The original documents are located in Box 1, folder "Alaska Natural Gas Transportation Act" of the Loen and Leppert Files at the Gerald R. Ford Presidential Library.

THE WHITE HOUSE
WASHINGTON

March 10, 1976

TO: VERN LOEN

FROM: GLENN SCHLEEDE

Attached is a copy of the Administration's Alaskan Natural Gas bill which is being sent to the Hill today by Frank Zarb.

Also attached is a copy of the cover letter and fact sheet.

Attachments

FEDERAL ENERGY ADMINISTRATION
WASHINGTON, D.C. 20461

OFFICE OF THE ADMINISTRATOR

Honorable Nelson A. Rockefeller
President of the Senate
Washington, D.C. 20510

Dear Mr. President:

I am transmitting herewith a bill entitled the "Alaskan Natural Gas Transportation Act of 1976." This bill is designed to expedite the selection and construction of a system for the transportation of natural gas from the North Slope of Alaska to the lower 48 states.

The bill recognizes the importance to the Nation of prompt selection of such a transportation system, and will provide a means to obtain a decision on this vital issue as soon as feasible, but no later than October 1, 1977. At the same time, it will provide adequately for the detailed technical, financial and environmental studies that must be completed to assure a decision in the public interest, with participation by both the Congress and the Executive.

Production of natural gas in the United States continues to decline. This trend weakens the efforts the Nation must make to promote domestic production of energy resources, to reduce our dependence upon foreign energy sources and our vulnerability to another embargo. Although natural gas from Alaska is not the only answer to our energy needs, we must act now to assure that we can use this significant domestic energy resource as soon as possible. The long lead times required by the scale and sophistication of the engineering and construction effort to transport Alaskan gas argue strongly for an efficient decision-making process. Unnecessary procedural delay would be unconscionable.

Two applications for a system to transport North Slope natural gas to the lower 48 states are now pending before the Federal Power Commission. The Commission is well along in the difficult and complex task of reviewing and analyzing these applications as well as alternative systems. I believe that

it would be a mistake, as some have suggested, to truncate this carefully conducted deliberative process by the agency most familiar with the natural gas industry. While we need a prompt decision, we also need the right decision.

Nonetheless, selection of a system, because of the size of the project and the complexity of the decision, will transcend the responsibilities of any single Federal agency. Final selection of a route will involve national security, energy, environmental and diplomatic considerations which it is neither fair nor appropriate to ask the Federal Power Commission alone to resolve. Accordingly, the proposed legislation provides for the Federal Power Commission to complete its review and make a recommendation to the President by January 1, 1977. The proposed legislation provides for the final decision to be made by the President, with such information and recommendations from other Federal agencies as the President deems appropriate. The bill would require the President to make a decision as soon as possible after receipt of agency recommendations, but in no event later than August 1, 1977. The Congress would then have 60 days in which it might review and act upon this decision. If the Congress takes no negative action on the President's decision, the Federal Power Commission and other relevant Federal agencies are mandated to promptly issue, consistent with normal procedures and criteria, the needed certificates, permits, leases, rights of way and other necessary authorizations, which would occur after completion of a final environmental impact statement. In addition, the bill limits the scope and timing of judicial review, consistent with constitutional safeguards, so that lawsuits by private parties will not hamstring expeditious construction of a system that the President and the Congress have agreed is in the national interest.

These provisions of the bill are similar to those adopted by the Congress in the Trans-Alaska Pipeline Authorization Act of 1973. This legislation is no less urgent, and commends use of the same means promptly to assure a decision which carries out the public interest.

The Office of Management and Budget has advised that enactment of this legislation would be in accord with the energy program of the President. I urge early action by the Congress on this important legislation.

Sincerely,

Frank G. Zarb
Administrator

A BILL

To expedite the delivery of Alaskan Natural Gas to United States' markets, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

Section 1. This Act may be cited as the "Alaskan Natural Gas Transportation Act of 1976."

CONGRESSIONAL FINDINGS

Sec. 2. The Congress finds and declares that:

(a) A natural gas supply shortage exists in the United States.

(b) Large reserves of natural gas in the State of Alaska can help significantly to alleviate this supply shortage.

(c) The construction of a natural gas pipeline system to transport natural gas from Alaska to the contiguous 48 states at the earliest practicable time, is essential to the national interest.

(d) Alternative delivery systems for transporting Alaskan natural gas to the contiguous 48 states are available, and the decision as to the selection of a system is one which involves critical questions of national energy policy, international relations, national defense, and

economic and environmental considerations, and which therefore should appropriately be addressed by the Congress of the United States and the Executive Branch, in addition to the Federal Power Commission.

STATEMENT OF PURPOSE

Sec. 3. The purpose of this Act is to expedite the selection and construction of a natural gas transportation system for delivery of Alaskan natural gas to the contiguous 48 states through establishment of new administrative and judicial procedures. To accomplish this purpose it is the intent of the Congress to exercise its constitutional powers to the fullest extent in the authorizations and directions herein made and in limiting judicial review of the actions taken pursuant thereto.

DEFINITIONS

Sec. 4. As used in this Act:

(a) The term "Alaskan natural gas" means natural gas derived from the area of the State of Alaska generally known as the North Slope of Alaska, including the continental shelf thereof.

(b) The term "Commission" means the Federal Power Commission.

(c) The term "Secretary" means the Secretary of the Interior.

FEDERAL POWER COMMISSION REVIEW

Sec. 5. (a) Notwithstanding the provisions of the Natural Gas Act (15 U.S.C., §717-717w), the procedures established by this Act shall govern actions by the Commission with respect to review and approvals of applications for a certificate of public convenience and necessity filed by any person with respect to proposals to transport Alaskan natural gas from the State of Alaska for use within other states in the continental United States. The provisions of the Natural Gas Act shall apply to the extent they are not inconsistent with this Act. Any certificate of public convenience and necessity related to the transportation of Alaskan natural gas from the State of Alaska shall be issued by the Commission in accordance with section 9 of this Act.

(b) The Commission is hereby directed to complete its proceedings with respect to proposals for the transportation of Alaskan natural gas from the State of Alaska, which proceedings are pending on the date of enactment of this Act, and to transmit a determination thereon to the President by January 1, 1977.

(c) The determination required by subsection (b) of this section may be in the form of a proposed certificate of public convenience and necessity, or such other form as the Commission deems appropriate, and should include such information as the Commission deems appropriate, including:

(i) estimated capital and operating costs, including analysis of any likely cost overruns;

(ii) analysis of construction schedules and possibilities for delay;

(iii) extent of reserves, both proven and probable, and their deliverability into a transportation system;

(iv) analysis of environmental considerations, including pipeline design criteria, and maintenance and construction procedures;

(v) financing capabilities;

(vi) safety in design and operation;

(vii) anticipated demand in, and deliverability to particular markets, including analysis of displacement questions and substitute fuels;

(viii) anticipated transportation tariffs, both short-term and long term.

OTHER AGENCY REPORTS

Sec. 6. By February 1, 1977, the President shall require from such agencies as he deems appropriate the submission of reports to him with respect to the alternative methods for delivering Alaskan natural gas to the other states in the continental United States. Such reports should include information with respect to:

(a) issues related to national energy policy;

(b) environmental considerations, including a detailed study of the air and water quality and noise impacts;

(c) issues related to pipeline safety and Liquified Natural Gas transportation;

(d) foreign policy aspects, including evaluation of the status of Canadian approvals and plans;

(e) national defense, particularly questions of security of supply;

(f) issues relating to natural resources, use of Federal lands, and fish and wildlife resources; and

(g) issues relating to financing.

PRESIDENTIAL DECISION

Sec. 7. (a) As soon as possible after receipt of the reports required by section 6, but not later than August 1, 1977, the President shall issue a decision as to which system for transportation of Alaskan natural gas, if any, shall be issued the necessary approvals in accordance with sections 9 and 10 of this Act. The Presidential selection of the natural gas transportation system shall be based on the determination as to which system best serves the national interest in bringing Alaskan natural gas to the contiguous 48 states and shall include such terms and conditions as the President deems appropriate.

(b) The decision of the President made pursuant to subsection (a) of this section, along with a statement of the reasons therefor, shall be transmitted immediately to the Senate and the House of Representatives.

(c) The decision of the President shall become final as provided in section 8.

CONGRESSIONAL REVIEW

Sec. 8. (a) A Presidential decision issued pursuant to section 7 shall become final after the close of the 60-day period beginning on the day on which such decision is transmitted to the Senate and to the House of Representatives.

(b) If, because of Congressional action, the Presidential decision does not become final, the President may submit the same or a new decision to the Senate and the House of Representatives. Any such new submission may only become final in accordance with the procedures specified in subsection (a) in the same manner as a decision issued pursuant to section 7.

CERTIFICATION

Sec. 9. (a) The Congress hereby authorizes and directs the Commission, within thirty days after a Presidential decision has become final in accordance with section 8 of this Act, to issue all certificates, permits, and other authorizations necessary for or related to the construction, operation, and maintenance of the transportation system selected in accordance with sections 7 and 8 of this Act. The Commission, in issuing such certificates, permits or authorizations, shall include the terms and conditions set out by the President in his decision pursuant to section 7 of this Act.

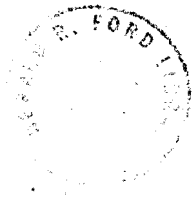
(b) No action may be taken by any agency pursuant to this Act until any environmental impact statements considering a system for transportation of natural gas from Alaska to the contiguous 48 states, which statements are in draft form on the effective date of this Act, are completed in final form and filed with the Council on Environmental Quality. Section 102(2)(C) of the National Environmental Policy Act of 1969 shall not be applicable to the Alaskan Natural Gas transportation system selected in accordance with this Act, except as provided in this subsection.

OTHER ADMINISTRATIVE AUTHORIZATIONS

Sec. 10. (a) The Congress hereby authorizes and directs the Secretary of the Interior, the Secretary of

Transportation, and other appropriate Federal officers and agencies to issue and take all necessary action to administer and enforce rights-of-way, permits, leases, and other authorizations that are necessary for or related to the construction, operation, and maintenance of the Alaskan natural gas transportation system; provided that, nothing in this subsection shall be construed to require the granting of any authorization relating to federal financial assistance.

(b) Rights-of-way, permits, leases, and other authorizations issued pursuant to this Act by the Secretary shall be subject to the provisions of section 28 of the Mineral Leasing Act of 1920 (30 U.S.C., §185) (except the provisions of subsections (h)(1), (j), (k), (q), and (w)(2)); all authorizations issued by the Secretary and other Federal officers and agencies shall include the terms and conditions required, and may include the terms and conditions permitted, by the provisions of law that would otherwise be applicable if this Act had not been enacted, and they may waive any procedural requirements of law or regulations which they deem desirable to waive in order to accomplish the purposes of this Act. The direction contained in subsection (a) of this section shall supersede the provisions of any law or regulations relating to an administrative determination as to whether the authorizations for construction of the Alaskan natural gas transportation system shall be issued.



(c) The Secretary of the Interior and the other Federal officers and agencies are authorized at any time when necessary to protect the public interest, pursuant to the authority of this section and in accordance with its provisions, to amend or modify any right-of-way, permit, lease, or other authorization issued under this Act.

JUDICIAL REVIEW

Sec. 11. The actions of the Federal officers concerning the issuance of the necessary rights-of-way, permits, leases, and other authorizations for construction, and initial operation at full capacity of the Alaskan natural gas transportation system, including the issuance of a certificate of public convenience and necessity by the Commission, shall not be subject to judicial review under any law, except that claims alleging the invalidity of this section may be brought within sixty days following the date of enactment, and claims alleging that an action will deny rights under the Constitution of the United States, or that the action is beyond the scope of authority conferred by this Act, may be brought within 60 days following the date of such action. A claim shall be barred unless a complaint is filed in the United States district court for the District of Columbia within such time limits, and such court shall have exclusive jurisdiction to determine such proceeding in accordance with the procedures hereinafter provided, and no other court of

the United States, of any State, territory, or possession of the United States, or of the District of Columbia, shall have jurisdiction of any such claim whether in a proceeding instituted prior to or on or after the date of enactment of this Act. Any such proceeding shall be assigned for hearing at the earliest possible date, shall take precedence over all other matters pending on the docket of the district court at that time, and shall be expedited in every way by such court. Such court shall not have jurisdiction to grant any injunctive relief against the issuance of any right-of-way, permit, lease, or other authorization pursuant to this section except in conjunction with a final judgment entered in a case involving a claim filed pursuant to this section. There shall be no review of an interlocutory or final judgment, decree, or order of such district court except that any party may appeal directly to the Supreme Court of the United States.

