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TWENTY-FIRST MEETING OF THE CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

May 23–27, 1980

REPORT

BY THE

CHAIRMAN AND VICE CHAIRMAN

OF THE

SENATE DELEGATION

PURSUANT TO

PUBLIC LAW 42, 86TH CONGRESS

SEPTEMBER 1980

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SENATE DELEGATION

ATTENDING THE CONFERENCE

EDWARD ZORINSKY, Nebraska, *Chairman*
TED STEVENS, Alaska, *Vice Chairman*

MAX BAUCUS, Montana
JAMES A. McCLURE, Idaho

LETTER OF TRANSMITTAL

UNITED STATES SENATE,
Washington, D.C., August 15, 1980.

Hon. WALTER F. MONDALE,
President, U.S. Senate.

DEAR MR. VICE PRESIDENT: Pursuant to Public Law 86–42, approved June 11, 1959, and as chairman and vice chairman of the Senate delegation, we have the honor to submit a report on the 21st meeting of the Canada-United States Interparliamentary Group, which was held in San Diego, California, from May 23–27, 1980.

Sincerely yours,

EDWARD ZORINSKY,
U.S. Senator.

TED STEVENS,
U.S. Senator.

CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

Background

Public Law 86–42, adopted on June 11, 1959, authorized U.S. participation in interparliamentary conferences with Canada. The law provides that Members of the U.S. Congress—not to exceed 24—are to be appointed to meet annually with representatives of the House of Commons and the Senate of the Canadian Parliament "for discussion of common problems in the interest of relations between the United States and Canada." The meetings are held alternately in Canada and the United States.

Composition of Delegations

UNITED STATES

The President of the Senate appointed the following Senators to the delegation: Edward Zorinsky, Nebraska, Chairman; Ted Stevens, Alaska, Vice Chairman; Max Baucus, Montana; John A. Durkin, New Hampshire; James A. McClure, Idaho; and S. I. Hayakawa, California.

Representing the U.S. House of Representatives were: Dante B. Fascell, Florida, Cochairman; Harold T. Johnson, California; Sam Gibbons, Florida; James M. Hanley, New York; Edward P. Boland, Massachusetts; Jim Lloyd, California; Lionel Van Deerlin, California; Larry Winn, Jr., Kansas; Arlan Stangeland, Minnesota; Clair Burgener, California; and Bob Wilson, California.

CANADA

The Members from the Canadian Senate were: Hartland de M. Molson, Quebec, Cochairman; Allister Grosart, Ontario; Paul C. Lafond, Quebec; Daniel A. Lang, Ontario; Charles McElman, New Brunswick; George van Roggen, British Columbia; and David Walker, P.C., Ontario.

The House of Commons was represented by: Herb Breau, New Brunswick, Cochairman; Coline Campbell, Nova Scotia; Jim Fulton, British Columbia; Serge Joyal, Quebec; Tom Lefebvre, Quebec; James McGrath, P.C., Newfoundland; Donald Munro, British Columbia; Jack Murta, Manitoba; Frank Oberle, British Columbia; Keith Penner, Ontario; Marcel Prud'homme, Quebec; Robert Rae, Ontario; Geoff Scott, Ontario; Peter Stollery, Ontario; John Thomson, Alberta; Ian Watson, Quebec; and David Weatherhead, Ontario.

COMMITTEES

The delegates met in three committees, with the following specific topics assigned to each group:

COMMITTEE I—ECONOMIC AND DEFENSE ISSUES

1. Economic relations: Economic conditions in Canada and the United States; prospects for closer economic relations in North America; auto pact.
2. Trade issues: Agricultural trade; TV broadcasting; U.S. convention tax; U.S. procurement practices; civil aviation relations.
3. Investment issues: Asbestos nationalization; antitrust agreement; deep seabed mining; extraterritoriality.
4. Defense issues: NORAD renewal; joint air defense study.
5. Draft treaty on third party settlement of disputes.

