

NATIONAL SECURITY COUNCIL

NATIONAL SECURITY COUNCIL MEETING

February 19, 1985 -- 2:00-2:57 p.m.
The Cabinet Room

SUBJECT: The President's Trip to Quebec, Canada (U)

PARTICIPANTS:

The President

Office of the Vice President
The Vice President
Admiral Daniel Murphy
Mr. G. Boyden Gray

State
Secretary George P. Shultz
Mr. Richard Burt
Ambassador Paul Robinson

Treasury
Deputy Secretary Richard Darman
Mr. David Mulford

Defense
Secretary Caspar W. Weinberger
Dr. Fred C. Ikle

Interior
Secretary Donald P. Hodel

Commerce
Secretary Malcolm Baldrige
Mr. Joseph Dennin

Energy
Secretary John S. Herrington

USTR
Ambassador William E. Brock
Mr. William Merkin

OPD
Mr. John A. Svahn
Mr. Martin Smith

CIA
Mr. William J. Casey
Mr. George Kolt

JCS
General John W. Vessey

USIA
Mr. Charles Z. Wick
Mr. William Zavis

EPA
Mr. Lee Thomas
Mr. Fitzhugh Green

White House
Mr. Edwin Meese III
Mr. Donald T. Regan
Admiral John M. Poindexter
Mr. Robert Sims

NSC
Mr. Tyrus W. Cobb
Mr. Roger Robinson

Minutes

Admiral Poindexter opened the meeting by noting that the large attendance was indicative of the high degree of interest in the Canadian-American relationship. He pointed out that the focus of today's meeting would be on the March 17-18, 1985 trip to Quebec, and would also provide the President an overview of the inter-

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agency study of U.S.-Canada ties we have undertaken. Admiral Poindexter stressed the extraordinary significance this visit has for Canada and for Prime Minister Mulroney personally. (S)

Admiral Poindexter noted that he (the President) would arrive on St. Patrick's Day. The visit would be initiated by a personal meeting with the Prime Minister, followed by a black tie dinner and a Gala Entertainment special. Two meetings will be held on Monday, February 18; the first session will focus on foreign policy and arms control matters, with the second expanded plenary oriented on bilateral issues, particularly trade and environment, and on global economic questions. Admiral Poindexter stated that the visit would culminate with a signing ceremony at the Citadel, the site where Churchill and Roosevelt met to lay the foundation of the Atlantic Alliance. (C)

The advent of the Mulroney Government and the prospects for improved ties, Admiral Poindexter noted, persuaded us to initiate a comprehensive review of our relations with Canada. He said he would like to have Secretary Shultz initiate the discussions with a political overview. (C)

Secretary Shultz told the President that relations with Canada were excellent and improving steadily under Prime Minister Mulroney. However, he noted, even in the later Trudeau years, our relations had shown some improvement. Still, the excellent personal relationship you (the President) have with the Prime Minister and the fact that we are ideologically on the same wavelength indicate that we have great prospects for further improvement of our ties. (C)

Outlining our objectives, the Secretary stated that we wanted continuing support from Canada on our arms control and East-West policies. He added that we also wished to get them to agree to do more within NATO, and to increase significantly their spending on defense. We anticipated that we might get Canadian agreement on collaboration with us on Central American, Pacific Basin, and North-South issues. Secretary Shultz noted that former Prime Minister Trudeau was particularly obstinate on North-South matters. (S)

The Secretary indicated that the Canadians are currently undertaking a review of their economic and foreign policies. This gives us an opportunity to influence them in the direction of freer trade, possibly resulting in the removal of existing barriers against investment and foreign participation in energy extraction. The ongoing revision of the FIRA (Foreign Investment Review Agency) and the NEP (National Energy Plan) were positive indications. (S)

Secretary Shultz noted that Prime Minister Mulroney would want a visible demonstration of how important we think Canada and the Prime Minister himself are. Mulroney has made a point of his staunch pro-U.S. stand and the Canadian public is beginning to ask what he is receiving in turn from the Americans. The

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thorniest and most involved issue, the Secretary pointed out, would be acid rain. In this vein, there are some things that can be done, but whether they will suffice is doubtful. (C)