SEPARABILITY

Sec. 12. If any provision of this Act, or the application thereof, is held invalid, the remainder of this Act shall not be affected thereby.

FACT SHEET

PROPOSED LEGISLATION RELATIVE TO CONSTRUCTION OF A NATURAL GAS PIPELINE FROM ALASKA

Background

° Natural gas is a vital source of domestic energy. It accounts for 30 percent of total energy consumption and over 40 percent of non-transportation needs. Yet, domestic production of gas peaked in 1973 at 22.5 trillion cubic feet and has declined in each of the past two years. Domestic proved reserves have been declining since 1965, with the exception of 1969 when the North Slope Reserves were added to the national resource base. As a consequence of declining supply, curtailments have been increasing steadily since they were first experienced in 1970.

° While the President has declared that deregulation of new natural gas is the most important action that can be taken to improve our future situation, it is also imperative to assure that all possible proven sources of additional gas supply are developed. Such a source is the vast reserves on the North Slope of Alaska, estimated at 26 trillion cubic feet.

° Proposed alternative delivery systems for transporting Alaskan natural gas to the "Lower 48" States are now under consideration. Current federal studies indicate that proposals to deliver the gas are economically viable. Unless the federal selection and implementation processes are expedited, the delivery of this critical fuel will be delayed, and the costs of the proposed transportation systems will rise markedly. Delay will also increase the propsects of future curtailments and costs to the consumer.

Statutory Delays

° Current Alaskan gas transportation proposals involve critical questions of national energy policy, international relations, national defense, and economic and environmental considerations. These concerns are not, however, insurmountable and indeed, must be resolved quickly if delays in construction are not to inflate the ultimate costs of the system.

° Some of the areas of potential delay are:

- Federal Power Commission

1. Issue a certificate of public convenience and necessity for the construction and operation of the transportation system (including the allowable tariff).

2. Authorize gas sale by Prudhoe Bay gas producers.

3. Approve agreements, including quantities and price, between parties affected by any proposed displacement of natural gas supplies.

- Interior Department

  1. Permits for rights-of-ways over federal land, both in Alaska and the "Lower 48" States.

  2. Assure that the interests of the Alaskan natives are fully protected.

- Environmental Protection Agency (and the affected States)

  1. Permits for discharge of liquid waste into waters of the State, if relevant.

- Corps of Engineers

  1. Permits for river crossings and for dredging of river bottoms.

- Coast Guard

  1. Various approvals regarding construction and operation of liquid natural gas tankers, if relevant.

- Other Federal Agencies

  1. Federal Maritime Commission, Public Health Service, Maritime Administration, Federal Communications Commission.

- Individual State Approvals

  1. Alaska authorization on the natural gas Maximum Efficient Rates (MER) of production. Any other State authorization or permits regarding roads, sewage, coastal zone impacts, etc. Some States may institute additional

certification requirements to minimize adverse effects or to influence the selection process.

How Legislation Deals with These Factors

- The proposed "Alaskan Natural Gas Transportation Act of 1976" would expedite the selection and construction of a natural gas transportation system for delivery of Alaskan natural gas to the "Lower 48" States through the establishment of new administrative and judicial procedures.

- The Federal Power Commission is already engaged in comprehensive hearings on Alaskan Gas transportation proposals which they expect to complete by the end of the year. The Bill would require the FPC to complete its current proceedings and transmit a determination to the President by January 1, 1977. Such determination may be in the form of a proposed certificate of public convenience and necessity or such other form as the Commission deems appropriate.

- The President is required to obtain such other reports and recommendations with respect to the alternative delivery systems from other Federal agencies by February 1, 1977, as he deems to be appropriate.

- After reviewing the FPC's recommendations and other information, the President will select a route for the delivery of Alaskan natural gas and will transmit this decision, along with a statement to the Congress of his reasons, as promptly as feasible, but not later than August 1, 1977.

- The Congress will then have 60 days to review the President's decision before it becomes final. If Congress takes action to disapprove this decision, the President may submit the same or a new decision which would be subject to the same review process.

- If Congress takes no negative action on the President's decision, the Federal Power Commission shall issue all necessary authorizations within 30 days after the President's decision is final.

- To ensure adequate environmental safeguards, no authorizations may be issued unless a final Environmental Impact Statement has been completed.

- All Executive Agencies would be directed to expedite the issuance of all permits and authorizations necessary to implement the Presidential decision. The Act would also limit judicial review of all actions taken under the Act, including those relating to environmental questions.

FOR IMMEDIATE RELEASE
April 20, 1976
Contact: Roger Greenbaum
Neil Newhouse
(202) 225-0580

From the offices of:

John B. Anderson, (R.-Ill.)
Mark Andrews, (R.-N.D.)
Pierre duPont, (R.-Del.)
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Joel Pritchard, (R.-Wash.)
Ralph Regula, (R.-Ohio)
Philip E. Ruppe, (R.-Mich.)
Garner Shriver, (R.-Kans.)
J. William Stanton, (R.-Ohio)
Charles Whalen, (R.-Ohio)

Fifteen Republican Representatives today released the results of their study on U.S. - Canadian Relations and made 28 recommendations regarding U.S. policy with Canada. The study focuses on four aspects of U.S. - Canadian relations: energy, communications, trade and foreign investment, and transboundary issues.

Stating that "it has been a rude surprise to find our governments engaged in an exchange of verbal and economic brickbats," the Republican Representatives conclude that "the deteriorating relations between the United States and Canada force us to re-evaluate the friendship that we have long taken for granted."

The Congressmen note that "both the U.S. and Canada are caught up in a period of intense self-examination," but draw the distinction that "Canadians are caught up in a period of rising nationalism."

Highlights of the 28 recommendations made by the representatives include:

- In view of Saskatchewan's proposed nationalization of potash industries, the Representatives urge the province of Saskatchewan to give full and equitable remuneration to American potash industries which are purchased or expropriated.

- The Special Representative for Trade should be asked to investigate whether Canada's policies in the several communications fields are discriminatory to U.S. trade with Canada.

- If no progress is made in the negotiations over the deletion of U.S. television commercials seen on Canadian cable television, consideration should be given to endorsing U.S. border stations' requests for permission to "jam" their own signals beamed toward Canada.

- Every effort should be made to expedite legislative and judicial proceedings necessary for the eventual delivery of Alaskan natural gas to the lower 48 states.

- The provisions of the U.S. - Canadian Automotive Agreement should remain intact.

- To prevent depletion of fish stocks, and to protect legitimate U.S. fishing interests, the U.S. should explore with Canada the need for a new regime governing management of fisheries in Lake Erie.

- Oversight committees in Congress should weigh the effectiveness of present research, construction and quality control measures designed to bring about U.S. compliance with the 1972 Great Lakes Water Quality Agreement with Canada. Congress should also consider legislation to encourage Great Lakes Basin States to participate in the supervision of waste treatment programs.

U.S. - CANADIAN RELATIONS

Hon. John Anderson, Ill.
Hon. Mark Andrews, N.D.
Hon. Pierre S. duPont, Del.
Hon. Hamilton Fish, N.Y.
Hon. Willis Gradison, Ohio
Hon. H. John Heinz, Pa.
Hon. Elwood Hillis, Ind.
Hon. Paul McCloskey, Calif.
Hon. Charles Mosher, Ohio
Hon. Joel Pritchard, Wash.
Hon. Ralph Regula, Ohio
Hon. Philip Ruppe, Mich.
Hon. Garner Shriver, Kans.
Hon. J. William Stanton, Ohio
Hon. Charles Whalen, Ohio

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April 29, 1976

U.S. - CANADIAN RELATIONS

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INTRODUCTION

The United States has long felt secure in an aura of continental good-will based on harmonious relations with our national neighbor to the North -- Canada. Therefore, it has been a rude surprise to find our governments engaged in an exchange of verbal and economic brickbats. The deteriorating relations between the United States and Canada force us to re-evaluate the friendship that we have long taken for granted.

So accustomed are we to the friendship and interdependence of Canada and the United States that we forget that relationship is less than a hundred years old. For almost two hundred years, relations between Canada and America ranged from hostility to outright warfare. Since World War II, however, the U.S. and Canada have bound themselves together through formal mutual security arrangements between the governments and special trade relationships established by independent economic interests.

The current strain in relations is a product of many factors. Subtle changes in each nation's perception of its role in the world order have contributed to the altered climate. Both the U.S. and Canada are caught up in a period of intense self-examination. There is a similarity in that both countries show a shifting emphasis to domestic, rather than foreign concern. Canadians are caught up in a period of rising nationalism -- a factor not dominant in the U.S. self-evaluation. There is a strong desire in Canada to break away from dependence on the United States.

Rising out of this spirit of nationalism is a concern with economic relations. Specific economic issues that are causing tension between the countries are:

- Pending Canadian legislation which would require 80% different content in Canadian editions of U.S. magazines.
- Plans to nationalize American-owned potash companies in Canada.
- Pirating of U.S. television programs by Canadian cable stations which pick up U.S. programs but black out the commercials to replace them with Canadian sponsors.
- The termination of special tax breaks for advertisers in Canadian editions of U.S. publications.
- The sale of Canadian gas and petroleum to the U.S. at higher prices than charged Canadians.

With the Canadian government reacting to, and stimulating, a strong sense of nationalism it is appropriate for us to review areas of mutual concern.

U.S. - CANADIAN ENERGY RELATIONS

BACKGROUND

For many years, Canada was considered the most reliable and secure source of imported energy for the United States. In 1973, for example, U.S. - destined Canadian oil exports reached a high of 1.3 million barrels per day. This represented about half of Canada's crude oil production and a little over 7% of American crude oil consumption.

Recently, however, bilateral energy relations have been strained by the Canadian decision to curtail energy exports to the U.S. Canada announced plans to phase out crude oil exports completely by 1981, and to drastically reduce natural gas exports to ensure Canada's ability to meet domestic requirements. Further, Canada raised its energy export prices to reflect high world market prices for oil and natural gas.

The new Canadian energy policies are an integral part of the official government "Canada first" program, which maintains that only energy sources found to be surplus to domestic demand will be exported. Additional reasons for the reversal of Canada's traditional oil and natural gas export policies are:

- the dramatic change in the power of OPEC and the increased price of oil for Eastern Canada which is totally dependent on imported oil;
- the recognition of diminishing oil and natural gas reserves in Canada;
- growing sensitivity to foreign economic control of key sectors of the economy (over 90% in petroleum).

The consequences of the Canadian policies of raising energy prices and curtailing energy exports are numerous:

- a previously accessible and reliable foreign energy source will no longer be available;
- more energy must now be imported from "unreliable" foreign sources;
- Northern states, which depend heavily on Canadian sources of energy, will be hardpressed to find substitutes for Canadian fuels;
- the U. S. will have to pay an artificial Canadian oil price which subsidizes Canadian consumption of oil in the eastern provinces;
- U.S. energy independence efforts may be delayed.

The bilateral energy relations include not only oil and natural gas, but also other energy sources such as electricity, coal, and uranium. As well, the proposed construction of a natural gas pipeline to carry Alaskan Prudhoe Bay hydrocarbons to

the lower 48 states has focused much attention on U.S. - Canadian relations. To understand the formulation of Canadian energy policy, however, one must first understand the unique relationship between the provincial and federal governments.

THE PROVINCIAL - FEDERAL RELATIONSHIP

There are two distinct levels of government in Canada - the provincial and the federal. As in the United States, policy decisions on both levels are made in response to separate sets of interests. In Canada, according to the British North America Act of 1867, the federal government has jurisdiction over all subjects of general or national concern while the provincial government presides over all matters of local interest.

The British North America Act, like the American constitution, outlines the distribution of power between the federal and provincial governments. Under the Canadian system, provincial governments own the natural resources within their borders and are empowered to make decisions concerning development and sale of those resources. The federal government is responsible for regulating inter-provincial trade and for protecting the interests of all Canadians: federal law does not, however, always override provincial law. For example, the Canadian Parliament cannot legislate to implement an international treaty if the subject matter falls within the exclusive competence of the provinces. Thus, policy initiatives are generated in accordance with both local interests and national concerns.

One result of this dual jurisdiction over oil resources is what the Canadian Chamber of Commerce calls "the tug of war for revenues" - both the federal and provincial governments are competing for large shares of oil revenues resulting from taxes.

In 1974, the producing provinces in Western Canada (Alberta, British Columbia, and Saskatchewan) instituted steep royalty charges on producing companies. These measures, by limiting company profits from oil and natural gas production, in effect also limited federal government revenue from taxation of those profits.