COMMITTEE II—ENERGY ISSUES

1. Gas: Alaskan gas pipeline; gas exports to the United States; Arctic liquefied natural gas.
2. Oil: Transportation of Alaskan oil; Beaufort Sea drilling; oil supply; future technologies.
3. Nuclear energy: Bilateral trade; nonproliferation and INFCE; public attitudes.
4. Electricity.
5. Multilateral issues: Refugees; 1980 CSCE Madrid meeting; Central America; protection of diplomats; Iran; Afghanistan.

COMMITTEE III—FISHERIES, BOUNDARIES, AND ENVIRONMENTAL ISSUES

1. Fisheries and maritime issues: Boundary treaty; fisheries treaty; fisheries problems.
2. Air quality: Acid rain.
3. Disposal of toxic wastes.
4. Transborder environmental issue: Garrison diversion, Dickey-Lincoln; Polar River; Atikokan; Cornwall Island; Eastport; Caribou treaty.
5. Draft treaty on equal access to courts on boundary pollution cases.
6. Coastline management: West coast tankers; management of coastline by State and provinces.
7. Multilateral issues: Refugees; 1980 CSCE Madrid meeting; Central America; protection of diplomats; Iran; Afghanistan.

COMMITTEE I—ECONOMIC AND DEFENSE ISSUES

The Committee on Economic and Defense Issues was cochaired by Senator Edward Zorinsky and Hon. Hartland de M. Molson. Other members of the Canadian delegation serving on the committee were Senators Allister Grosart and Dan Lang and members of the House of Commons Serge Joyal, Jack Murta, Marcel Prud'homme, Bob Rae, Geoff Scott, and David Weatherhead. Also serving on the committee from the U.S. delegation were Senators James McClure and Max Baucus and Congressmen Sam Gibbons, Jim Lloyd, Arlan Stangeland, and Lionel Van Deerlin.

ECONOMIC CONDITIONS IN THE UNITED STATES AND CANADA

The discussion of economic conditions in the two countries commenced with a presentation of the state of each economy.

The U.S. economy's performance over the past several months has been characterized by a pattern of erratic growth. Uncertainty over energy supplies and the marked upward trend in oil and gas prices continue to weaken the economy. The inflation rate remains persistently high. Most forecasters call for a deepening economic downturn during the second and third quarters of 1980, with economic recovery beginning in the fourth quarter.

During the second quarter of 1980 consumer prices are estimated at an annual rate of 18.3-percent level; for the second half of the year most analysts anticipate a decline in inflation rates to roughly the 10- to 12-percent range. The unemployment rate for the first quarter of 1980 was 6.1 percent and could reach a level as high as 7.2 percent during the fourth quarter of the year. It was noted that one should be wary of predictions based on such estimates; there is evidence that the components on which the figures are based may not accurately reflect the U.S. economy, and in an election year there is a tendency to manipulate the economy.

The U.S. balance of merchandise trade for 1979 was in deficit by $24.7 billion, however, excluding fuel imports, it was in surplus. The U.S. balance of payments on current account moved from a 1978 deficit of $13.8 billion to a deficit of $0.3 billion for 1979. This improvement can in part be accounted for by a strong performance in agricultural exports, the depreciation of the dollar which strengthened U.S. exports overall, and the movement of capital into the United States owing to a perceived undervalued dollar.

A member of the Canadian delegation made a short presentation on the Canadian economy. He emphasized that the extent of Canadian trade with the United States, over 70 percent of Canadian trade, links the Canadian economy directly to the United States. He expressed particular concern over the significant layoffs, resulting primarily from rising oil prices and the failure of the automobile companies to develop more energy-efficient cars. There was also concern over U.S. monetary and credit policies, with Canada trying to determine how to respond to the dramatic fluctuation in interest rates. Canada has not followed the U.S. lead in deregulation of oil prices. The current account is seriously in deficit, $5 billion for 1979 and estimated $8.6 billion for 1980. Nor has Canada followed the movement toward budget balancing; the net balance of the Federal and the provincial budget is a deficit of some $6 billion, but taken alone the Federal budget deficit is $13 to $14 billion.

