDUM FOR WILLIAM F. MARTIN

FROM:

TYRUS W. COBB

STEPHEN I. DANZANSKY

SUBJECT:

Memorandum of Telephone Conversation Between

The President and Prime Minister Mulroney

Attached at Tab I is a memo from you to Nicholas Platt forwarding a summary of the President's September 26th telephone conversation with Prime Minister Mulroney.

Attachments:

Tab I Martin memo to Nicholas Platt
Tab A Memorandum of Telephone Conversation

UNCLASSIFIED WITH CONFIDENTIAL ATTACHMENT Declassify on: OADR

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UNCLASSIFIED WITH CONFIDENTIAL ATTACHMENT

MEMORANDUM FOR MR. NICHOLAS PLATT

Executive Secretary Department of State

SUBJECT:

Memorandum of Telephone Conversation Between The President and Prime Minister Mulroney

Attached for your information is a summary of the President's September 26th telephone conversation with Prime Minister Mulroney.

William F. Martin Executive Secretary

Attachment:

Tab A Memorandum of Telephone Conversation

UNCLASSIFIED WITH CONFIDENTIAL ATTACHMENT

Declassify on: OADR



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THE WHITE HOUSE

WASHINGTON

CONFIDENTIAL

September 26, 1985

INFORMATION

SUMMARY OF TELEPHONE CONVERSATION

SUBJECT:

President's Telephone Conversation With

Prime Minister Mulroney of Canada (U)

PARTICIPANTS:

The President

Tyrus W. Cobb, Notetaker

DATE, TIME

September 26, 1985

AND PLACE:

1:09-1:19 p.m. The White House

President Reagan greeted PM Mulroney warmly and stated that it is always a pleasure to talk with him. PM Mulroney responded that he always enjoyed talking with his good friend and noted that he had been extremely busy recently -- working on trade matters but also changing diapers.

The <u>Prime Minister</u> said he was pleased to inform the President that, in fulfillment of the agreement in Quebec six months ago, Canada is notifying the U.S. of its willingness to enter into negotiations seeking a comprehensive agreement leading to the elimination of trade barriers. Mulroney added that he would go before the House of Commons this afternoon to formally report on Canada's intention. This was the next step he was required to go through following his consultations with the Privy Cabinet, which were completed yesterday.

Mulroney also informed the President that he would like to state in Parliament today that the US enthusiastically supports this initiative. The Prime Minister pointed out that his statement in Parliament will be one of the most important of his Administration. Any U.S. delay in the US in responding to this initiative would cause him serious embarrassment personally.

The President replied that, in fact, he strongly supports this initiative and that we believe this represents a historic step in relations between our two countries. At Quebec we both recognized that we have a unique economic relationship but we do need more to reinvigorate it. For that reason, we gave the highest priority priority to finding the means to reduce and eliminate existing barriers to our bilateral trade. This way we can secure and facilitate trade and investment.

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Declassify on: OADR

CONFIDENTIAL

NLRRMID-331# 33258
BY RW NARA DATE 3/4/12

As you are no doubt aware, the President noted, we must consult with our Congress and the private sector before we can enter formal negotiations. The President said that following these informal consultations with the Hill, he would instruct his trade representative, Clayton Yeutter, to give high priority to the Canadian initiative. The President added that he would appoint a U.S team to begin exploratory discussions with the Canadians.

Responding, <u>Mulroney</u> noted that he was delighted to hear this from the President and the that he knew President Reagan could not completely control Congress and was required to work closely with them. Mulroney added that he would publicly characterize these initial discussions as "exploratory talks", with the objective of enhancing trade between our two countries. He added that this initiative should help the common Canadian and American objective in Geneva of starting a new round of GATT talks.

Mulroney pointed out that Canada entered these talks with a clear agenda and no preconditions. He said he knew the President understood the potential impact these talks will be perceived to have on questions relating to Canadian sovereignty. This is only a smaller aspect of the discussions but the matter of impingement on Canada's cultural sovereignty will certainly arise. The Prime Minister concluded by noting that this will require working together very closely.