The federal - provincial taxes have caused quite a controversy in Canada; many Canadians feel that the separate tax policies should be coordinated and rationalized. Critics argue that the long-term interests of the energy industry and the economy will be damaged by increasing government regulation of the industry and inter-government squabbles about taxation of their revenues.

It is also argued that the taxes are frightening away companies which might invest in energy research. Speculation that the provinces will take over energy production for their respective areas makes capital investment even more risky.

CANADIAN OIL POLICY

Since the discovery of extensive oil fields in the Canadian province of Alberta in 1947, the Canadian oil industry, which is largely U.S. - owned, has grown rapidly. Consequently, Canada has faced basic policy questions concerning

resource allocation and the regulation of exports. In 1959, the National Energy Board Act authorized the creation of the National Energy Board (NEB) to perform essentially two functions: to regulate specific areas of the oil, gas and electric industries in the national interest; and to advise the federal government on all matters relating to the development and use of energy resources.

In 1961, the National Oil Policy (NOP) was formulated. The NOP was designed to give oil from western Canadian provinces (which produce all of the country's domestic supply) full market access west of the "Ottawa Valley Line" (located approximately midway between Toronto and Montreal) and to encourage exports to the adjacent United States. The provinces in eastern Canada continued to be supplied by international oil sources. By 1970, Canada was technically self-sufficient in oil -- meaning that the country produced as much oil as Canadians consumed. However, due to Canadian west-to-east transportation difficulties, the eastern provinces are still dependent on imported oil. Presently about 50% of Canadian petroleum requirements continue to be met from foreign sources (compared with 79% in 1950).

Under the NOP, Canadian oil exports to the U.S. increased steadily during the 1960's and into the 1970's. In 1960 the U.S. received about 250,000 barrels of Canadian oil per day; in 1972 the figure was approximately 1,108,000 barrels per day, supplying over 20% of our total oil imports. This increase occurred despite the presence of U.S. import restrictions which were subsequently removed in early 1973. U.S. requests for Canadian oil then increased dramatically and the Canadian government responded almost immediately by imposing export controls on oil, since U.S. demand was attracting oil away from Canadian refineries and threatening to create shortages in that country.

By 1973 Canada was the U.S.'s largest foreign source of crude oil -- imports from Canada exceeded the total received from all of the Arab countries in OPEC. Presently, due to Canadian export controls, the Canadian share in the total American oil market is down from 7% in 1972 to 4%, ranking third behind Saudi Arabia and Nigeria. In many regional cases the Canadian share is much higher. In Minnesota, for instance, 20% of the total energy used is supplied from Canadian crude oil, and in other areas the Canadian supply approximated 100% for some refiners and markets.

Following the oil embargo and the subsequent energy shortage in both Canada and the U.S., Canada announced its intention to limit oil exports -- which will result in the complete elimination of oil exports to the U.S. by the early 1980's.

Further, in 1973 Prime Minister Trudeau announced that the Ottawa Valley Line would no longer determine the division of Canadian oil supply between imported and domestic sources. Instead, he announced, Canada would embark on its version of Project Independence with plans to construct a $200 million pipeline from Sarnia, Ontario, to Montreal, Quebec. The pipeline will carry 300-900 million barrels per day of west Canadian crude oil eastward. Work on the pipeline has begun with projected completion by winter 1976.

CRUDE-OIL PRICING

Canada's imposition of export controls brought Canadian oil pricing policies under scrutiny. Until 1973, Canadian oil prices were determined by demand and supply

in the protected U.S. market and the segregated Canadian market west of the Ottawa Valley, while the slightly lower prices in eastern Canada were determined by forces in the international market. As shortages of crude oil in the U.S. became evident even before the Arab oil embargo, and as U.S. market prices began to rise, Canada was forced to re-evaluate its energy policies. Canada could either allow domestic oil prices to parallel open-market prices in the U.S., or it could protect domestic prices and insulate Canadian consumers from U.S. oil-price developments.

Canada chose the latter course. The government's decision was influenced chiefly by the feeling that U.S. oil-price increases were due to factors unique to the U.S. and should not be imposed on Canadian consumers, as well as the feeling that the U.S. price increases were likely to be relatively temporary.

The Ottawa government implemented their new policy by levying an export charge on all oil shipments to the U.S. and using the proceeds from the charge to subsidize imports of oil in the eastern provinces. In October, 1973, the charge amounted to 49¢ per barrel of light crude oil, but subsequently rose sharply to a high of $6.40 and is now set at $4.50 per barrel. Basically, the export charge of $4.50 reflects the difference between the delivered price of imported oil into Montreal and the controlled wellhead price of oil in Alberta -- which is currently $8.00 per barrel.

NATURAL GAS

The situation in the Canadian natural gas market is very similar to that of the oil market outlined above. Canada feels that it does not have sufficient natural gas production capacity to meet domestic energy demands and to fulfill existing export contracts during the balance of the decade. Thus, under the guidance of the NEB, the Ottawa government has decided to cut back Canadian natural gas exports to the United States. In addition, the export price of Canadian natural gas has more than quadrupled in the past three years. Canadian officials explain that higher gas prices are intended to bring the price of natural gas in line with the market values of competitive fuels, both to conserve a non-renewable resource and to stimulate development.

EXPORT CUT-BACKS

Until a few years ago Canada was virtually the only foreign supplier of natural gas to the U.S. About 40% of Canadian gas production is exported to the U.S. (one trillion cubic feet), accounting for roughly 4% of the total U.S. natural gas consumption. As in the case of oil, Canadian natural gas is far more important in many regional U.S. markets than the 4% figure would indicate.

For example, Canadian natural gas exports account for:

- 71% of the gas consumed in New Hampshire, Vermont and Maine;
- 60% of the gas in Montana;
- 30% of total natural gas consumption in California, Washington and Oregon.
- 15.3% of the natural gas in Minnesota, Wisconsin and Michigan.

While oil is exported on monthly contracts, natural gas is sold for export in long-term contracts generally running for 25 years. There are presently a number of contracts permitting annual deliveries of up to one trillion cubic feet per year. However, since the early 1960's, U.S. importers of Canadian natural gas have known that no new exports would be approved by the NEB after 1970. The NEB took this action when Canadian gas reserves were judged inadequate to meet Canadian needs.

The NEB recently conducted extensive hearings into the supply, demand and deliverability of natural gas in Canada. The findings, released in July, 1975, show that the gas supply in Canada will be tight in future years. It was concluded that due to declining discovery rates, natural gas production in Canada would be insufficient for domestic demand and export commitments.

The Canadian government announced that through increased prices and strict allocation, domestic demand for natural gas will be curtailed. Canada may also find it necessary to curtail exports to the United States. However, the Canadian government has recognized the importance of natural gas supplies to certain regions of the U.S. It has assured the U.S. government of a chance to make its views known before a curtailment program is put into effect. The proposed cutbacks in natural gas exports are not expected until the winter of 1976-77.

NATURAL GAS PRICING

Recent trends in natural gas pricing in Canada reflect the Canadian view that higher prices are appropriate in both domestic and export markets. The export prices have risen considerably over the past three years, from an average price of 32¢ per thousand cubic feet (mcf) in 1973 to $1.60 per mcf as of November 1, 1975. Canadian domestic prices have also risen; natural gas now sells at the "city-gate" of Toronto at $1.25 per mcf.

Canadian natural gas export pricing is governed by three criteria set forth by the National Energy Board:

- The export price should recover its appropriate share of the costs incurred.
- The price should not be less than the price to Canadians.
- The export price should not result in prices in the United States marketplace materially less than the cost of alternative sources of energy.

Canadian authorities believe that natural gas prices have for too long been unrealistically low, creating an artificial demand which has led to profligate use of this fuel. This relative undervaluation has had two results: the uneconomic use of a premium fuel, and a more rapid growth in demand for natural gas in North America than for other fuels. Despite rapid growth in the supply of natural gas, the undervaluation has resulted in unsatisfied demands for gas and the prospect of continuing shortages.

While desiring to receive fair market value for natural gas, Canadian authorities plan to direct the increased revenues from higher prices to producers. It is hoped

that by stimulating new exploration and development, this will increase future supplies. Prospects for increasing output of natural gas in Canada are good, due to promising regions which are thought to have vast, yet unproved, reserves.

OTHER ENERGY SOURCES

Although U.S. - Canadian energy affairs revolve primarily around oil and natural gas, other energy sources play a role in the relationship. Bilateral trade in coal, electricity and uranium has assumed more importance as the nations strive to free themselves from unreliable or unstable energy producers. These energy sources are significant to both countries as alternative generators of energy.

COAL

In the matter of coal, as with both gas and oil, Canada has a geographical problem. The major coal reserves in Canada are in the western part of the country, while consumption is concentrated mainly in central Canada. The problems of transporting energy sources from the western part of Canada to the central and eastern regions necessitate energy importation. Canada imports about 18 million tons of coal from the U.S. annually, while exporting more than half (12 million tons) of its domestic production to Japan.

Canadian authorities, greatly concerned about the deliverablity problem, have also expressed concern about recent and prospective increases in the price of U.S. coal. This, along with the increased American demand for coal, has made western Canadian coal a more attractive alternative for the Ontario energy requirements.

With 120 billion tons of proven coal reserves of various grades, Canada theoretically has the ability to meet all its coal requirements for many years. It is interesting to note that the coal Canada imports from the U.S. is sometimes used to American advantage. Last year, for example, Ontario Hydro, the largest importer of American coal, exported 5.9 billion kilowatthours of electricity -- the equivalent of 2.1 million tons of coal or 31% of its coal imports -- to the United States.

ELECTRICITY

Canada has exported electricity to the United States since before the turn of the century. A series of strong interconnections have been developed between Canadian and American utilities for mutual support in emergencies and for the exchange and sale of surplus power and energy.

In the last few years, with decreasing surplus capacity existing among U.S. utilities, Canadian total exports of electrical energy have increased from 5.6 billion kilowatthours in 1970 to 15.4 billion kilowatthours in 1974. Over the same period, Canadian imports of U.S. energy have declined from 3.2 to 2.1 billion kilowatthours. Trade relations in electricity have been enhanced by the fact that Canada and the U.S. face peak electrical usage at different times of the year -- Canada in the winter, the U.S. in the summer.

URANIUM

Principles underlying Canadian petroleum and natural gas export policies are also reflected in the export provisions of the new uranium policies announced by the Canadian government. Canada has urged the provision of a supply protection policy, as well as a stable pricing mechanism, to ensure that exports would receive fair market values.

In 1964, the United States, which was then the main purchaser of Canadian uranium, placed an embargo on all uranium coming into this country to protect and to provide incentives for domestic producers facing harsh foreign competition. The embargo, now scheduled to be phased out by 1977, was not well-received in Canada. However, due to recent changes in the demand for uranium, Canada expects an increased market for their plentiful uranium resource. In fact, the Canadian government has placed export controls on uranium to preserve its domestic supply. According to U.S. State Department officials, there is no major point of contention between the two countries over uranium.

ALASKAN NATURAL GAS PIPELINE ROUTES

The North Slope of Alaska could be one of the primary sources of natural gas for the United States after 1980. Already 26 trillion cubic feet of reserves have been confirmed and more discoveries are expected. Two applications to construct gas transportation systems from the North Slope are currently pending before the Federal Power Commission.

The outcome in this matter may be greatly affected by U.S. - Canadian relations because one of the proposals under consideration includes a gas pipeline which traverses Canada. Critics of this project say that recent anti-U.S. Canadian actions like the nationalization of the potash industries indicate that Canada cannot be relied upon to maintain their side of the bargain. However, others contend that U.S. - Canadian relations have not declined and cite numerous instances when both countries have successfully joined in a cooperative effort -- like the construction of the St. Lawrence seaway. Due to this controversy, the bilateral relations are expected to undergo close scrutiny before a pipeline decision is made.

One proposal is that the El Paso Natural Gas Company through its subsidiary, the El Paso Alaska Company. Their proposal is to build a pipeline to carry the natural gas from Prudhoe Bay south through Alaska to Point Gravina where it would be liquidified and carried by tanker to Point Conception in Southern California.

The competing proposal is that of the Alaskan Arctic Gas Pipeline Company and its affiliate, the Canadian Artic Gas Pipeline Company. In this system, Canadian and Alaskan gas will be carried in a pipeline across Canada, with Canadian gas leaving the system in Alberta and American gas continuing through propsed pipelines to the upper-Midwest states.

The two proposals have been presented to the Federal Power Commission. The El Paso Alaska Company claims that:

- the Trans-Alaska project is entirely within the jurisdiction of the U.S.;
- the economic benefit of their project will be significant to the United States -- it will provide employment for many American workers;
- the Trans-Canadian project requires the spending of billions of dollars in Canada, the employment of Canadian workers and the payment by U.S. customers of billions to Canadian taxing authorities;
- the environmental ramifications of the Trans-Alaskan pipeline will be far less than the Trans-Canadian project;
- the construction of the El Paso project can be commenced more expeditiously than the proposed Trans-Canadian delivery system.