The delegates discussed the tension between the Federal Government and the States and Provinces over the regulation of natural resources and the issue of equalization between States and between Provinces. Canadian policies do not deal with the economic disparity between oil-producing and non-oil-producing Provinces, which provides the producing Provinces with significant economic advantages over the nonproducing Provinces. How to deal with revenues from natural resource exploitation is a constitutional question for Canada, and is becoming an increasingly difficult one with the discovery of oil resources off the coast of Newfoundland. The same issue has been

current in the United States in the windfall profits tax legislation and in the question of State severance taxes on natural resource exploitation. It was argued, on the one hand, that National versus State taxation helps meld interests in the United States; on the other hand, some State severance taxes have only a minor impact on consumers and are used to restore a ravaged countryside, such as Montana's 30 percent tax on coal production which accounts for only 1 percent of the cost of electricity to the consumer.

The question was asked of how the U.S. Congress could enact a windfall profits tax that substantially raised taxes on oil, whereas a Canadian government had fallen and was defeated at the polls over an 18-cent increase in oil prices. One answer was that the U.S. tax was placed at the wellhead and could not be seen at the pump, whereas the Canadian price increase was directly felt and seen by the consumer.

PROSPECTS FOR CLOSER ECONOMIC RELATIONS IN NORTH AMERICA

A member of the U.S. delegation presented a brief review of prospects for closer Canadian-United States economic relations. A variety of proposals have recently been advanced in the United States, and to a less extent in Canada, to establish increased economic cooperation on the North American Continent. These proposals range from a common market to integrated or rationalized production schemes in individual sectors. Some approach this issue from a bilateral United States-Canadian perspective, while others would bring the United States together with both Canada and Mexico, and possibly the Caribbean and Central America.

For example, section 1104 of the Trade Agreements Act of 1979 calls for a report by the President to the Congress on the "desirability of entering into trade agreements" with North American countries. The study is due by July of 1981. Special mention is made in section 1104 of the examination of competitive opportunities and conditions of competition between the United States and other North American countries in the "agricultural, energy, and other appropriate sectors." Section 612 of the Trade Act of 1974 provides that the President may initiate negotiations to "establish a free trade area covering the United States and Canada." The U.S. study is being conducted with the aim of examining a broad range of trade issues and possible further trade agreements between the United States and its North American partners.

The U.S. recognizes that Canadian and Mexican nationalism limits interest in an across-the-board free trade agreement with the United States. For example, both countries take the position that they cannot surrender control over their natural resources. It should be kept in mind that the U.S. relationship with Canada is already a very close one, and the future evolution of our relations is likely to lead to even closer cooperation. The Auto Pact of 1965 established free trade in the auto sector. Both countries may explore possibilities in other sectors.

A Canadian delegate responded favorably to the general concept of greater economic cooperation with the United States, but pointed out that there were various factors that would inhibit the implementation of the concept. For example, where do the two countries look for closer

economic relations? Trade between Canada and the United States is already sizable; the recent MTN negotiations will bring 80 percent of their trade to a nondutiable status, and it will be difficult to reduce the duties on the remaining 20 percent. Canada already has a better record on nontariff barriers than most members of GATT. There are some 200 treaties between the United States and Canada, and it is proving difficult to negotiate a new tax treaty. As to investment, U.S. direct investment is already high and among some Canadians is a cause for concern, such as that foreign control prevents R. & D. and innovation in Canada. Similarly, there are indications of concern by some Americans over Canadian investment in the United States. The auto pact has brought increased automotive trade, but also problems. What are the other areas in which the two economies can be integrated? Although a few groups within Canada are speaking out for closer economic cooperation with the United States, concrete proposals are lacking.