The President responded that he definitely agreed that it was important to work very closely on this important initiative. He then noted that this conversation also gave him the opportunity to thank the Prime Minister for his recent intervention with the Japanese on bilateral trade issues. The President noted that having our concerns expressed by the Prime Minister, as the leader of a major trading nation, will be very helpful.

Mulroney replied that he hoped he made the point very clearly to the Japanese. He then added that he wished to shift to another point for a minute. He wanted to thank the President again for the actions he took in Quebec on acid rain. Mulroney pointed out that he knew Drew Lewis was under considerable criticism in the US, just as Bill Davis was in Canada. But it was very important to support these envoys. Mulroney said he felt that the modest but important recommendations these envoys will make are very important. The President responded that he, too, was pleased with the appointment of special envoys on acid rain. He indicated he had not seen their report but would read it with interest.

The President told the Prime Minister that he would also like to discuss the upcoming meeting this week with Soviet Foreign Minister Shevardnadze. As he had written earlier to the Prime Minister, he would welcome any thoughts that might assist us in our preparations for this meeting and the sessions with General

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Secretary Gorbachev in November. The President added that he would send the Prime Minister a special letter following the Shevardnadze meeting providing more details on how that session went. He reiterated that he would appreciate any thoughts PM Mulroney might offer.

The Prime Minister assured the President that he would study that letter carefully; that he does have some thoughts on the very important Geneva meeting which he will provide prior to the President's departure. Mulroney stated that the President went into these negotiations with the fervent hopes and prayers of all those who yearned for peace and deep reductions of nuclear weapons. The President warmly thanked the Prime Minister for his kind words and indicated they should stay in touch closely over the next two months.

RECEIVED 26 SEP 85 20

TO MCFARLANE FROM GOTLEIB, ALLAN DOCDATE 19 SEP 85

KEYWORDS: CANADA SDI MULRONEY, BRIAN

MEDIA

SUBJECT: PM MULRONEY INTERVIEW WHICH OUTLINE CANADA VIEW ON SDI

ACTION: PREPARE MEMO FOR MCFARLANE DUE: 01 OCT 85 STATUS S FILES WH

FOR ACTION FOR CONCURRENCE FOR INFO

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COMMENTS

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664 SEP 23 1985



Canadian Embassy

Ambassade du Canada

1746 Massachusetts Ave., NW, WASHINGTON, D.C. 20036

September 19, 1985

Mr. Robert C. McFarlane,
Assistant to the President
 for National Security Affairs,
The White House,
1600 Pennsylvania Avenue,
WASHINGTON, D.C. 20500

Dear Mr. McFarlane,

I am enclosing for your information extracts from two interviews with Prime Minister Mulroney and Secretary of State for External Affairs, Joe Clark, that amplify somewhat on Canada's position on the strategic defence initiative.

The interview with Prime Minister Mulroney was broadcast on September 15, 1985 on the CTV television network on the programme "Question Period". The interview covered a wide range of subjects including trade and arctic sovereignty as well as SDI. The enclosed extract deals only with SDI but we have made the text of the entire interview available to the Office of Canadian Affairs in State Department.

The second extract from a Question and Answer session Mr. Clark held at Dalhousie University on September 14th, sets out the Government's position on government funding through existing support programmes for Canadian firms who may be bidding on SDI contracts.

Yours sincerely,

Allan

Allan Gotlieb, Ambassador.

QUESTION PERIOD

HOST: Pamela Wallin, Ottawa Bureau Chief, CTV News

GUEST: Right Honourable Brian Mulroney,

Prime Minister of Canada.

PANEL: Alan Fryer, CTV News

Robert Hurst, CTV News

Bob Evans, CTV News

TAPED: September 13, 1985

AIR DATE: September 15, 1985

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HURST: May I pursue, Prime Minister, the defence question on the Arctic. I think a lot of Canadians were surprised to learn that there were Soviet submarines under the Arctic and perhaps shocked. Were you shocked as well and is it much greater than we have been told?

