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TELEGRAM NUMBER 117 OF 12 MARCH

INFO PRIORITY WASHINGTON UKMIS NEW YORK

## REAGAN'S VISIT TO CANADA: 10-11 MARCH

1. PRESIDENT REAGAN COMPLETED YESTERDAY A VISIT TO OTTAWA LASTING 27 HOURS, HIS FIRST OUTSIDE THE US SINCE ASSUMING OFFICE AND THE FIRST BY A US PRESIDENT TO CANADA SINCE PRESIDENT NIXON'S IN 1972. HE WAS ACCOMPANIED BY MRS REAGAN AND A LARGE TEAM OF MINISTERS AND OFFICIALS INCLUDING MR HAIG, SECRETARY OF STATE, MR ALLEN, NATIONAL SECURITY ADVISOR, MR REGAN, TREASURY SECRETARY AND MR BALDRIGE, SECRETARY OF COMMERCE.

2. THE VISIT TOOK PLACE AGAINST A BACKGROUND OF SEVERAL LONGSTANDING BILATERAL DIFFICULTIES AND INCREASING CANADIAN APPREHENSION ABOUT THE EFFECT ON CANADA OF REAGAN'S ECONOMIC AND ENVIRONMENTAL POLICIES, INCLUDING FEAR THAT RELAXATION IN AIR POLLUTION STANDARDS COULD EXACERBATE THE ALREADY SERIOUS PROBLEM OF ACID RAIN. CANADIANS' SENSE OF IMPOTENCE AND INFERIORITY BESIDES THE US HAS ALWAYS BEEN ACUTE. IN THIS CASE IT WAS AGGRAVATED BY A NUMBER OF US ACTIONS IN THE DAYS PRECEDING THE VISIT THAT THEY FELT TO BE PROVOCATIVE OR INSENSITIVE AND TO BODE ILL FOR CANADIAN-US RELATIONS: THE ISSUE OF A NOTE COMPLAINING ABOUT THE NATIONAL ENERGY POLICY, UNHERALDED CHANGES IN US REPRESENTATION ON THE INTERNATIONAL JOINT COMMISSION, PRESIDENT REAGAN'S WITHDRAWAL OF THE EAST-COAST FISHERIES TREATY FROM SENATE CONSIDERATION AND THE DECISION TO REVIEW US POLICY TOWARDS THE LAW OF THE SEA TREATY. THERE HAD ALSO BEEN CONTROVERSY IN CANADA OVER US POLICY TOWARDS EL SALVADOR. THESE AND OTHER CONCERNS WERE REPRESENTED BY NUMEROUS NOISY BANDS OF DEMONSTRATORS WHO CONFRONTED REAGAN ON HIS ARRIVAL AT PARLIAMENT HILL AT THE OUTSET OF HIS VISIT. THE DEMONSTRATIONS WERE RAUCOUS BUT NOT VIOLENT, HANDLED WITH SKILL AND APPARENT EQUANIMITY BY BOTH TRUDEAU AND REAGAN, AND PROBABLY PRIVATELY WELCOME TO CANADIAN MINISTERS AS A USEFUL UNDERLINING OF CERTAIN OF THE GRIEVANCES THEY HOPED TO RAISE IN BILATERAL DISCUSSIONS LATER IN THE DAY.

3. ON 11 MARCH, IN SPEECHES TO A JOINT SESSION OF PARLIAMENT, TRUDEAU EMPHASISED CANADA'S DISTINCTIVENESS FROM THE USA AND THE RESPONSIBILITY OF INDUSTRIALISED DEMOCRACIES TO HELP DEVELOPING COUNTRIES: REAGAN STRESSED RATHER THE COMMON INTEREST OF THE TWO COUNTRIES AND THE PRIORITY OF REPAIRING THE US ECONOMY.

4. THE VISIT ACHIEVED NO REAL PROGRESS ON THE BILATERAL PROBLEMS. THE MORE THOUGHTFUL POLITICAL COMMENTATORS ARE ACKNOWLEDGING THE MISTAKENNESS OF HIGH EXPECTATIONS FROM A SHORT VISIT SO EARLY IN

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THE LIFE OF THE NEW ADMINISTRATION BUT MEDIA COMMENT AS A WHOLE HAD TENDED TOWARDS ACERBITY. IT IS GENERALLY APPARENT THAT THE US HAVE CONCEDED NOTHING TO THE CANADIANS. THE US EMBASSY HAVE TOLD US PRIVATELY THAT NOTHING CAN DISGUISE THE SERIOUSNESS OF THE BILATERAL ISSUES, AND THAT US POSITIONS ON THEM ARE DEEPLY FELT BY THEIR MINISTERS WHO CAN BE EXPECTED TO GIVE NOTHING AWAY. ON SOME POINTS CANADIAN MINISTERS ARE CLEARLY PIQUED AND DISAPPOINTED. HOWEVER MEMBERS OF BOTH CANADIAN AND US PARTIES HAVE CONFIRMED THAT REAGAN AND TRUDEAU ESTABLISHED SURPRISINGLY CLOSE PERSONAL RAPPOR. IN SO FAR AS THIS IS THE MAIN PURPOSE OF SUCH VISITS, THIS ONE MAY BE RATED A SUCCESS.