One reason for the interest in the United States in closer economic relations with its two neighbors in North America possibly is the feeling of isolation in the United States, especially as a result of the economic integration in Europe and the growing economic threat presented by OPEC and by the economic nationalism that is prevalent in many developing countries. The United States is well aware of the nervousness with which Canada and Mexico view economic relations with the United States, but there are several areas in which both the United States and Canada could benefit from closer cooperation. For example, petrochemicals do not enter the United States duty-free, and in exchange for the United States making their entry duty-free, Canada could provide the United States making their entry duty-free, Canada could provide the United States with assurances of supply for feedstocks; or, Ontario is concerned over buy American laws, especially in transportation equipment, and there is similar concern in the United States over buy Canadian policies—a mutual easing of buy-national policies would improve trade for both countries.

It was noted that Canada is one of the few industrial countries without access to a market population of at least 100 million people, but that Canadian industry would object to greater economic integration with the United States because of the protection it receives from the current tariff structure. Furthermore, that Canada is an exporter of raw material rather than processed material and finished products is frequently blamed on the dominance of the economy by foreign firms.

AUTO PACT

A Canadian delegate, in commencing the discussion of the United States-Canadian automotive agreement, made the point that the pact had shifted R. & D. out of Canada into the United States and had changed Canada from a manufacturer to an assembler of automobiles. Except for 1970–72, Canada has suffered a persistent deficit in its automotive trade with the United States; in 1979 the disastrous $4 billion deficit in parts was offset by a surplus of only $1 billion in cars and trucks. There is now the additional problem of Chrysler, with Canada faced with the choice of joining the U.S. bailout or further reducing its share of the market. Canada is competitive on costs, and

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there is a feeling that Canada is on the short end of the stick, particularly with regard to model change-over. Production in Canada has concentrated on larger, less fuel-efficient automobiles; with the advent of the energy crisis and the switch to more fuel-efficient imports, Canada has borne an unfair portion of the burden—all a result of the failure of the car manufacturers to shift production to more efficient cars.

There was a shared sentiment among the U.S. delegates that it was economically counterproductive to subsidize the automobile industry—be it the bailout for Chrysler or a reduction in fuel efficiency standards (which foreign producers are already meeting)—but that this attitude was not necessarily representative of sentiments in the United States. It was further expressed that the Surface Transportation Act violated the United States-Canadian automotive agreement and that Canadian producers of transportation equipment should be able to bid on public contracts in the United States.

It was felt that both Canada and the United States face similar problems in the automobile field. A Canadian suggested that combining the R. & D. efforts of the big three automobile manufacturers might help bring on the necessary technological changes. Many technological innovations exist such as a two-passenger car that gets 95 miles to the gallon and electric vehicles, but the North American automotive industry is in a difficult transition period and unfortunately puts more money into advertising than into R. & D. Constantly high wage contracts are pricing U.S. automobiles out of the international market.

AGRICULTURAL TRADE

A member of the U.S. delegation commenced the discussion of trade in agricultural commodities by noting that events over the past year in the United States and in world wheat markets underscore the need for increased cooperation between Canada and the United States in the area of agriculture. As the world's two largest wheat producers, the United States and Canada would benefit from increased coordination of export policies to provide the greatest possible return to producers. Any such cooperation should focus on market shares, rather than on specific prices, and should allow for the continued growth of exports.

There are various factors arguing for greater cooperation in this field. One is the embargo on grain sales to the Soviet Union. Even Americans who see the embargo as an ineffectual sacrifice of American agricultural producers are appreciative of the willingness of the Canadian Government to cooperate in the suspension and in the restraint of the Canadian Government in offsetting cancelled U.S. grain sales to the U.S.S.R. A second factor is the rapid escalation of production costs, particularly of credit. USDA estimates that, even if farmers severely limit purchases this year, their total production expenditures will exceed 1979 outlays by more than 12 percent.

Furthermore, prospects for another bumper crop are good, with winter wheat production in the United States forecast at a record high of 1.17 billion bushels and Durum and spring wheat plantings expected to far surpass last year's. The drastic drop in expected farm income, now anticipated at around 25 percent this year over last year—and the

likelihood of another huge surplus—point up the need for more effective coordination of production and supply management policies. Historically, the United States has been the only major supplier of wheat to attempt production controls, such as cropland set-asides and farmer-held reserves. These policies raise prices, not only for American farmers, but also for Canadian, Australian, and Argentine producers. The United States is attempting to manage world grain supplies through Public Law 480 and international food assistance programs. The American farmer is beginning to feel that the United States is bearing too much of the burden of supporting the world wheat market, and now is the time for greater international cooperation and coordination of policy.