MULRONEY: I was not shocked at all. There is a disinclination in this country in some quarters to accept some hard realities. Let me give you another one: the uproar of certain people, in certain political parties, about American involvement in SDI, research in SDI. What do you think the Soviets have been doing? Lord Carrington came here -- and I think he is a pretty widely respected impartial fellow, a man of great honour in the United Kingdom and so recognized around the world -- and said it would be the height of imprudence for the United States not to engage in that, the reason being that the Soviets have been doing it for years. But do you remember

much criticism of the Soviets in the House of Commons for this? Do you remember much? Well, I do not remember much. point of fact, they have been doing it for years. They have expended billions of dollars and they have committed great resources to this. But strange to say, only the Americans get criticized. So, no, I am not surprised. I am not surprised by that because I also know there is a great sense of fairness in the Canadian people. Canadian people know who their friends and allies are. They do not like this viceroy anti-Americanism coming from the Liberals and the NDPs. They do not like the anti-NATO and the anti-American and anti-defence. I mean, the Liberals tried to take us out of NATO. They tried to jettison, they left the army, the airforce, they left us bereft of the instruments of proper assertion of sovereignty and our proper contribution to our international defence. Canadians know that, and they know that we are not a neutral country. We are not a beligerent country. We are a strong, magnificent, sovereign state, but we must give ourselves the instruments to assert that sovereignty and to participate in our collective defence and they are going to pay a heavy price, those in Canada who diminish the integrity of this country by diminishing our capacity to defend it.

EVANS: That sounds very much, Mr. Prime Minister, like an argument in favour of us becoming involved in Star Wars defence.

MULRONEY: No, it is quite the contrary because it was my view that -- and the view of my colleagues, that above and beyond everything else is the independence of this country and our capacity to conduct an independent foreign policy as we determine it. Here was a situation which with its merits was not one that we controlled, the perimeters of it were so enormous that they were absolutely beyond our control. In fairness, we would have been a bit player in this. I think that is probably a fair assertion and it does not diminish anybody to say that. We felt, upon reflection -- and our parliamentary committee toured the country and asked ordinary Canadians what they thought. We thought we had a more important and perhaps a more valid role to play at the United Nations and in arms control and in arms limitation because that must be the most important matter, securing a durable peace between the Soviets and the United States by not directly involving Canada on a government to government basis in this. Our sovereignty and our independence are the hallmark of this government.

DALHOUSIE UNIVERSITY QUESTION AND ANSWER SECRETARY OF STATE FOR EXTERNAL AFFAIRS

SATURDAY, SEPTEMBER 14, 1985

Q. Will the Government be sponsoring get involved in SDI research?

SSEA. The situation that existed before the term SDI was invited, before the invitation was invented will continue to be the case. There are programs now in place that allow Canadian firms to take part in the United States research. We are not going to stop those programs, interrupt that cooperation and interrupt private firms to US project cooperation or place obstacles in the path of future cooperation. As to whether or not there will be support for any new kind of financial support, subsidy support, the kind of support that is endemic to our economy, to cooperation in new kind of projects will be based, that decision will be made on a case-by-case basis and always in accordance with Canadian priorities. quess one way to put it is that we will not offer support to a project simply because it is SDI, but neither for example would we deny support to Canadian participation into research into say laser technology simply because it could be associated with SDI. What we are going to be doing, as we have done, is make judgements case-by-case on the basis of Canadian research

priorities, not those of other countries. And in so far as the Government of Canada is concerned which was the subject of a specific invitation Mr. Weinberger sent us, to have the Government become directly involved, no, we're not going to become directly involved in the SDI project. Among other reasons, because that would in a time of quite severe budgetary restraint, that would distort Canada's own research priorities.

26 Sep 85 (27) Pg.6 WALL STREET JOURNAL

Striking Bath Shipbuilders Fight Concessions

By DAVID STIPP

Staff Reporter of THE WALL STREET JOURNAL

BATH, Maine-During World War II, workers at the Bath Iron Works shipyard here fought the good fight by turning out 82 destroyers-more than Japan's wartime total. The same fighting spirit is apparent today, but it is directed at Congoleum Corp., which owns the shipyard.