We anticipate that we will be able to sign agreements in Quebec on the modernization of the North Warning System, Mutual Legal Assistance, and Pacific Salmon. We also hope to have a statement declaring our joint commitment to improving our defense postures and also one expressing Canadian interest in participation in our space station. (C)

Secretary Weinberger noted that the North Warning document is close to agreement. He added that we were pleased with Canadian rhetoric on increased defense spending, but we are afraid that the rhetoric will not be matched by action. In fact, Canada may have zero growth in defense spending and may even reduce its contribution to NATO. He added that we hope to have a draft paper directed at an upgrading of the Permanent Joint Board on Defense. In addition, we know the Canadians have an interest in participating more in our defense procurement process, and we may want to entice them to look closely at what the SDI program may offer. Finally, although it is not a major problem with Canada, we will want to express our concern about technology transfer leakage. (S)

Deputy Secretary Darman indicated to the President that our trade with Canada, totaling \$120 billion a year, is far more significant than that with any other country. Further, our trade deficit with Canada is second only to that with Japan. He pointed out that the Canadian economic recovery is proceeding slower than ours and is highly dependent on our own recovery. Deputy Secretary Darman pointed out that the Canadian budget deficit, as a percentage of GDP, was much greater than ours. He added that a second major concern was unemployment, which now was at the politically unacceptable 11 percent level. (C)

The Deputy Secretary recommended to the President that he should attempt to move the Canadians even further toward a market economy. We should note our approval of their tentative policy shifts, particularly on the FIRA and NEP. The Deputy Secretary added that it was necessary to reemphasize the importance of the acid rain issue, which would be perceived as the "acid test" in determining the success of this meeting. (C)

Ambassador Brock noted that he had just returned from Japan, and that it was a real pleasure to be dealing with the Canadian relationship, which was much less rancorous. He noted that we have a real opportunity for progress, ranging from issues such as border broadcasting and copyrights to trade restrictions on pharmaceutical and agricultural products. In Quebec, we would like to secure agreement on a new round of multilateral trade talks, the removal of long-standing trade irritants, and an agreement to shift our bilateral trade ties to a protectionist-free environment. Ambassador Brock indicated that the President's visit was of enormous importance and could result in a fundamental reordering of our trade relationship. (C)

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Administrator Thomas emphasized that acid rain is the key issue for the Quebec meeting. He noted that the Canadians have stressed that they feel our policies do not take Canadian concerns sufficiently into account. Mr. Thomas indicated that our policy acknowledged acid rain as a major problem and that we were continuing to review our stance. He added that he thought that we could stay within the parameters of this policy and still demonstrate sufficient flexibility to the Canadians. Administrator Thomas felt that we could strive for an environmental statement that included an active exchange of scientific data and an acknowledgement of our strong environmental program. In fact, Prime Minister Mulroney has now recognized our efforts and is moving forward to improve Canada's record. (C)

Administrator Thomas noted that in the next six months, we will be issuing regulations that offer opportunities with respect to the Quebec meeting. These regulations deal with NOX, heavy trucks, and tall stacks. As we promulgate our regulations, we should be aware of the special impact these will have on the American Northeast and on Canada. He suggested we might incorporate language to this effect into the Quebec meeting. Beyond this, we would have to fundamentally review our current policy, which would be a major step we ought to avoid. (C)

The Vice President asked if the acid rain problem were getting worse. Administrator Thomas replied that we have reviewed the evidence and do not think it is persuasive, although he acknowledged that there was strong opinion on both sides of this question. The President noted that we haven't had air as clean as we now have for decades. He pointed out that much of the damage had occurred earlier. The President also pointed out that Prime Minister Mulroney had been very forthcoming in admitting Canadian laxity in maintaining a viable environmental program. (C)