A Canadian delegate expressed the sentiment that many in Canada feel it has shouldered a large share of the weight of the restrictions on grain sales to the Soviet Union because of the timing and length of the embargo. He emphasized the concept of a North American floor price for grain, although it was pointed out that a floor price might impact adversely on U.S. consumers and maybe a two-price system would be necessary. It was agreed that members of the Canada-United States Interparliamentary Group would meet in the near future to discuss the concept of a North American grain floor price and other areas for United States-Canadian cooperation in agricultural policy.

The issue of the U.S. tariff on feeder cattle was also discussed. The MTN agreements included a provision to harmonize duties on live cattle imports. Canada has implemented the provision. The United States has partially implemented it, but not on 200- to 700-pound feeder cattle because 80 percent of imports in that size category come from Mexico, which has not ratified the MTN package. The United States is attempting to settle this matter separately with Mexico, so it can implement the tariff reduction. Canada is requesting a decision by the United States, pending which it may have to take counteraction.

BORDER BROADCASTING

As the members of Committee I were quite familiar with the history of the Canadian law C–58 and its impact on U.S. border television stations, the discussion focused on current developments, the most significant of which was the filing by 15 U.S. border stations of a complaint with the U.S. trade representatives under section 301 of the Trade Act of 1974. That complaint alleges that the Canadian denial of tax benefits for advertising on U.S. stations is discriminatory and constitutes an unfair trade practice. The stations are requesting retaliatory action, and a recommendation by STR to the President has to be rendered by July 26, 1980.

A Canadian delegate mentioned that stations in San Diego are seeking action to restrain a station just over the border in Tijuana, Mexico—on grounds that the station is taking advertising away from the U.S. stations but is not licensed to broadcast in the United States. He noted the similarity to the situation on the northern border, only with the position of the U.S. stations reversed. The Canadians said there is no intention of modifying C–58 and that it has made certain Canadian stations viable without seriously damaging any U.S. stations. It was noted that the Belingham station had taken an effective

countermeasure by reducing its advertising tariff. Notice was given that the broadcasters are moving slowly toward a resolution of the problem, and there was considerable sentiment for letting them resolve the problem.

An American delegate raised another broadcasting matter. He explained the need in the United States to expand the number of radio stations, particularly to take care of the needs of minority-owned stations (currently only 120 out of some 8,600 stations), and urged the Canadians to support the move toward 9 kilohertz (broadcasting is now at 10 kilohertz) so that the number of stations in the United States can be expanded.

CONVENTION TAX

Like the issue of border broadcasting, the U.S. convention tax had been discussed by the group V over the past several years, so it was unnecessary to review the detail of the law or how and why it had become an issue in Canadian-United States relations. The members' attention was directed to the effort of Canada and the United States to draft a new tax treaty and the prospect of dealing with the convention tax matter in that treaty. It was pointed out that, if it is handled in the tax treaty, it will be done in a manner that links it to another tax issue, such as the proposal to reduce withholding tax from the current 15 percent to 10 percent.

PROCUREMENT PRACTICES

Although the MTN negotiations expanded foreign company access to Government procurement, it did not totally open up the process. For example, the Canadians pointed out that the Federal Buy America Act of 1933 provides a 6-percent preference for domestic firms (12 percent if a small or minority enterprise), some 25 States have set-aside programs that favor local contractors, and defense regulations give preference to U.S. procurement for security purposes. They were particularly critical of the Surface Transportation Assistance Act of 1978, which gives a 10-percent preference on public projects to U.S. producers of transportation equipment, an area where there is Canadian competition. It was noted that Canada is not blameless in this area, with various "Buy Canada" policies and laws at both the federal and provincial level. The sentiment was expressed that there has to be a two-way street in this regard for such close neighbors.