The Alaskan Arctic Gas Pipeline Company states their case and rebuttal as follows:

- the existence of Canadian lands does nothing to alter the Trans-Canadian system as the obvious choice of transportation method;
- the total cost of the project will be several hundred million dollars less than the El Paso project;
- the Arctic Gas Project provides the most environmentally sound transportation for Alaskan gas;
- the U.S. government and Canada have signed a Transit Pipeline Treaty which provides for an open framework for pipeline discussions between the two countries;
- the U.S. and Canada are the world's largest trading partners and have cooperated on pipeline projects in the past. All of the oil consumed in eastern Canada, as well as over 50% of the natural gas traverses U.S. territory;
- the Arctic Gas Company can start tapping the Alaskan gas supply 19 months before El Paso.

The Department of Interior has conducted an economic and technical feasibility study of two alternative delivery systems for Alaskan gas, each roughly analogous to the proposed Trans-Canada pipeline and the Trans-Alaska tanker projects. The Interior study, summarized in a report to Congress in December 1975, indicated that either route appeared technically feasible and that there were considerable benefits from bringing the Alaskan gas to the lower 48 states. The report did not develop information which permitted a decision as to which route was preferable. The Federal Power Commission, having already issued a draft environmental impact statement, will shortly enter into phase two of its hearings into the competing applications for approval of the two proposals. An FPC decision is expected by the end of 1976.

However, congressional action concerning the choice of pipeline routes will undoubtedly preempt the FPC decision. Legislation has been introduced in both the House and the Senate on behalf of both proposed pipeline routes for Alaskan natural gas. Siding with the El Paso project are Senators Mike Gravel (D.-Alaska) and Ted Stevens (R-Alaska), while submitting legislation on behalf of the Trans-Canada pipeline are Congressman Philip Ruppe (R.-Mich.) and Senator Walter Mondale (D.-Minn.). Both sides have also introduced legislation to expedite juridical and liscensing procedures once a route has been chosen.

Hearings in Canada before the National Energy Board began in October, 1975 for the Trans-Canada Pipeline project and a competing all-Canadian proposal which would carry only Canadian gas from the MacKenzie Delta to markets in Southern Canada. A final Canadian government decision is expected late in 1976 based on the findings and recommendations of the NEB. An independent inquiry into the social and economic impact of a northern pipeline is now underway by British Columbia Supreme Court Justice Thomas Berger.

THE CANADIAN POSITION

The Canadian energy outlook resembles that of the United States; both are relatively well-endowed with potential, although high-cost, sources of domestic energy. Canadian efforts to achieve energy independence are bolstered by the "Canada first" policy, elaborated from the "Third Option" decision made by the Canadian government. The "Third Option" is intended to reduce Canadian dependence on and vulnerability to the United States by strengthening Canada's own economy and ties with other countries, rather than by reducing ties with the U.S. As a means of securing independence, the "Canada first" program places the fulfillment of Canadian energy needs before consideration of energy exports.

High world oil prices have made it imperative for Canada to supply domestic needs with indigenous sources where possible. Canada's declining oil reserves means that the former rate of oil production, which was surplus to Canadian needs, has slowed. Although this has forced a curtailment of exports to the United States, the Canadian government has tried to accomodate U.S. needs by gradually phasing out oil exports instead of cutting them off abruptly. Further, the Canadian government has agreed to facilitate oil exchanges wherever consistent with other energy policy objectives to mitigate the adverse effect of the export curtailment on Canadian dependent refineries.

Canadians justify their crude oil export tax by arguing that they cannot export oil to the U.S. at lower than the world-market price, which eastern Canada must pay for its imported oil. Canadian policy is to increase domestic oil prices to world levels and, as this is done, the export tax will decline.

Canadians maintain that natural gas is a diminishing natural resource and a fuel of high value because it is relatively clean burning with a limited environmental impact. Moreover, nealy half Canada's natural gas is being exported at a time when all potential Canadian users cannot be satisfied. The Canadian government also feels that it must get fair market value for its exports of this fuel which substitutes for higher priced altwenative fuels such as heating oil and residual fuel oil. Canada feels that the current American interstate market price of above $2 is

indicative of the true resource value of natural gas in the United States and makes a case for the rise in Canadian gas export prices.

THE AMERICAN POSITION

The curtailment of Canadian crude oil and natural gas exports to the United States will have a major effect on certain regions -- particularly the Northwest, the Northeast and the upper Midwest -- which have come to rely on Canada as a source of energy. U.S. officials understand Canada's objective of limiting dependence on imported oil to protect its own economy from potential disruptions due to price and supply uncertainties. However, they believe that both nations' interests might be better served by the continued export of current and future surplus capacity to the U.S.

The U.S. State Department concurs with a U.S. government analysis which indicates that Canada's balance of payments could be improved substantially if Canada exported more oil now and imported more later. According to the analysis, Canada could maximize its export revenues during the time it had an exportable surplus; this continued export would give the U.S. more time for its landlocked refineries to adjust to the loss of Canadian oil and the coming on-stream of Alaskan production.

Further, the United States has steadfastly argued that the Canadian price increases in both natural gas and crude oil are discriminatory, since the U.S. is Canada's sole export customer. The United States argues that the two-tier system for the pricing of natural gas and crude oil may lead to the misallocation of resources and a distortion of efficient trade patterns, since low domestic prices in Canada will encourage inefficient use of energy resources. The fact that the Canadian government abruptly altered long-term natural gas contracts by raising prices has also irritated American companies.

U.S. State Department spokespersons similarly contend that a continued export tax on Canadian crude oil could eventually distort efficient, market-determined trade patterns. They point out that U.S. consumers have been forced to subsidize Canadian oil consumption by paying the export tax on crude oil.

Representatives on the American side also argue that the imposition of the crude oil export tax and the tax policies on natural gas have cut producer's profits in Canada and have lessened their incentive for further exploration and profit. By cutting these taxes, Americans posit, Canadian producers can not only produce more energy, but can also afford to seek out new areas for exploration.

RECOMMENDATIONS

In the United States there is widespread public misinterpretation of the basis of the Canadian actions affecting oil and natural gas exports to this country. The complexity of the issues involved provides fertile ground for mistrust of Canadian motives. In Canada, discussions for bilateral options tend to become polarized along the line of "continentalism" or complete independence. These misunderstandings have produced an emotion-charged atmosphere in bilateral energy relations. If not overcome, this could result in actions by both countries that would effectively foreclose options which might subsequently appear mutually attractive. Keeping this in mind, we make the recommendations outlined below.

1. Bilateral discussions of Canadian - U.S. energy relations should be conducted on an on-going basis, dealing with regional concerns before they become national problems.

2. The U.S. and Canada should encourage the process of swapping crude oil to ease shortages in both countries.

3. The two nations should carefully examine the possibility of a swap of liquified natural gas, or a trade-off in which we import Canadian natural gas now in exchange for Alaskan natural gas exports in a few years.

4. Every effort should be made to expedite legislative and judicial proceedings necessary for the eventual delivery of Alaskan natural gas to the lower 48 states.

5. Because we recognize that high prices are an incentive for industries to seek new energy resource fields, we urge Canada to raise its domestic price of energy. This could result in new resource discoveries which would lessen the pressures to curtail Canadian energy exports to the United States.

6. The U.S. should embark on a positive energy policy which aims for self-sufficiency in energy yet recognizes the new interdependencies of the world.

U.S. - CANADIAN RELATIONS: COMMUNICATIONS INDUSTRIES

The Canadian government has made major efforts in recent years to vitalize Canada's communications industries. Reacting to what it sees as excessive American involvement in the production and marketing of Canada's broadcast and print media, Ottawa has enacted or proposed several measures sharply restricting the activities of U.S. firms in Canadian communications markets. Through these protective steps, the Canadian government hopes to stimulate a "Canadian cultural product" -- published or broadcast material relevant to Canada, produced with Canadian talent, advancing the financial and cultural interests of Canadians.

In the United States, these developments have caused concern over their potentially damaging effect on U.S. trade with Canada. The U.S. State Department has expressed American reservations over the new policy initiatives to the Canadian government. Affected business interests in the United States are seeking additional recourse in the Canadian courts, the U.S. Federal Communications (FCC), and the U.S. Congress. If an accomodation cannot be reached, retaliatory action by the United States, in the form of new tariffs or other trade barriers, is possible.

BACKGROUND

In the past year, the Canadian government has sponsored the following moves in furtherance of its national cultural goals:

- affirmation of a policy directive issued by the Canadian Radio-Television Commission (CRTC), requiring the deletion of advertisements from U.S. programs carried in Canada on cable television;
- a proclamation by CRTC of noncompulsory guidelines to ensure that 70 per cent (rising to 80 per cent in three years) of all television commercials broadcast nationally in Canada are produced there;
- a bill in Canada's Parliament eliminating the business expense tax deduction for Canadian advertising on U.S. broadcast stations;
- another provision of the same bill, eliminating the tax deduction for advertising in periodicals in Canada whose editorial content is not at least 80 per cent different from foreign editions and whose ownership is not at least 75 per cent Canadian;
- a warning by Canada's Secretary of State that government action to protect the indigenous publishing industry in Canada may be forthcoming.

Each of these measures is plainly designed to cut off the flow of Canadian money to American media in Canada or near her borders, and thereby to make more funds available for Canadian broadcasting and publishing enterprises.

Commercial deletion

A central issue in the current debate is a 1973 CRTC order requiring the deletion of U.S. commercials aired in Canadian border cities by cable TV. This order has been implemented as a condition of license renewal for Canadian cable companies.

In 1975, Canadian cable TV stations in Calgary and Toronto deleted advertisements from their transmission of broadcasts from neighboring U.S. border television stations. When, for example, a Buffalo, New York station was showing "All in the Family", a Canadian cable operator in nearby Toronto would re-transmit the Buffalo signal to the home televisions of cable subscribers in Canada; but the cable operator would delete the advertisements sponsoring the Buffalo broadcast, and substitute Canadian commercials or public service announcements.

Three Buffalo television stations whose broadcasts have been subjected to commercial deletion by a Toronto cable TV company have protested the CRTC order. The Buffalo stations have filed suit in Canadian courts to test the legality of the commercial deletion and the CRTC policy authorizing the practice. The Canadian Federal Court of Appeals ruled in favor of CRTC and against the Buffalo stations in January 1975. The Buffalo stations have appealed the ruling to the Supreme Court of Canada, where the matter is pending.

But, in apparent despair of receiving relief in Canada, the Buffalo stations submitted an application to the FCC in October 1975 requesting permission to erect an experimental "jamming" mechanism to prevent their broadcasts from being seen by viewers on the Canadian side of the border. The application for the "jamming" permit was made after a June 1975 conference between FCC Chairman Richard Wiley, U.S. State Department officials, and Pierre Juneau, then-chairman of CRTC, failed to bring about a softening of Canadian policy. The FCC has not taken action on the application.

In both the suit against CRTC and in the "jamming" application, the Buffalo stations have argued that in the absence of any violations of law or treaty, U.S. television stations should be allowed "the opportunity to earn the honest and lawful rewards" of the service they provide. Canadian cable carriers do not pay U.S. stations for the right to transmit U.S. broadcasts, but do pay Canadian commercial stations for carriage rights. The Buffalo stations point out -- and Canadian authorities acknowledge -- that the free transmission of popular U.S. programs is a major factor in the growth and increased profitability of the Canadian cable TV industry. (In 1973, during which operating revenues for Canadian cable operators totaled about $107 million, before-tax profits were $22.5 million --providing an after-tax return of 17% on equity investment. 1974 before-tax profits were $29.5 million.)

The U.S. stations argue that if Canada's government is seriously interested in protecting and stimulating that nation's television industries, the government should bar U.S. programming as well as commercials from Canadian airwaves. But to allow the profitable use of U.S. programming without permitting the originating stations to collect contracted revenues, they contend, is tantamount to piracy.

One Buffalo station's advance commitments from Canadians to buy advertising for the first quarter of 1976 totaled only 40% of the commitments it had received for the first quarter of 1975. The station claims that the commercial deletion has been a major factor in the dropoff in commitments.

The position of the Canadian government up to now has been firm and unmistakeable. In reviewing its commercial deletion and substitution orders, CRTC affirmed in September 1975 that this policy "remains an appropriate and

necessary means to implement the policy objectives for the Canadian broadcasting system which are set out in the Broadcasting Act." The Broadcasting Act, passed in 1968, makes it Canadian federal policy to promote a nationwide television system which reflects and contributes to Canada's emerging national identity.