Administrator Thomas replied that Mulroney made it clear that Canada did not have clean hands on this issue. However, he added that the Prime Minister was committed to securing a 50 percent reduction in acid emissions, but this was unlikely to be achieved, according to Thomas. He added that Canada's record did not begin to approach our reductions of NOX. Secretary Baldrige noted that Mulroney was laying out a strong position from which to deal with us. Ambassador Brock agreed and once again stressed the importance of this issue to the Canadian-American relationship. Secretary Shultz noted that we may have some flexibility in the tall stacks case that would enable us to show progressive movement on this issue. Mr. Wick noted that we may want to consider a two-way satellite hook-up, with Canadian and American journalists and scientists discussing this issue. (C)

Mr. Svahn pointed out that this was a major issue, but one that is now relatively dormant domestically. We needed to ensure that we did not raise the visibility of this contentious matter again. He pointed out that while the Canadians have published a lot of rhetoric on environmental protection, we have spent over \$150 billion over the last ten years cleaning up the environment.

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Further, we have regulations pending that will eliminate lead from gasoline, and, of course, the Tall Stacks decision offers the potential for real help to Canada. He concluded that elevating this issue on the international level could come back to bite us on the domestic side. (C)

President Reagan pointed out that recent research has shown that, ironically, our ability to control forest fires has eliminated one of the natural impediments to acid rain. Mr. Keel agreed and stressed the fact that we have tripled our research budget in this area. However, we are not certain that we know the causal relationship between acid rain and emissions. He stressed that we had to take caution not to tie in trans-border pollution with our emissions. The Vice President added that the key is to get the Canadians to realize the scientific uncertainties, and in particular, to acknowledge our accomplishments in this area. Still, this was an issue that generates an extraordinary amount of fervor in Canada. (C)

Secretary Shultz agreed and noted that that is why we need a statement showing what we have done and what we plan to do. Then, the Canadians need to make a statement of their accomplishments and plans. We also need to negotiate an environmental statement between now and the President's visit. Secretary Hodel agreed, but cautioned on incorporating the Tall Stacks decision into a statement on acid rain. Administrator Thomas concluded that what we needed was first, a re-statement of our policy, and second, a statement of our common concerns and a list of our ongoing programs. Secretary Herrington offered the caution that coupling any sort of declaration to the Tall Stacks case would not be advisable. Secretary Shultz responded that the regulations were, in any event, going to be issued, so we ought not to try to avoid the inevitable, but to take advantage of it. (C)

The President asked if we have tried to lime a lake in order to discern when damage had occurred. Administrator Thomas responded that we were actively pursuing this course in our acid rain research, but the scientific results were incomplete at present. (C)

Mr. Meese pointed out that our differences were minimal. We apparently have agreement that the President could move forward on several points during his meeting with Prime Minister Mulroney. First, we need to show that the U.S. is concerned about our common environment -- we have made a significant investment, over \$150 billion, aimed at reducing the suspected pollutants responsible for acid rain. Further, the FY 86 budget proposes a 33 percent increase in our acid rain research program to \$85 million. Secondly, the U.S. has underway regulatory actions that will continue to reduce our emissions of precursor pollutants. Finally, even with the upturn in our economy, SO² emissions decreased by 2.5 percent between 1982 and 1983. Thus, by emphasizing our commitment to environmental protection, our current and future programs and plans, and our willingness to share our scientific data and research, we should be able to meet Canadian concerns. (C)

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Admiral Poindexter noted that our political, diplomatic and defense relations with Canada are excellent and continue to improve under Prime Minister Mulroney. He said we seem to be in excellent shape for the Quebec visit. (C)

The meeting adjourned at 2:57 p.m.

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MEMORANDUM

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NATIONAL SECURITY COUNCIL

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ACTION

February 19, 1985

MEMORANDUM FOR ROBERT C. McFARLANE

FROM: TYRUS W. COBB *TWC*

SUBJECT: Minutes of NSC Meeting on President's Trip to
Quebec -- February 19, 1985 -- 2:00 p.m.

Attached are the minutes from the NSC meeting on the President's
trip to Quebec.

RECOMMENDATION

That you approve the minutes at Tab A.

Approve

Disapprove

Attachment
Tab A - Minutes

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Declassify: OADR

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DECLASSIFIED
Sec 2.40) E.O. 12958, as amended
White House Guidelines, Sept. 11/2009
BY NARA CAS DATE 9/18/17