The shipbuilders are angry because closely held Congoleum, based in Portsmouth, N.H., is demanding wage and other concessions from them. The demands precipitated a strike that has lasted for almost three months. Many of the workers say they are prepared to make it last a lot

The strike threatens to torpedo the Bath shipyard's competitive strength at a time of sharp decline in the U.S. shipbuilding industry. Union representatives assert that increasing bitterness among striking workers could force many to seek other jobs, cause post-strike morale problems and reduce productivity at the shipyard, long considered one of the best in the nation. Congoleum officials assert that without cuts in the shipyard's labor costs, it will founder in fierce bidding for increasingly limited ship orders.

The Bath shipyard's strength is the main bone of contention in the strike. Un like most companies that have sought con cessions from workers during the past few years, the shipyard is profitable, company officials acknowledge. Moreover, it is a leading competitor among companies that are building the modernized 600-ship fleet that Navy Secretary John Lehman hopes to see completed by the end of the dec-

The Bath shipyard's workers say that Congoleum's financial outlook is far too rosy to warrant concessions. When their contract expired June 30, they went on strike, pitting about 4,500 members of Local 6 of the Industrial Union of Marine and Shipbuilding Workers of America against Maine's largest corporate employer. In their view, the strike's importance reaches far beyond Maine.

"Congoleum is trying to hitch its star to a nationwide trend toward labor concessions," asserts Jonathon Reitman, an attorney for Local 6. "If a profitable company like this can squeeze concessions out of workers, others will try to do the same. This is one place where labor has to take a stand."

Congoleum, which makes flooring, automobile accessories and ships, doesn't publish its financial results, but analysts estimate its annual sales at more than \$1 billion. The Bath shipyard is considered Con-

goleum's primary asset. Company officials say that although the shipyard is profitable, labor concessions by its workers are necessary to ensure its continuing prosperity as the shipbuilding industry declines. U.S. shipbuilders have been losing ground fast to foreign competitors for about a decade, largely because of low labor costs overseas. Shipyards in South Korea, for example, pay wages of about \$2 an hour, compared with an average of about \$12 an hour in the U.S., says a spokesman for the Shipbuilders Council of America, a Washington, D.C. based trade

The U.S. shipbuilding industry began. sinking faster in 1981 when the federal government ended subsidies to domestic shipyards for construction of commercial ships. The subsidies were begun during the mid-1930s to ensure the economic health of the industry, which traditionally plays a major role in national defense planning. Since the subsidies ended, only five large merchant ships have been built in the U.S., says the Shipbuilders Council spokesman, adding, "That's a scary statistic."

The domestic industry now depends on the Navy for about 90% of its business, the Shipbuilders Council says. But despite its ambitious shipbuilding program, the Navy doesn't provide enough work to keep all of the nation's 92 shipyards in operation. Since 1981, some 25 U.S. shipyards have closed, reducing the industry's total employment about 15% to 106,000 workers, excluding those at yards that do only repair work. Further closings and layoffs are imminent. In July, for example, General Dynamics Corp. announced that it planned to close its 101-year-old shipyard in Quincy, Mass., next year and dismiss 4,200 workers.

The Bath shipyard specializes in building destroyers, cruisers and other relatively small, fast warships. During the past few years, the Navy has sought bidders for new classes of cruisers and destroyers, and three shipyards have emerged as the main bidders for such ships: Bath Iron Works, Todd Shipyards Corp. and the Ingalls Shipbuilding division of Litton Industries Inc. Competition for the contracts has been especially fierce because the shipyard that wins the bidding for the first of a new class of ships usually gets a large share of subsequent orders for the same ship.

This spring, the Navy awarded the Bath shipyard a \$321 million contract to build the first of its DDG-51 class of destroyers. The Navy plans to build 29 of the destroyers, but as many as 60 may be built by the end of the century, a shipyard spokesman says. He adds that such major contracts usually are awarded to the lowest bidder, which is often the shipyard with the lowest labor costs.

William Haggett, president of the Bath shipyard, says its wages are slightly higher than those of its major East Coast and Gulf of Mexico competitors. Pressure on the shipyard to cut labor costs increased, he says, when it underbid competitors to win the DDG-51 contract. "We are committed to negotiating a labor contract that reflects the way we bid for the (Navy) contract," Mr. Haggett says.

But according to recent Navy contracts. the shipyard should have operating profit of more than \$80 million for building two cruisers and the new destroyer, says Ray Ladd, the union local's president. "They're making the same kind of profits they always have, and they still want concessions from us," he grumbles.