At stake in the commercial deletion matter, the Canadian broadcast authorities contend, is an annual $20 million in revenues paid by Canadian advertisers to U.S. border stations. Canadian broadcasters concede that comparatively slender ad revenues now make it difficult for Canadian producers to compete with the bigger-budgeted television programs produced in Hollywood. Until the Canadian TV industry earns more liberal production allowances, it is clear that Canadian viewers will continue to watch U.S. programs, and Canadian advertisers will continue to sponsor U.S. programs to reach the greater viewing audiences. But, the Canadians say, if the funds traditionally attracted by U.S. programming were invested in Canadian production, the Canadian industry might one day produce competitive programming and generate revenues without protective regulation.

The CRTC has argued that there is nothing wrong with deleting part of U.S. television broadcasts, since U.S. television stations are not licensed to serve Canada. But, significantly, Canadian cable TV companies have shown no enthusiasm for the deletion of commercials, and newspaper editorials in Toronto, Winnipeg and Vancouver have called the deletion policy a license for "piracy" and "theft".

Commercial Guidelines

In January 1976 CRTC issued noncompulsory guidelines for the proportion of indigenous commercials Canadian networks will be expected to carry. The measure asks that 70 per cent of all television commmercials (rising to 80 per cent in three years) be produced in Canada. For monitoring purposes, Canadian broadcasters will be required to register the national origin of every commercial aired.

The leading performers' union in the United States, the 30,00-member American Federation of Television and Radio Artists (AFTRA), has said the guidelines could result in more unemployment for actors in the U.S. television and radio commercials. AFTRA believes the new rules might lead U.S. corporations to produce one commercial in Canada for use in both countries.

But Canadian officials expect the "70 per cent" guidelines to have only limited effect on the United States industry, since 60 to 70 per cent of all TV commercials shown in Canada now are produced there.

The Association of National Advertisers, and American group, echoes the Canadians' belief that the guidelines would not make United States advertisers move production operations out of the U.S. The Association says that the power of United States unions to stop the broadcast of Canadian-made commercials here would be a deterrent to such a change.

The Tax Bill

The tax bill, C-58 in Canada's House of Commons, would prohibit advertisers from taking the business expense deduction from Canadian income tax presently allowed for advertising in foreign media. Such a measure would effectively create a 100 per cent tariff on Canadian commercials aired or published outside Canada. The tax bill

complements other Canadian government efforts to enhance the profits and production capabilities of domestic media by discouraging the flow of Canadian capital to the United States.

Bill C-58 was passed in the House of Commons in March, 1976, and now awaits pro forma ratification by the Canadian Senate. Once that approval is granted, the bill will become law.

For U.S. border television stations, the tax bill, combined with continuing deletion of commercials, would present a formidable obstacle to the stations' ability to attract Canadian advertising. The National Association of Broadcasters (NAB), representing United States television and radio stations, has protested strongly against the bill. NAB has urged the U.S. State Department to communicate to the Canadian government the dissatisfaction American broadcasters feel over the discriminatory nature of the tax proposal.

Bill C-58 would also eliminate the special tax treatment enjoyed in Canada by Time magazine and a handful of other periodicals since 1965. A 1965 Canadian statute allowed advertisers to take tax deductions for ads placed in periodicals whose ownership was at least 75 per cent Canadian, and whose content was "not substantially the same" as a foreign version's. Ordinarily, the Canadian editions of Time and Reader's Digest would not have qualified under this law for tax deductible advertising. But those two publications, with a few smaller magazines, were exempted from this measure, apparently because they had already established operations in Canada by 1965.

The tax bill would now require 75 per cent Canadian ownership for a periodical to offer tax-deductible advertising, as before; and, it would further define a "Canadian" periodical eligible for tax-deductible ads as having at least 80 per cent different content than a foreign edition.

In a compromise move, the Canadian government announced in February 1976 that Reader's Digest may continue to publish its Canadian edition if American material is condensed and edited in Canada.

But in response to House of Commons passage of the tax bill, Time Magazine ceased publication of its Time-Canada edition in early March 1976. Time will continue to print a magazine for Canadian distribution, but Time's editorial staff in Canada has been disbanded, the Canadian section of the magazine (normally 5 or 6 pages per issue) has been discontinued, and rates for Canadian advertisers are being cut in half to deal with the end of tax-deductible status for advertising. Time officials say these changes will cut the magazine's profits in Canada in half.

Time -- like Reader's Digest -- had consistently signaled its willingness to effect 75 per cent Canadian ownership of its Canadian subsidiary in order to comply with provisions of the tax bill. In addition, Time had hoped for a compromise on the content requirements. The magazine's executives had said that a "50 per cent different" content rule once suggested to them by Canadian Secretary of State Hugh Faulkner would have been acceptable, on the grounds that it would establish a

"substantial" difference between Canadian and foreign editions without forcing publishers to print a wholly separate magazine in Canada. But, said Time, the "80 per cent different" content figure amounted to censorship of the press, a condition Time could not accept.

Book Publishing

Another sign of Canada's intentions came in an address by Secretary of State Faulkner to the Association of American Publishers in April 1975. Secretary Faulkner told the book publishers that unless their subsidiaries north of the border grow more responsive to the cultural needs of Canada (through increased attention to native fiction, poetry, criticism and letters, for example), regulation and legislation would be put to use to allow Canadian publishers to fill those needs. At any rate, Mr. Faulkner said, his government would soon subject foreign publishers to "careful scrutiny" and is now considering measures to fortify the health of the Canadian book publishing industry.

U.S. GOVERNMENT EFFORTS TO DATE

With the appearance of steadily more aggressive proposals from Ottawa, concern in the United States for the stability of U.S. - Canadian communications trade has intensified. An unceasing exchange of diplomatic letters and contacts between the two countries since 1974, all touching at least in part on communications matters, testifies to the importance attached to these disputes in both governments -- and, as well, to the absence of easy solutions.

In a July 1975 letter to United States Secretary of State Henry Kissinger, Senator James Buckley (C-N.Y.) and 14 other Senators asked for State Department action to renew diplomatic negotiations in the television controversy. They wrote, "When combined with the commercial deletion policies of the CRTC, such [tax] legislation would appear to be aimed at the total elimination of U.S. television stations from Canadian advertising markets ...If Canada were seeking to reject the services of U.S. stations in their entirety, actions aimed at preventing the sale of advertising -- however regrettable -- would at least be understandable. The fact is, however, that...the CRTC actively promotes...the reception of U.S. stations' program services...in its licensing of Canadian cable television systems."

In September 1975, Senators Warren Magnuson and Henry Jackson, both of Washington state, said in a separate letter to the Secretary of State that the tax bill and commercial deletion "must be viewed as calculated trade discrimination." Senator Magnuson is chairman of the Senate Commerce Committee, and is known to be considering retaliatory trade legislation.

At a news conference at the end of a 2-day visit to Ottawa in October 1975, Secretary Kissinger said that he had discussed the television and publishing matters with Allan MacEachen, Canadian Secretary of State for External Affairs. Mr. Kissinger noted then that feelings in the United States were "rather intense" on the television issue, but that any final disposition of the problem would have to await the decision of the Supreme Court of Canada in the suit brought by the Buffalo stations.

Continuing diplomatic contacts produced a new meeting between U.S. and Canadian officials January 13, 1976 in Ottawa. At that meeting, for the first time, Canadian officials formally agreed to consider alternatives to the commercial deletion approach to encouragement of the Canadian television industry. Additional talks to search for soultions to the deletion controversy are planned for the near future.

RECOURSE

The broad range of matters discussed here have caused concern in the United States. It is our hope that the Canadian government will consider the legitimate trade interests of the United States in any new actions affecting communications industries in Canada. However, if we are led to conclude that U.S. trade interests are being unfairly restricted or compromised, several avenues of recourse would be open to us.

Trade Act of 1974

The U.S. Trade Act of 1974, passed to promote free and nondiscriminatory world trade, permits the President of the United States, upon a finding of unfair foreign treatment of U.S. trade interests, to take remedial action. Subject to Congressional approval, the President may revoke trade agreement concessions or impose new duties or other restrictions on the products and services of the offending country.

The Trade Act also allows "interested parties" to file complaints with the Special Representative for Trade Negotiations, and Ambassador-level official who coordinates U.S. trade policy and is the President's chief representative in international trade negotiations. The Special Representative is empowered to conduct public hearings, investigate complaints, and report semiannually to the House of Representatives and the Senate. If Congress determines action is warranted, it could take measures it deemed appropriate.

The Trade Act covers both "goods" and "services" in international trade, and therefore advertising -- generally considered a "service" -- in U.S. broadcast and print media are included in the activities protected by the Act.

The Trade Act has never before been used against a major trading partner, but its provisions appear to offer ample recourse should we need to turn to it.

Jamming

Arguing for approval of a "jamming" permit for the Buffalo stations (and henceforward for others that might need to seek one) would be a distasteful course, but it must be considered an option. "Jamming" would be costly for our stations and unpopular with Canadian viewers, but it would, at least, put a stop to the pirating of U.S. television programs on Canadian cable TV. We note that the U.S. Federal Communications Commission, in a preliminary determination, has advised the Buffalo stations that "jamming" would not be a violation of international law.

RECOMMENDATIONS

We recognize the right of sovereign nations to make foreign and domestic policies consistent with national goals. However, it is apparent to us that the Canadian government

has charted a course in communications policy which is discriminatory to trading interests in the United States. How far Canada follows that course will ultimately determine the need for and the character of our response.

Our television stations near the Canadian border have been faced with regulations threatening, and in some cases injuring, their ability to fulfill contractual advertising obligations. Pending legislation, if enacted, could severely hamper the ability of U.S. television stations and magazines to earn advertising revenues in Canada. Stricter guidelines on the production of commercials in Canada may have a detrimental effect on employment among American performers. In the absence of blatantly unlawful commercial practices by U.S. firms, or other mitigating circumstances, a positive United States response to these developments is in order.

To that end, we offer the following recommendations:

1. If progress continues in the talks on the commercial deletion matter, U.S. border stations should be encouraged to offer ameliorative proposals, such as the establishment of "shell" subsidiaries in Canada (for management of Canadian ad revenues) which would be liable for Canadian income tax levies, in return for an end of the deletion practice.

2. If no progress is made in the negotiations over commercial deletion, consideration should be given to endorsing U.S. border stations' requests for permission to "jam" their own signals beamed toward Canada.

3. The Special Representative for Trade should be asked to investigate whether Canada's policies in the several communications fields are discriminatory to U.S. trade with Canada.

4. President Ford should be asked to undertake a similar investigation, with a view toward possible swift action under the terms of the Trade Act of 1974 if warranted.

U.S. - CANADIAN RELATIONS

TRADE AND FOREIGN INVESTMENT

Since World War II, Canada and the United States have maintained a "special relationship" based on economic and political ties. There has been a tremendous integration of the two economies for both economic efficiency and development. Canada and the United States have the largest bilateral trading patterns in the world, amounting to approximately $40 billion. The United States supplies 70% of Canada's imports and about 66% of its exports. In recent years, however, the "special relationship" seems to be breaking down.

Canadians have become increasingly wary of their neighboring economic giant to the south. Some Canadians claim that their country is one huge American plant. Figures indicating the extent of U.S. domination of the Canadian economy support the Canadian claims. Americans own 80% of the long-term foreign investment in Canada. They control 96% of the auto industry, 90% of the electrical equipment industry, and 50% of all manufacturing. Moreover, the U.S. "Trading With the Enemy Act" has forbidden Canadian subsidiaries to trade with Cuba, North Vietnam, North Korea and, until a few years ago, China.

Canadian economic nationalism is clearly observable in a recent Gallup poll. Fifty-eight per cent of the Canadians interviewed indicated that Canada should buy a majority control of U.S. companies operating in Canada, even if it meant a reduction in Canada's standard of living. Support for this proposal has risen 12% in the past five years. In fact, nationalist sentiment has escalated on such a broad scale that the Canadian government -- a traditional ally of the U.S. -- has taken heed.

In recent years, through legislative and executive action, Canada has curtailed American imports of both capital and agriculture. Trade restrictions imposed by Canada, and by the U.S. in retaliation, have been the source of much hard feelings between the two countries. Consequently, the bilateral trade affairs reflect problems faced by the more general relations between the United States and Canada.

Presently there are three specific areas of irritation in U.S. - Canadian trade relations: foreign investment in Canada, agricultural trade, and the U.S.-Canadian Automotive Agreement.