5. DISCUSSIONS COVERED THE FOLLOWING MAIN SUBJECTS:

(A) EAST/COAST FISHERIES:

BEFORE THE VISIT THE US ANNOUNCED THAT REAGAN HAD WITHDRAWN FROM SENATE CONSIDERATION ONE OF THE TWO EAST COAST FISHERIES TREATIES SIGNED 2 YEARS AGO — THAT COVERING MANAGEMENT OF STOCKS AND FISHERIES THE OTHER COVERING THE INTERNATIONAL SEA BOUNDARY WOULD STILL GO TO THE SENATE AND THENCE TO THE I-C-J. THE US HAS NOW STATED ITS READINESS TO TAKE FISHERY CONSERVATION MEASURES AND NOT TO ARREST CANADIAN FISHERMEN IN THE DISPUTED WATERS. THE CANADIANS HAVE NOT YET ACCEPTED THE US MOVE ON THE TREATIES AND HAVE EXPRESSED SCEPTISM ABOUT, THE CONSERVATION PROMISE, " GIVEN THE RECORD OF THAT INDUSTRY IN THE US IN NOT PROTECTING STOCK".

(B) GARRISON RIVER PROJECT: CANADIANS ARE CONCERNED THAT THE GARRISON RIVER IRRIGATION PROJECT WILL INTRODUCE ALIEN FISH SPECIES AND FISH DISEASES INTO THE RIVER SYSTEM OF MANITOBA WHICH DRAINS INTO THE HUDSON BAY. THERE HAD ALREADY BEEN UNANIMOUS CRITICISM IN THE HOUSE OF COMMONS OF REAGAN'S DECISION TO APPROVE EXPENDITURE OF DOLLARS 4 MILLION IN NEW FUNDS ON THE PROJECT. WE UNDERSTAND THAT THE US SIDE GAVE ASSURANCES THAT THEY WOULD MEET THEIR OBLIGATIONS UNDER A 1909 BOUNDARY WATERS TREATY AND NOT INTRODUCE HARMFUL SUBSTANCES INTO CANADIAN WATERS: NOR WOULD THEY SPEED UP THE PROJECT.

(C) ENVIRONMENTAL: THE US WOULD USE THEIR "BEST EFFORTS" TO CONTAIN POLLUTION OF THE GREAT LAKES AND EMISSIONS CAUSING ACID RAIN.

(D) NATIONAL ENERGY PROGRAMME: A US STRONGLY WORDED NOTE TO CANADIAN MINISTERS CRITICISING CANADA'S NEW ENERGY POLICY (WHICH DISCRIMINATES SEVERELY AGAINST FOREIGN OIL COMPANIES, THE MAJORITY OF WHICH ARE AMERICAN OWNED) WAS LEAKED IN WASHINGTON BEFORE THE VISIT. HOWEVER, DURING THE VISIT MR HAIG DISOWNED THE LETTER SAYING IT HAD FLOWED OUT OF CONTINUING GIVE AND TAKE AT LOWER LEVELS AND DID NOT REPRESENT THE OPINION OF HIMSELF OR THE ADMINISTRATION.

(E) AUTO PACT: BOTH SIDES PLEDGED CLOSER COOPERATION IN FIGHTING OFF IMPORTS: AND DISCUSSIONS ON A CONTINUING BASIS. THE US AVOIDED COMMITMENTS ON THE BASIS THAT THEY WERE STILL FORMULATING POLICY.

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(F) ALASKA HIGHWAY GAS PIPELINE: REAGAN CONFIRMED HIS PREDECESSOR'S SUPPORT FOR THE PROJECT. HE EMPHASISED THAT FINANCE SHOULD COME FROM THE PRIVATE SECTOR.

(G) THE US PUSHED HARD ON FIRA AND MR GRAY, MINISTER OF INDUSTRY TRADE AND COMMERCE AGREED TO LOOK AT MATTERS ON A CASE BY CASE BASIS.

(H) MULTILATERAL: THE MAIN MULTILATERAL ISSUE, BECAUSE OF PUBLIC CONTROVERSY IN CANADA, CONCERNED EL SALVADOR. CANADA MADE CLEAR ITS OPPOSITION TO SUPPLYING ARMS. MR MACGUIGAN SAID HE WELCOMED US EXPLANATIONS THAT THEIR ARMS SUPPLY WAS NOT A HARBINGER OF MASSIVE MILITARY INVOLVEMENT AND THAT THEY HAD NO INTENTION OF SEEKING A MILITARY SOLUTION. WE HOPE TO GAIN BETTER INSIGHTS INTO THE MULTILATERAL DISCUSSIONS DURING THE COURSE OF THE NEXT FEW DAYS.

(I) LAW OF THE SEA: CANADA ALSO EXPRESSED STRONG CONCERN ABOUT THE DECISION OF THE NEW ADMINISTRATION TO REVIEW THEIR STAND AND HOLD UP NEGOTIATIONS.

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