CIVIL AVIATION

Canada and the United States have been discussing the possibility of enlarging their aviation agreement, with new routes and a procompetitive pricing regime. Canada has taken some steps toward deregulation, but has not gone as far as the United States has because of the need to maintain access to remote areas, the difficulty of redistributing existing markets, and the possible damage to Air Canada. It is unlikely that Canada will move to a totally open United States-Canada air market. The effects of deregulation in the United States area still being gaged, but preliminary assessment appears to have increased competition; it has reduced service in some areas, but increased service in others, mainly through the development of new commuter lines.

DEEP SEABED MINING

Committee I discussed various aspects of the Law of the Sea Treaty and deep seabed mining. The Canadians particularly urged that the United States reconsider its position on a formula for deep seabed mining production. It was related that in 1978 the United States and Canadian delegations had agreed to support a production limit on the mining of nickel from the seabed, but that the United States had retreated from that position and now was joining Japan and the EEC in supporting a production floor that would reserve to seabed mining 10 percent of the yearly world production of nickel. Land-based nickel resources are abundant and there currently is unutilized production capacity. The Canadians argued that the main U.S. interest is in security of supply, which is already guaranteed by the abundant resources in Canada. A production floor would advantage seabed mining in times of ecomonic recession, and, in any case, there is no need for seabed production, at least within the next 10 years.

On a more general level, several Canadian delegates argued for the concept of the deep seabed as the common heritage of mankind and that the landlocked states and developing countries in general should be guaranteed access to those resources. The resources of the seabed cannot be carved up the way nations have managed their coastal areas. It is important to provide the have-not nations with the benefits from those resources if we are to begin to deal with the discontent in those countries with the workings of the international economic system.

Several U.S. delegates expressed the opinion that we cannot and should not wait for the other nations to catch up to us before we begin exploitation of the seabed. If there is economic advantage to be had from mining the seabed, and we have the ability to do so, then we should go ahead. We cannot stop our own progress to wait for them; in fact, our progress will help them. Furthermore, because of the substantial U.S. dependence on foreign sources of minerals, access to supply through U.S. companies is important for the United States.

Regarding the issue of a floor on nickel production from seabed mining, American delegates expressed appreciation for the Canadian point and explained that all the United States should be seeking is the proper functioning of the free enterprise system, without production guarantees or subsidies. It was noted that the real question is how to divide up an international resource and who is to participate in the economic rent, the producer or an international regime?

EXTRATERRITORIALITY

Extraterritoriality is the expansion of domestic laws to a country's nationals outside its borders. It is an old concept and practice and has long been an irritant in United States-Canadian relations. In applying the U.S. law to U.S. subsidiaries in Canada over the past several decades, bilateral difficulties have arisen particularly from the restruction on U.S. companies from engaging in trade with Cuba and from the uranium antitrust case. The Canadians see the matter raising its head again in the proposed Oil Windfall Acquisition Act of 1979, which, if enacted, would prohibit major petroleum companies and

their subsidiaries from acquiring under certain conditions nonenergy and other energy companies. As several U.S. petroleum companies have Canadian subsidiaries, the Canadians see this as a potential infringement on their sovereignty and their ability to set their own energy and investment policies. The Canadians were informed that it was unlikely that the bill would be enacted into law, at least during 1980.

DEFENSE ISSUES

Several bilateral defense issues were discussed in Committee I. The members reviewed NORAD, the North American Air Defense Command agreement, which first came into force in 1958 and is up for renewal in 1980. The two Governments have extended the existing agreement for an extra year in order to allow the External Affairs and National Defense Committee of the Canadian House of Commons to undertake extensive hearings on review of NORAD. A final report is due from the committee on December 31, 1980. One issue involved in renewal of the agreement, which was looked at in the 1978–79 Joint Air Defense Study, is whether Canada will acquire AWAC's for operation under its own authority, or depend on United States-based AWAC's. It was noted that Canada has decided to purchase the F–18A fighter, 137 of which will be produced during 1982–89.