FOREIGN INVESTMENT IN CANADA

Canadians are becoming increasingly concerned that so much of their industry is owned and/or controled by foreigners. In 1970, for example, foreigners controlled 98% of the nation's petroleum industry, 78% of its chemical production, and 57% of the manufacturing sector. Of the more than $50 billion of foreign investment in Canada, more than 75% is U.S. - controlled.

"About $270,000 an hour is drained from Canada every day of the year and most of it by American corporations," says a spokesperson for the Committee for An Independent Canada, an organization trying to decrease foreign investment. These figures have caused the Canadians to reconsider their economic relations

with the United States and attempt to gain control of more of their own industry.

In a position paper prepared by the Trudeau Government in 1972, three options were proposed regarding Canada's economic relations with the U.S.:

- maintenance of the status quo;
- closer integration with the United States;
- strengthening of the domestic economy to secure Canada's independence.

Not suprisingly, the third option was endorsed by the Trudeau Government. The policy was devised to reduce Canadian economic vulnerability to the U.S. In a subsequent move to limit foreign economic control of Canada, the Canadian government passed legislation to review new foreign investment.

CANADIAN LEGISLATION

The Canadian Parliament passed the Foreign Investment Review Act on December 12, 1973, and according to the Canadian government, the purpose of the Act is to ensure that foreign investment will be of significant benefit to Canada. The Act gives the Canadian government the legal authority to review:

- Foreign acquisitions or control of Canadian firms with assets valued at more than $250,000 or with revenues exceeding $3 million.
- Establishment of new businesses by foreigners not already doing business in Canada.
- Opening of a new business by an existing foreign-controlled firm in an unrelated line of activity.

The Act does not provide for the review of expansions of existing foreign controlled businesses or for the review of the establishment of new businesses which are closely related to a foreign controlled business presently operating in Canada.

The Foreign Investment Review Agency, created to enact the new law, has drafted a "significant benefit test" to guide its determinations. The Agency weighs such factors as:

- Whether the nation will benefit by increased employment or technology.
- What the effect on Canadian competitors will be.
- The extent of Canadian ownership and management in the venture.

- Assurances that highly trained employees as well as sophisticated hardware will stay in Canada.

Observers in the U.S. felt that passage of the Act would have long-range effects on American investment in Canada. Thus far, however, the effect on American investment has been nominal: the Foreign Investment Review Agency has recommended five takeover bids for every one rejected. In a recent decision by the Foreign Investment Review Agency, the Citicorp Leasing International Inc. of New York was allowed to take over North American Business Equipment Ltd., Direct Leasing Ltd., and Medi-Dent Service Ltd. The three are Burlington, Ontario-based equipment-leasing subsidiaries of Hamilton Group Ltd.

In 1975, Parliament passed two additional bills affecting foreign investment. One calls for a majority of Canadian directors on boards of foreign controlled corporations. American corporations, however, had foreseen passage of this Act, and once the law went into effect, very few changes had to be made for American corporations in Canada to comply with the regulation.

The second bill, amending the "Combines Investigation Act", states that any person, or company, who obeys any foreign law, directive, or court order that harms either domestic or foreign trade of Canada is subject to a two-year term of imprisonment. This amendment is aimed at U.S. - owned subsidiaries which obey the U.S. "Trading With the Enemy Act".

This amendment may have little effect on the United States because American subsidiaries in Canada, wishing to trade wih nations such as Cuba, have formerly been able to skirt the "Trading With the Enemy Act" when Canadian directors of a corporation outnumber their American counterparts. American observers maintain that the passage of this legislation has more a taint of nationalism than of real economic substance.

AGRICULTURE

Agricultural trade between the United States and Canada exceeded $2 billion in fiscal 1975, with an American surplus of over $800 million. This surplus can be traced to two factors:

- The U.S. does not import Canada's major global export -- wheat and grains.

- Canada imports from the U.S. fruits and vegetables which, because of the Canadian climate, cannot be produced there.

With a volume of trade this large, and an imbalance between the two countries, it is understandable that difficulties or "irritants" should occasionally arise. Three such irritants are presently troubling U.S. - Canadian agricultural relations: the planned nationalization of the potash industries; current Canadian legislation requiring bilingual labeling of all products sold in Canada and; quota restrictions imposed by both Canada and the United States.

POTASH

Late in 1975, the Canadian provincial government of Saskatchewan announced plans to nationalize privately-owned potash industries located in the province. Potash is one of the three major ingredients in the production of fertilizer and a major Canadian export. Though the potash nationalization question is basically a Canadian federal-provincial issue, the proposed action has caused much anxiety in this country for a number of reasons:

- Fully 60% of the assets to be taken over are U.S.-owned;
- More than 70% of American potash comes from the province of Saskatchewan and American agricultural officials are concerned lest U.S. potash supplies be curtailed;
- The price of potash exported to the U.S. could rise as a result of the Canadian takeover.

The Canadian federal government, in a recent "note" sent to the American Embassy, maintained that the purpose of the Saskatchewan takeover legislation is to ensure orderly expansion of production of potash to meet growing world demand. Further, according to the communique, the provincial government of Saskatchewan has assured the federal government that it does not intend to curtail the production of potash with the object of inducing scarcity and artificially forcing up prices.

Recently, concern over Saskatchewan's actions to nationalize potash industries was embodied in U.S. Senate Resolution 403. The resolution, relating to the need to assure the availability of potash for American agriculture, was reported to the floor March 15, 1976, by the Senate Committee on Agriculture and Forestry, chaired by Senator Herman E. Talmadge (D.-Ga.).

Citing U.S. dependence on potash, Saskatchewan's proposed takeover, and the possible resultant fluctuations in the price and supply of potash delivered to the United States, the resolution, passed unanimously by the Senate, made the following recommendations:

- The Department of State should express our concern to the Canadian Government as well as the Government of the Province of Saskatchewan that the supplies of potash not be disrupted;
- The Department of State should ascertain the precise objectives and anticipated conclusions of the proposed takeover by the Government of the Province of Saskatchewan;
- The Department of Agriculture should immediately develop contingency plans to assure an adequate supply of potash for American agriculture in the event that supplies from the Saskatchewan deposits should be temporarily or permanently disrupted.

The Senate resolution implicitly compared Saskatchewan's actions on potash with those of OPEC with respect to oil. However, the recent Canadian "note" to the U.S. Embassy cited the OPEC reference in S. Res. 403 as an example of a general lack of understanding in the United States of the nature of the Saskatchewan action on potash. Immediately following the passage of the Senate resolution, Saskatchewan Premier Allan Blakeney publicly reassured the United States that there would be no change in the availability of potash for American agriculture.

BILINGUAL LABELING

Recent Canadian legislation requires bilingual labeling of imported and domestic products. While U.S. industries recognize that this regulation is part of Canada's effort to enhance its identity as a bilingual nation, it nevertheless places a financial burden on U.S. exporters of agricultural products to Canada. In dealing with the new law, U.S. shippers feel that they have three options:

- Convert all shipping cartons to bilingual labeling;
- Pack goods especially for the Canadian market;
- Ignore the restrictions and run the risk of losing the market.

Hardest hit by the regulations -- scheduled to go into effect March 1, 1976 -- are the small farmers who transport their produce to the Canadian border with little or no wrapping. What is yet to be determined is the extent to which the regulations will be enforced. Stingent enforcement would, of course, discourage trade between the two countries.

QUOTAS

Import quotas have greatly affected the trade relationship between the United States and Canada. Import quotas, which limit the amount of a commodity that may be imported into a country, are used to stimulate domestic industry and to maximize producers' profits. Canada and the U.S. have imposed trade quotas in a number of areas: beef, veal, pork, cattle, and eggs.

The 1973 wage and price freeze in the United States gave rise to a price differential in beef between the U.S. and Canada. Consequently, American producers began sending their cattle and beef into Canada to take advantage of the higher prices. On April 9, 1974, Canada imposed regulations stating that cattle raised with the use of DES (a growth stimulant) could not be imported into Canada -- the reason given being that DES was linked with the formation of cancer in women. The timing of the restriction, however, caused speculation as to what was truly the object of the quota, concern for Canadian women or the influx of American beef. Regardless, this restriction effectively cut off all trade between the two countries in cattle and beef.

In August, 1974, following bilateral negotiations, Canada and the U.S. resolved their differences over the DES beef restrictions. Within a week, however, Canada imposed further restrictive quotas on certified non-DES beef, veal, and live cattle. President Ford responded to the new Canadian quota with an American quota, officially called a compensatory action, on imported Canadian beef, veal, pork, hogs, and cattle. The President, explaining his action, charged that Canada had erected "unjustifiable import restrictions" against U.S. products.

One year later, in August, 1975, all restrictions on U.S. - Canadian trade in cattle, hogs, and pork were removed. This bilateral action was followed on December 20, 1975 by the announcement of an agreement between Canada and the U.S. removing quota restrictions on trade in beef and veal. Canada's Agricultural Minister, Eugene Whelan, expressed his belief that "normal trade in beef and veal between the two countries could be resumed early this year".

Quotas in the egg market have been a further source of conflict between the U.S. and Canada. Canada has implemented egg stabilization policies in an attempt to increase domestic prices and profits. In 1974, the Canadian Egg Marketing Agency, the government arm that controls egg production, destroyed 28 million surplus eggs to keep producer returns up. Subsequently, thousands of surplus Canadian eggs poured onto the American market, selling for as low as 27¢ per dozen.

In July, 1975, the Canadian Egg Marketing Agency, implementing further egg stabilization policies, imposed an import quota on eggs. U.S. Agriculture officials maintain that the quota impeded free trade between the two countries. Presently, both American and Canadian officials have undertaken negotiations to reach an acceptable resolution of the problem.

THE CANADIAN AUTOMOTIVE AGREEMENT

BACKGROUND

In the early 1960's, the Canadian automotive industry was unable to compete effectively in international markets because of its traditional position as a smaller high-cost duplication of the United States' automotive industry. As a result, the Canadian automotive industry suffered from inefficient production. The degree of inefficiency is reflected by the following facts:

- Canadian vehicle prices were at least 10% higher than U.S. prices.
- Employees were paid about 30% less in Canada than in the U.S.
- The return to capital was probably no higher, on the average, in Canada than in the United States.

In 1961 and 1962, Canada took unilateral steps to improve the competitive stance of the Canadian automotive industry. Canadian proposals, such as duty-rebates to Canadian manufacturers, irritated Canada's economic relationship with

the U.S. The two countries sought a mechanism which would allow Canada to develop a more efficient automotive industry without adversely affecting U.S. industry. The resulting Automotive Agreement (The Automotive Products Trade Act), signed by Canada and the United States on January 16, 1965, created the basis for an integrated automotive market by, in effect, removing duties on trade between the two countries in specified motor vehicles and original equipment automotive parts.

The Agreement sets forth three objectives:

- The creation of a broader market for automotive products within which the full benefits of specialization and large scale production can be achieved.

- The liberalization of U.S. and Canadian automotive trade with respect to trade barriers and other factors tending to impede it.

- The development of conditions in which market forces may operate efficiently to attain the most economic pattern of investment, production, and trade.

Each government agreed to avoid actions that would frustrate the achievement of these objectives. Consequently, the U.S. removed its duties on specified new and used Canadian motor vehicles and original automotive parts. Canada fulfilled its obligations under the Agreement somewhat differently, by according duty-free treatment to specified new motor vehicles and original equipment parts on a Most-Favored-Nation basis to all automotive manufacturers who had production facilities in Canada at the time the Agreement was negotiated.

In recognition of a need for a transitional period for the smaller, higher-cost Canadian industry to adjust to the competitive pressures of the larger North American market, certain restrictive measures were set forth in an annex to the Agreement:

- Only bona fide Canadian vehicle manufacturers may import automotive products duty-free and,

- in order to be considered bona fide, manufacturers must meet certain minimum Canadian value-added and Canadian production-to sales ratio requirements.

The duty-free import privileges apply only to vehicle manufacturers however, as individuals are required to pay the Canadian import duty of 15%. This restriction on duty-free import privileges has contributed to higher prices in Canada by eliminating the competition dealers would otherwise experience from duty-free imports by private citizens.

Since the signing of the Agreement in 1965, automotive trade, which accounts for one-third of total U.S. - Canadian trade, has increased eightfold. As a result of the Agreement, American automotive companies made large investments in Canada

which in turn led to an excess Canadian productive capacity. This expanded capacity, together with a lack of growth in the Canadian automotive market and significant overseas import penetration, led to an erosion of the pre-Agreement U.S. surplus, and eventually to a deficit. In recent years however, the Canadian market has strengthened, the market share of overseas imports in Canada has decreased, and trade in snowmobilies has been reduced. As a result, U.S. automotive exports to Canada have grown faster than imports, generating an automotive trade surplus with Canada of $426 million in 1973, $1.23 billion in 1974, and an even higher expected surplus for 1975.