Bonuses on Navy Contracts

But shipyard officials say that the estimated profit will be spread over five years and reduced by taxes and other expenses. The shipyard has charged that the union's publication of the estimated profit "is only likely to further polarize positions" and extend the strike.

Such arguments hold little weight with union members. As they walk the picket line, many of them carry signs with the message: "Congoleum: Home of Corporate Greed." They also charge that Congoleum's deniands are unfair because during the past few years, the company has won millions of dollars in bonuses on Navy contracts by delivering ships ahead of schedule and under budget-a performance that the company has boasted about in fullpage newspaper ads. "We're more productive than other yards," the union's Mr. Ladd says, "so why shouldn't we get more money than workers in other yards?

Unlike many U.S. shipyards, Bath Iron Works has upgraded its technology to keep pace with foreign competition. For example, it uses time-saving modular building techniques, in which entire decks and other ship sections are outfitted separately, then hoisted into a hull.

Yet one of the shipyard's main assets has been its stable work force that includes several generations of many Bath area families. "We will have to take some risks with our work force, if that's what is required, to get our labor costs down," says Mr. Haggett, the shipyard president. "But I think that once we get the contract nego-tiated, both sides will work hard to make the shipyard strong."

The strike, the longest by far in the shipyard's history, may be winding down. About 400 clerical workers, who had gone on strike in April, returned to work this week after their union reached an accord with the company on a contract dispute that involved some of the same issues that led to the walkout by Local 6.

Still. Local 6 says its strike, which pits gritty New England workers against equally determined managers, may continue for weeks or even months. "The strike could go on to next year if the company doesn't bend," says the union's Mr. Ladd. "We don't like to be pushed around. and they're taking a tough line.

Deadlines on Navy Ships

Though the shipvard has missed in house deadlines on two Navy ships that it is building, it is under little pressure to set tle quickly with the union. To avoid influencing labor disputes, the Navy typically grants penalty-free extensions to its contractors when their workers are on strike, says a Navy spokesman. And because the shipyard was months ahead of schedule on most of its work when the strike began, it isn't likely to need contract extensions unless the strike lasts well into next year.

Moreover, members of a union representing about 400 draftsmen recently approved a contract that includes a wage freeze, a move that should enable the shipyard to stay on schedule in designing the Navy's new destroyer.

But shipbuilders union officials say they see little room for compromise on certain of Congoleum's demands, such as a proposed higher deductible on health benefits and the right to assign workers to jobs not covered by their job descriptions.

Though the union pays its members only \$60 a week during the strike, most of them say they are determined not to knuckle under. Many of them have found temporary jobs, and the Maine AFL-CIO has organized a food drive to support the strikers. "It won't be easy to pay the fuel bills when it gets colder," says John War-ner III, one of the strikers. "But I'll shovel snow if I have to.

WALL STREET JOURNAL 27 September 1985 Pg.29 Making Canadian Waters Safe for U.S. Ships and Soviet Subs

TORONTO-If you want to ship something-say, oil-from Point Barrow, Alaska, to Boston, there are two ways to go. You can turn west across the Bering Strait and look for a break in the Aleutian chain. Having found one southeast of Dutch Harbour, you can sail south along the North American continent. From Tijuana. Mexico, it's just a matter of follow-

The Americas

by George Jonas

ing the Central American coast, then turning north through the Panama Canal. Once you've crossed the Tropic of Cancer between Havana and Miami, another couple of days sailing up the East Coast should see you safely into Boston harbor.

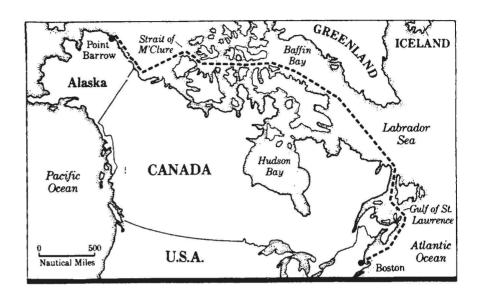
A shorter way is to turn due east from Point Barrow, hug the south shore of the Beaufort Sea, then enter the Northwest Passage through the M'Clure Strait. This will take you into Baffin Bay on the Atlantic Ocean. Round Labrador, cross the Gulf of St. Lawrence, and you're virtually home.