An American delegate mentioned that there is a growing feeling in the United States that it is carrying an undue portion of the defense burden of NATO. During the fifties the United States was clearly the wealthiest nation and could easily bear a large share of the cost of Western defenses; with the United States no longer far ahead of other members of NATO, and itself beset by serious economic difficulties, Americans no longer think it is equitable for the United States to be spending $520 per capita on defense while other members spend considerably less, such as Belgium at $363 per capita, Canada at $157, and Japan at $87. The Canadians responded that other members of NATO are aware that the United States has commitments around the world and that they have to make a greater contribution to NATO and noted that Canada plans to increase its defense effort by 3 percent a year in real terms.

DRAFT TREATY ON THIRD-PARTY DISPUTE RESOLUTION

The American Bar Association and the Canadian Bar Association in 1979 drafted and endorsed a Treaty on Third-Party Resolution of Disputes. The proposed treaty would provide for compulsory arbitration of treaty questions with binding decisions, either upon unilateral written request or by exchange of notes if the issue is not settled within a reasonable time or referred elsewhere by agreement. Optional arbitral jurisdiction is provided for agreed submission of any other dispute involving international law; instead of binding judgments, advisory opinions can be requested by the parties.

While there was sentiment that the draft treaty was a good idea and that eventually the two countries would have to adopt such an approach, there was also a feeling that it would not be adopted in the near future. The concept is not new, as the Treaty of Washington (1871) sent all United States-Canadian disputes to arbitration, with, according to a Canadian delegate, Canada on the losing end of the

decisions. One practical problem for Canada is that a treaty is not necessarily binding through the country—if it deals with jurisdiction within the domain of the provinces, each province must adopt legislation to implement the treaty. There are many treaties that Canada has ratified but not enforced because of this situation.

Committee II—Energy

Committee II was cochaired by the Honorable Frank Oberle and Representative James N. Hanley. Other members of the Canadian delegation included Senators George van Roggen and David Walker and Members of the House of Commons Tom LeFabvre, Keith Penner, Peter Stollery, and John Thomson. Representing the U.S. delegation were Senators Ted Stevens and James A. McClure, and Representatives Harold Johnson, Larry Winn, Jr., and Clair W. Burgener.

ALASKAN HIGHWAY GAS PIPELINE

The Alaskan Highway gas pipeline was the focus of considerable discussion within Committee II. The pipeline would carry Alaskan gas from Prudhoe Bay by a southeastwardly route through Canada; it would split north of Calgary, Alberta, into the western and eastern legs, which would carry the gas to American markets. There are four basic legs to the overall pipeline system—the Alaskan, Canadian, eastern (border), and western legs. The Alaskan gas pipeline would be the second largest project ever attempted by man, superseded only by the Alaskan oil pipeline.

The gas pipeline agreement between Canada and the United States of September 1977, included a timetable envisioning completion of the main system by January 1, 1983, with the capacity to transport up to 2.4 billion cubic feet daily of Alaskan gas to American markets. The agreement provided for access to Canadian gas in the Mackenzie Delta through the Dempster Spur, which would connect with the main line at Whitehorse.

Although the Canadian and United States Governments have given full approval to the Alaskan Highway gas pipeline, the anticipated date for the commencement of the main pipeline has now been set back nearly 3 years (to late 1985) as a result of several factors, including financial difficulties, "prebuilding" controversies, and regulatory delays.

The completion of a financial package remains a major obstacle to the commencement of the gas pipeline, the most expensive privately financed project in history. During the last year, the costs of financing the pipeline have been made difficult by tremendous economic volatility and the increasing problems of inflation and the ability to obtain credit. The failure of the project participants in arranging a suitable financial formula has resulted in construction delays. The improving interest rates may now help to resolve current financial problems.