CURRENT DISCUSSION OF THE AGREEMENT

Several major industrial groups have scrutinized the Automotive Agreement in the past few years and have voiced some opposition to provisions in the Agreement. This opposition stems partly from the dynamic pattern of U.S. - Canadian trade, and the change in relative strength of the industries of the respective countries.

The current reevaluation of the Automotive Agreement has brought comment from industries which are intimately involved with the workings of the automotive industry. Most of the groups support the spirit of the Agreement, but suggest that changes could be made.

The major industrial groups were represented in a hearing before the International Trade Commission on December 11, 1975, in Detroit. The ITC prepared a study of the Automotive Agreement which was completed January 22, 1976. The study was called for by Senator Russell B. Long, chairman of the Senate Committee on Finance.

The United Auto Workers of America opposes the Agreement as it now stands and wishes to see it revised. In testimony before the International Trade Commission, UAW President Leonard Woodcock maintained that:

- The existing price differential of 6.6% between Canadian and American auto prices must be abolished in order to increase production and employment in both countries.

- What is at stake is not only the jobs of Americans and Canadians employed directly in the auto industry, but also the jobs of workers in supplier industries, such as steel, aluminum, glass, and rubber.

- The North American content percentage of cars built in Canada should be raised to provide more jobs for Canadian and American workers.

The UAW President also urged that we draw the line against duty-free importation where imports have been subsidized by the exporting country, or where the exporting country denies workers the right to organize themselves freely and to engage in collective bargaining. Mr. Woodcock cited the actions of Ford Motor Company in laying off hundreds of workers at its Lima, Ohio, plant, while importing

subsidized Brazilian engines for cars assembled at its St. Thomas, Ontario plant, most of which are sold in the United States.

Mr. Woodcock also called on the International Trade Commission to examine carefully the methods used to measure the trade flows between the two countries. He maintained that the auto companies may be motivated to manipulate their internal transfer prices in order to shift accounting profits to the country where total tax payments are minimized by the combined effect of U.S. and Canadian tax laws. The UAW President further argued that there is some evidence that the invoice prices which are maintained in the trade between business parties in the automotive industry are not likely to be the same as those which pertain in arms-length transactions between independent companies. If such deliberate price and profit distortions are indeed occurring, the revenue loss to either the U.S. or the Canadian governments could be considerable.

The Automotive Parts Manufacturers' Association of Canada has also had second thoughts regarding the Automotive Agreement. The Association is quite upset because of the tremendous trade surplus the U.S. has in its automotive parts trade with Canada. According to their testimony, Canadian parts producers have seen their share of the domestic market go from approximately 92% in 1964 to less than 6% in 1973. The Association argues that there should be some degree of protection afforded the Canadian automotive parts industry under the present economic conditions.

On the pro side of the Agreement, however, the Motor Vehicle Manufacturers Association warns that termination of the pact would have a crippling effect on the U.S. motor vehicle manufacturing industry and thus on the U.S. economy. A spokesperson for the Association argued that the Agreement is essential to maintain the high level of automotive trade between the U.S. and Canada.

The Canadian Motor Vehicle Manufacturers Assoociation, which consists largely of American automotive subsidiaries, is in concordance with its American counterpart that the effects on Canada of a termination of the Automotive Agreement would be economically devastating.

The ITC study concluded that the Automotive Agreement is by no means a free trade agreement. Further, the ITC reported that Canada has not fully complied with the terms of the agreement. Moreover, the fact that Canada has not phased out the provisional restrictions, according to the study, impedes the realization of the original objectives of the Agreement.

RECOMMENDATIONS

Having reviewed U.S. - Canadian relations in trade and foreign investment, we feel the relationship is much too important to allow competing sentiments of nationalism to interfere. Taking into account differences in national perspective, we make the following recommendations:

1. A permanent bilateral panel should be established to monitor trade between the two countries and particularly to help resolve problems as they arise.

2. In view of Saskatchewan's proposed nationalization of potash industries, we concur with S. Res. 403, and further, we urge the province of Saskatchewan to give full and equitable remuneration to American potash industries which are purchased or expropriated.

3. The provisions of the U.S. - Canadian Automotive Agreement should remain intact. We believe that the Automotive Agreement has greatly benefited both Canada and the United States, not only in trade, but employment and production as well. Although the International Trade Commission recommends that Canada phase out the transitional provisions of the original agreement, we believe that this is not the time to eliminate the provisions because of Canadian trade imbalance due to cyclical economic patterns.

   Further, we maintain that any effort to increase the North American "content required" percentage would have only cosmetic effects and would exhibit protectionist tendencies not in line with our belief in international free trade.

U.S. - CANADIAN TRANSBOUNDARY ISSUES

The boundary between the United States and Canada, including the Alaskan border, stretches over five thousand miles. Along the international boundary, and in the ocean waters off this continent's east and west coasts, are natural resources of sufficient abundance and variety to supply many of our two countries' needs. As well, these boundary areas contain some of the most beautiful wilderness in North America.

Confronted simultaneously by rising demands on the earth's resources and a need to protect fragile natural environments, the United States and Canada each face many difficult choices in coming years. Energy and materials shortages have led both countries to give high priority to fossil fuel production and resource management. In recognition of a balancing need for conservation, standing bilateral agreements commit the United States and Canada to avoid pollution of boundary waters and to a major cleanup effort in the Great Lakes. As pressures for resource utilization and preservation converge -- especially when in a border area -- cooperation between the United States and Canada will become more and more a necessity.

BACKGROUND

In recent years, a variety of federally- and privately-sponsored projects on both sides of the border have provoked concern for the environmental impacts on the affected region. The governments of the United States and Canada have consulted frequently on these issues to avoid damaging each other's interests. At present, the following matters dominate U.S.-Canadian border relations:

- the Garrison Diversion Unit, a partially constructed multipurpose water project in North Dakota, which Canada fears would degrade Canadian waters if completed according to plan;

- a proposed oil refinery and tanker port at Eastport, Maine; Canada says an "unacceptable risk" would be created by tankers carrying crude oil to Eastport through treacherous Canadian waters in the Bay of Fundy;

- heavy tanker traffic from Alaska entering the narrow Rosario and Juan de Fuca Straits above Puget Sound (Washington State); with several refineries now active and tanker traffic due to intensify after completion of the TransAlaska Pipeline, Canada is worried about the risk of oil spill damage along her beautiful and well populated West Coast;

- a variety of issues in the Great Lakes, including (1) tardy U.S. compliance with the 1972 Great Lakes Water Quality Agreement, which bound the U.S. and Canada to have secondary sewage treatment for Great Lakes Basin municipalities by December 31, 1975; (2) regulation of Great Lakes water levels; and (3) commercial fishing disputes in Lake Erie;

- a Canadian proposal to build flood control apparatus along the Richelieu River north of Lake Champlain (New York State); the United

States fears that present construction plans, if implemented, might have a harmful effect on Lake Champlain;

- plans by a Canadian metals firm to mine and refine coking coal at a site in Canada eight miles north of Glacier National Park (Montana); the United States is concerned that the proposed "Cabin Creek" project could cause waste and runoffs posing a serious threat to the pristine beauty of Glacier, the Flathead National Forest and the Flathead River basin;

- an upcoming session of the Third United Nations Law of the Sea Conference, where articles on fisheries, deep seabed exploitation, jurisdictional definitions, navigation rights, and other issues of interest to both the United States and Canada may be incorporated into an international treaty.

Garrison Diversion Unit

Garrison is a plan to divert water from the Missouri River for irrigation, municipal and industrial water supply, and recreational areas, in central and eastern North Dakota. The project, whose initial stage would affect 250,000 acres, was first passed by Congress in 1944 and funded beginning in 1965. Appropriations for Garrison totaled $13.3 million in FY 1976. The President requested $23 million for the project in his FY 1977 budget. With completion now planned for 1990, the current estimate for the cost of the entire project is $496 million.

The Garrison Diversion Unit has long been controversial. Its advocates claim that Garrison's irrigation features would greatly increase farm profitability in North Dakota by making possible a multi-crop economy. A Bureau of Reclamation environmental study purports to show a cost-benefit ratio of 2.9 to 1. North Dakota's Congressional delegation supports the project, as do most supervisory agencies and farm organizations in the state.

But the Canadian government has concluded that saline return flows from the project's sprinkler irrigation would have adverse effects on Canadian portions of the Souris, Assiniboine and Red Rivers and on Lake Winnipeg, causing injury to health and property in Canada in contravention of the Boundary Waters Treaty of 1909. (Article IV of that Treaty between the U.S. and Canada forbids either country from polluting boundary waters "to the injury of health or property" on the other side of the border.) In a diplomatic note presented to the U.S. government in October 1973, the Government of Canada requested the U.S. to "establish a moratorium on all further construction of the Garrison Diversion Unit until such time as the United States and Canadian governments can reach an understanding that Canadian rights and interest have been fully protected in accordance with provisions of the Boundary Waters Treaty."

The United States government has assured Canada that no construction potentially affecting waters flowing into Canada will be undertaken until it is clear that our Boundary Waters Treaty obligations to Canada can be met. The International Joint Commission, a bilateral group chartered by the Boundary Waters pact to settle

boundary waters issues, is studying the matter and has promised a report by October 31, 1976.

Eastport

An application by the Pittston Company (New York) for a permit to build an oil refinery and tanker port at Eastport, Maine, has brought particularly strong protests from the Canadian government. Tankers serving the proposed refinery would have to pass through Head Harbor Passage in the Bay of Fundy -- an especially dangerous channel due to near-constant fog, severe tidal fluctuations and a rocky coastline.

Pro-refinery forces in Maine say construction of the project would bring needed jobs and industry and might reduce the cost of oil products in ths economically depressed region. However, opponents of the project in Maine and Canada point out that the risk of oil spills is great, and the damage a spill would cause to fragile Maine and New Brunswick fishing industries would be extremely serious. Opponents also question the Pittston Company's dedication to environmental responsibility -- in 1974, an earthen dam collapsed at a Pittston strip-mine site in West Virginia, killing over 100 people and causing flood damage in 14 nearby communities.

The State of Maine Board of Environmental Protection granted building permits to Pittston in June 1975. The company is still in the process of obtaining necessary U.S. permits. At any rate, construction cannot begin until Canada grants passage rights for crude oil-bearing tankers. Canada has said the risk of spills is "unacceptable" and has implied that Parliament would deny passage rights through Head Harbor Passage.

The U.S. government has asked that Canada grant any Pittston application a full and fair hearing. The U.S. points out that vessels proceeding to or departing from U.S. ports through the waters of Head Harbor Passage enjoy the right of innocent passage under international law and that this right is not subject to unreasonable or arbitrary interference or suspension.

Strait of Juan de Fuca

Canada is concerned about the hazards of large-scale tanker traffic from Alaska passing through narrow Canadian straits en route to a refinery at Cherry Point, Washington. In early 1974 the Canadian government proposed a West Coast Environmental Protection Agreement to lessen the hazards of oil spills. The U.S. government reserved its position on the proposal, but agreed at that time to technical discussions in all areas of Canadian concern. These discussions have led to the enactment of several traffic control measures which are now in force in the Straits of Rosario and Juan de Fuca and in Puget Sound. Washington State is now studying the possibility of building a tanker port near Port Angeles on the western end of the Strait -- a more desirable location in terms of tanker traffic safety.

This situation will grow more critical with the completion in the late '70s of the TransAlaskan Pipeline. The volume of crude oil-bearing tanker traffic from Alaska to West Coast refineries in the United States is expected to increase dramatically. Canada is hoping to avoid a concomitant rise in the risk of oil spillage.

The Great Lakes

The Great Lakes chain is a critical resource for both the United States and Canada. Major portions of both countries' population and industry are located in the Great Lakes Basin. The United States and Canada face many issues involving shipping, hydropower, pollution and resource management in the Lakes; the matters discussed in the sub-paragraphs which follow are of especial current interest:

The Great Lakes Agreement. The 1972 Great Lakes Water Quality Agreement between the United States and Canada committed both countries to a massive effort to construct and upgrade municipal sewage treatment facilities in the Great Lakes Basin. Under the Agreement, both nations were required to have waste treatment facilities in all basin municipalities with sewer systems either complete or in "process of implementation" by December 31, 1975. Canada has substantially fulfilled its obligations under the Agreement.