The only problem with taking the latter route is that, within the Northwest Passage, you'll be sailing through what your good neighbor to the north regards as its own territorial waters. The arctic islands of Melville, Banks, Victoria, Devon and Baffin belong to Canada.

Like all countries, Canada wishes to set the rules concerning the use of its internal waterways. The arctic environment is considered to be fragile, and the environmentalist lobby in Canada has protested loudly against opening sea lanes through these waters. After the controversial passages of the U.S. tanker Manhattan in 1969 and 1970. Canada's Liberal Prime Minister Pierre Trudeau passed the Arctic Waters Protection Act-to which President Richard Nixon responded by restricting oil exports to Canada for nine months. Since then, the price of coping with Canada's rules of environmental protection has been considered unacceptably high.

One way for the U.S. to resolve this dispute would have been to negotiate with the Canadian government. The U.S. embraced a less diplomatic option this August by sending the Coast Guard icebreaker Polar Sea through the Passage from Thule. Greenland, to Point Barrow. The contention of the U.S. was that the waterway between the Beaufort Sea and Baffin Bay is international and, therefore, Canada is not entitled to set any rules.

Until another such incident the U.S. and Canada have agreed to disagree on Canada's sovereignty over the arctic archipelago. The passage of the Polar Sea was to



be regarded as taking place without prejudice to the respective positions of the two countries.

Canadian legal scholars, such as Carleton University law professor George Neuspiel, believe that once waters are habitually used by international shipping the question of sovereignty becomes largely academic. This is one reason why, despite face-saving formulas worked out between Washington and Ottawa, the passage of the Polar Sea has created a major furor north of the 49th parallel.

Some Canadian commentators, notably retired Maj. Gen. Richard Rohmer and Toronto Sun columnist Eric Margolis, point out that sovereignty is enforced by military muscle, which Canada's armed forces are as sorely lacking in the arctic as elsewhere. They emphasize the irony that the loudest demands for Canada standing firm on arctic sovereignty now come from the same liberal-socialist groups whose pressure for social programs over defense spending has contributed much to the emasculation of Canada's military power. Lurking Soviet subs seldom excite these groups. It's the passage of a U.S. ship that elicits their shrillest protests.

Canada, of course, would be unlikely to respond to the Polar Sea's journey by blowing the Coast Guard vessel out of the water even if it had a strong navy in the north. In this sense military muscle seems immaterial to the question of sovereignty. There is merit in the proposition, though, that the U.S. may not regard it so vital to establish its own presence in arctic waters if its North Atlantic Treaty Organization ally, Canada, were more willing to share the burden of the hemisphere's defense.

Still, succeeding in the claim that the

Northwest Passage is part of the high seas-whether by a decision of the International Court or by a force of precedentcould turn out to be a Pyrrhic victory for the U.S. International waters have a way of becoming Soviet swimming pools. This has now happened from the Mediterranean to the Gulf of Bothnia. It makes little sense to use the U.S. Coast Guard to sweep a legal path for Soviet submarines below the North Pole.

It makes equally little sense to alienate Canadian public opinion just when Prime Minister Brian Mulroney's Conservative government appears ready to mend fences that have broken down between the two countries during the Trudeau years. For the time being, Canada is not taking its case to the International Court and has also decided against drawing baselines on its official maps-perhaps in the realization that lines on a map only add insult to injury if others continue to cross them.

But there are good arguments against ventures such as the Polar Sea's arbitrary passage. Apart from legalizing Soviet intrusions, they can only give a new lease on life to those essentially anti-American forces of extreme Canadian nationalism whose influence has much diminished in the past few years. If the ultimate purpose is to negotiate secure passage for U.S. shipping across the top of the continent for commerce and defense, continued Canadian sovereignty over arctic waters may be its best guarantee. For the success of such negotiations, unleashing a Coast Guard icebreaker is not the best way to break the ice.

Mr. Jonas is a Canadian columnist and author of "Vengeance" (Simon & Schuster,