In the United States, only an estimated 60 per cent of the basin population were being served by "adequate" sewage treatment plants when the deadline passed. Another 20-25% of the population lives in areas where plants are in an early planning stage. Our program's tardiness is traceable to (1) difficulties experienced by many municipalities in meeting U.S. Environmental Protection Agency administrative requirements to qualify for grants and (2) the impoundment of $3.5 million in targeted funds by the Nixon Administration in fiscal years 1973 and 1974. Additionally, the U.S. General Accounting Office has suggested that Federal water pollution control funding may not be adequate for timely completion of the U.S. Great Lakes program. Canada has expressed its concern over the delays in the U.S. program directly to President Ford and Secretary of State Kissinger. During Secretary Kissinger's visit to Ottawa last October, the Secretary recognized our obligations under the Agreement and acknowledged that our program is behind schedule. At that time, he pledged that the Administration would make every effort to encourage total U.S. compliance.

Regulation of the Great Lakes. The United States and Canada for many years have cooperated, under the authority of the Boundary Waters Treaty of 1909, in regulating the water levels of Lakes Superior and Ontario. This regulation, through control works at key inflow and outflow points, is intended to moderate extreme long-term fluctuations in the levels of those two lakes for various purposes, including the protection of property, navigation and hydropower interests.

In recent years extremely high water levels, especially on Lakes Erie, Huron and St. Clair, have caused extensive erosion and flood damage to shore property. Though regulation of Lakes Superior and Ontario does marginally affect the water levels in the other Great Lakes, no effective means actually exist to regulate the water levels of Lakes Michigan, Huron, Erie and St. Clair. This damage has caused great public outcry from property owners, who hope for some governmental response

to the urgent need for regulation of the lakes, to modify the cyclical high and low water levels that naturally occur in the lakes.

The International Joint Commission, created by the 1909 Treaty and charged with overseeing regulation of lake levels, has conducted an extensive study of the water levels on all the lakes. The I.J.C. now is reviewing at least two specific plans, identified by the Corps of Engineers as exhibiting favorable cost/benefit ratios, for further regulation to benefit all of the Great Lakes as one system. It now is anticipated their report will be submitted to the two governments for their approval in early May, 1976.

Commercial Fishing in Lake Erie

Commercial fishermen from Ohio have complained of overfishing and poaching in Lake Erie by Canadian fishermen from Ontario. The Ohio fishermen charge that the U.S. - Canada Convention on Great Lakes Fisheries (1955) provides inadequate protection against depletion of fish stocks, and that a new treaty is needed to safeguard their livelihood.

The 1955 agreement created a bilateral Great Lakes Fisheries Commission to conduct research on management of fisheries stocks. However, the Commission does not have regulatory powers. Regulation now exists only on the state and province level, and Ohio fishermen argue that regulation by the province of Ontario has been ineffective in stopping overnetting by Ontario boats in Lake Erie.

Earlier U.S. complaints about poaching (illegal fishing by Ontario boats in Ohio waters) in Lake Erie brought promises of strengthened supervision from provincial authorities. The Ohio fishermen argue that unless stringent seasonal gear and catch size standards are adopted and observed, the fishing industry in Lake Erie for both the U.S. and Canada could suffer fatal damage.

Richelieu River - Lake Champlain

Because of high water levels on Lake Champlain and flooding of its outlet river, the Richelieu, the United States and Canadian governments asked the International Joint Commission (IJC) to study means of flood control and regulation. The subsequent IJC report said that regulation of lake levels should not go forward before exhaustive environmental studies were conducted. U.S. interests continue to oppose regulation unless it is clear that its environmental impacts are minimal.

In early 1975, the IJC proposed a careful compromise which would have allowed the Canadian government to begin construction of control works, provided for further environmental studies, and postponed the adoption of a regulation plan until adequate environmental data was available.

The United States government endorsed the IJC compromise proposal. Canada approved further environmental studies and in late 1975 applied to the IJC for an order of approval for a new construction plan. The plan is for a fixed-crest weir, or submerged dam, in the Richeleieu River which would provide a reduction in flood levels while maintaining low water levels on Lake Champlain near natural conditions.

The Canadian government regards the new construction proposal as a significant compromise to U.S. interests. Canada argues that there is an urgent need for flood control in the Richelieu Basin and that earlier environmental studies have shown that the impact of the project on the environment will be minimal. The U.S. believes that the proposal has merit and should be studied by the IJC's Richelieu-Champlain Board, but that no decision should be taken on implementation until environmental studies are completed.

Flathead River/Cabin Creek Coal Project

A Canadian mining company has drawn up plans to take an estimated 110 million tons of high grade coking coal from a site eight miles north of the international boundary on Cabin Creek, a tributary of the North Fork of the Flathead River which runs into Montana. The North Fork forms the western border of Glacier National Park and is presently under consideration for inclusion in the U.S. Wild and Scenic Rivers System. Mining operations could result in transboundary air and water pollution affecting Glacier National Park and end all hopes of preserving the river in a wild and scenic state. The project is strongly opposed by local residents, the Montana delegation, and U.S. and Canadian conservation groups. There appear to be no economic advantages to the U.S. from the proposed development; coal from the site is expected to be exported to Japan.

Canada has pledged to ensure that any development at Cabin Creek will be so designed and operated as to meet Canada's treaty obligations not to pollute waters crossing the boundary to the injury of health or property. The Canadian government welcomes consultations with the U.S. to reach a mutually acceptable solution.

The U.S. government is concerned that the proposed Cabin Creek project would seriously undermine efforts to protect the unique environmental value of Glacier National Park, the Flathead National Forest and the Flathead River Basin and could cause injury to both public and private property in these areas. The U.S. welcomes Canada's assurances that it will abide by its treaty obligations and appreciates Canada's willingness to hold consultations to ensure that American interests are protected. The U.S. government believes that no approval for actual mining should be granted by provincial or federal authorities until it is clear that U.S. interests will be adequately safeguarded. To this end, the United States has asked the government of Canada to explore with us the utility of a bilateral agreement or other arrangements which would help assure that the unique beauty of the Glacier National Park area can be preserved.

Law of the Sea

The United States and Canada hold many common interests in the Third United Nations Law of the Sea Conference, whose third session convened in March in New York City. The two countries have proposed slightly different approaches to several issues. However, at the present meeting, or in a subsequent parley (if needed) in Geneva in August, both the United States and Canada hope to see

articles on the following subjects incorporated into a final treaty:

- fisheries management and conservation principles for coastal states, including rules for primacy of jurisdiction, the right to establish quotas, and special protection for anadromous species (fish which spawn inland or upstream and then migrate to distant ocean waters, e.g., salmon and tuna);

- a regime for international straits, defining rights of international navigation and overflight, and balancing rights of coastal states to prevent environmental damage;

- a deep seabed authority, to govern international exploitation of minerals and living resources on the ocean floor beyond the continental margins;

- the establishment of territorial and economic zones or boundaries in the sea;

- peaceful settlement of disputes.

U.S. and Canadian coastal fisheries have been seriously depleted by foreign distant-water fishing fleets. At the Law of the Sea Conference, the Canadian position on fisheries is similar to that of the United States. The U.S. favors (1) coastal state management and sovereign rights over coastal species out to 200 miles; (2) exclusive host state control of salmon and other anadromous species to the full extent of their migratory range; and (3) regional or international management of highly migratory species such as tuna.

The Trudeau and Ford Administrations have opposed drives within their own countries to enact unilateral 200-mile fishing zone legislation. The U.S. and Canadian governments have, instead, urged that similar 200-mile coastal state primacy standards be ratified through a Third International Law of the Sea treaty. The Canadian government has been successful in resisting internal pressures up to now. Congress recently passed a bill, H.R. 200, to extend the U.S. fishing jurisdiction to 200 miles. However, the measure may never be effected unilaterally, since the House-Senate Conference report, adopted by both houses and awaiting the President's signature, postpones until March 1, 1977, the in-force date of the bill. It is hoped that by that time a new international agreement will have eliminated the need for unilateral action by the United States.

On pollution issues, Canada's determination to preserve her fragile Arctic environment led to the enactment of the 1970 Canadian Arctic Waters Pollution Control Act. The Act proclaimed for Canada pollution jurisdiction over foreign vessels in a 100-mile pollution control zone off Canadian shores above the 60th parallel. At the Law of the Sea Conference, Canada proposes to vest broad powers in the port state and coastal state to enforce both national and international pollution control standards for vessels in ports and coastal waters.

The United States shares Canada's determination to prevent pollution of the seas, but favors an approach which is different in several respects. Specifically,

the United States rejects Canada's assertion of a right to unilateral extension of pollution jurisdiction such as is claimed in the 1970 Canadian Arctic Waters legislation. In the Law of the Sea forum, the United States has maintained that only international construction and discharge standards apply to vessels beyond the territorial sea (12 miles offshore), except such additional standards as a flag state may impose upon its own vessels. The United States supports an enforcement system in which the flag state would (1) be obligated to enforce violations of international law against its own vessels; (2) be able to enforce against violations of international as well as national law for all vessels which are voluntarily present in its ports; and (3) have a right to enforce international and national standards applicable to vessels within its territorial sea, provided that such rules did not hamper innocent passage.

Exploitation of the international deep seabed area beyond the economic zones of individual coastal states is a matter of profound interest to all countries participating in the Law of the Sea Conference. The United States favors access to international seabed resources for individual nations and private commercial interests, coupled with revenue sharing for the benefit of the world community. Many of the highly industrialized countries, including the U.S.S.R. and the E.E.C. states (minus Ireland), also support this concept.

Canada, siding with a large number of developing countries, wants to endow the future International Seabed Authority with exclusive rights to carry out all activities in the international seabed area. This would permit production-sharing as well as revenue-sharing. Under this scheme, the Authority could grant service contracts to nations or corporations but would maintain its full and effective control at all times.

RECOMMENDATIONS

In general, we urge that the United States renew its long-standing commitment to amicable transboundary relations with Canada. We recommend that steps be taken which will affirm our adherence to agreements protecting the environments and resources along the U.S. - Canadian border, without unduly restricting needed development projects. We make the recommendations outlined below in the belief that our shared land and water boundary areas can be hardy, perennial sources of food, fuel and recreational pleasure in the future, if we commit ourselves to the preservation of the time-tested natural balance of the elements.

1. Congress should give careful consideration to the forthcoming report of the International Joint Commission on probable impacts of Garrison Diversion Unit return flows on Canadian waters. If the I.J.C. report shows that construction of the project would not cause U.S. violations of the Boundary Waters Treaty, we would support completion of the project, with such modifications as might be necessary to eradicate significant Canadian concerns.

   If the I.J.C. report demonstrates conclusively that construction of Garrison's Initial Stage would cause adverse impacts on Canadian waters in contravention of the Boundary Waters Treaty, we would

support a moratorium on the appropriation of funds for construction of project features affecting Canada.

2. The Canadian government should give the Pittston Company a full and fair hearing consistent with the protection of innocent passage under international law, if and when the Company applies for transit and navigation rights through Canadian waters to a proposed crude oil refinery at Eastport, Maine.

3. To resolve the threat of oil spills from tanker traffic through the Strait of Juan de Fuca, Congress should explore the potential for federal-state cooperation in testing the utility of a western site for refineries and tanker port in Puget Sound.

4. We urge oversight committees in Congress to weigh the effectiveness of present research, construction and quality control measures designed to bring about U.S. compliance with the 1972 Great Lakes Water Quality Agreement. We also believe that increased participation by the states would lead to faster and better-supervised allocation of needed funds for waste treatment facilities in the Great Lakes Basin. To help states finance added water pollution control burdens, Congress should consider legislation such as H.R. 2175 [Rep. James Cleveland (R.-N.H.) and Rep. Jim Wright (D.-Tex.)].

5. The U.S. and Canadian governments should make further bilateral efforts to moderate extreme fluctuations in water levels on the Great Lakes. The two governments should weigh carefully the forthcoming report of the International Joint Commission on regulation of lake levels to prevent damage to shore property.

6. To prevent depletion of fish stocks, and to protect legitimate U.S. fishing interests, the U.S. should explore with Canada the need for a new regime governing management of fisheries in Lake Erie.

7. In the interests of insuring against premature construction of flood control apparatus at Lake Champlain, the U.S. should support continued funding of International Joint Commission studies of the environmental impacts of regulation of water levels at the lake.

8. The U.S. State Department should continue to impress upon the Canadian government the importance of preventing pollution of the Flathead Basin and Glacier National Park (Montana) area from any future coal operations on the Canadian side of the border.

9. The United States and Canda should seek every available opportunity for cooperative effort at the U.N. Law of the Sea Conference convening in March in New York. Agreement this year on a final negotiating text for a 3rd International Law of the Sea Treaty would hasten the inauguration of needed ocean resource management controls.