Another obstacle to financing and completing the pipeline project is the issue of "prebuilding." Canada will commit itself to "prebuilding" a southern portion of the pipeline only if the United States can guarantee the completion of its portions of the pipeline project. For its part, the United States believes that Canada should begin construction of the southern prebuilt—or there may never be an Alaskan pipeline.

For Canada, the most critical question to be resolved before prebuilding is authorized relates to the outlook for financing and expeditiously completing the whole main line system. The Canadians are especially concerned that if they undertake to prebuild the southern portion, and the American sections are not constructed, they will be left with a costly pipeline for which there may be insufficient gas.

As a result, Canada wants ironclad guarantees that the entire pipeline will be built and is looking to the United States for assurances in regard to the financing of the American sections of the system, particularly the Alaskan portion. Moreover, in seeking assurances, the Canadians desire that the President and the Congress, as a last resort, commit American taxpayer dollars as a guarantee, which American delegates explained would be somewhat difficult to secure.

For the United States, the Canadian commencement of the southern prebuilt would convince the financial world that there is a need to finance the pipeline project. If the prebuilt sections were constructed by the Canadians, then the United States could better guarantee the completion of the project, even if private financing failed.

A third obstacle to the construction of the gas pipeline is the delay in regulatory procedures. At this time, the U.S. Department of Energy has yet to decide upon major regulatory procedures in relation to the pipeline project. Moreover, the Canadians believe that they are nearly 2 years ahead of the United States in regard to regulatory decisions concerning the gas pipeline.

Despite the current problems, it was agreed by Canadians and Americans alike that construction of the Alaskan gas pipeline project is in the interest of both countries and must be completed as quickly as possible. Both countries understand each other's concerns in regard to the gas pipeline and are continuing to work with the interested parties to resolve the remaining issues.

CANADIAN GAS EXPORTS TO THE UNITED STATES

The issue of constructing the Alaskan gas pipeline is directly related to the question of additional Canadian gas exports to the United States. Canada presently supplies almost 1 trillion cubic feet of natural gas to the United States, about 5 percent of our consumption, worth about $4 billion per year at the current price of $4.47 per thousand cubic feet. The Pacific Northwest and parts of Minnesota, Wisconsin, North Dakota, and Montana are substantially dependent on Canadian gas. At this time, Canada has projected a 4.25 trillion cubic-foot surplus of gas which could be delivered to the United States during the next 4 to 8 years. Beyond that time, Canada may be be in a position of discontinuing or at least cutting back supplies of gas to the United States.

Although Canada would very much like to make available its declared excess of gas to the United States, there are yet many people in Canada who believe that their country must not export any gas. Moreover, the shipment of the excess gas would be largely dependent upon construction of the southern portion of the Alaska gas pipeline project.

Also, the United States remains concerned about the pricing of Canadian gas. The export price of Canadian gas is based largely upon the price of OPEC oil imported into eastern Canada. As a result,

the steep increase in OPEC prices in the last several years has resulted in the doubling of the Canadian gas export price over the last year, although it has not risen quite as fast as OPEC prices.

ARCTIC LIQUEFIED NATURAL GAS

As for increasing exports of Arctic gas, the prospects are disappointing. At this time, very little progress has been made in regard to exporting the large amounts of gas in the Arctic Islands where exploration activities began in the late 1960's. Canada began exploring for oil in the islands and instead found natural gas in commercial quantities.

There are several reasons for caution in relation to the profitable export of gas from these islands, among them being the high costs of technology, extreme weather conditions, and environmental concerns. Furthermore, the Arctic gas must be transported thousands of miles in liquefied form by special icebreaking tankers. According to Canadian members, it will probably be a considerable period of time before Arctic gas can be profitably exported to prospective markets in eastern Canada and the United States.

TRANSPORTATION OF ALASKAN OIL

At the 1979 Canada-United States Interparliamentary Group Meeting, four routes were discussed in regard to the transportation of Alaskan oil. The Northern Tier route would bring oil by tanker from Valdez to Port Angeles, Wash., where it would be transported by pipeline to Clearbrook, Minn. The transmountain route would bring oil by tanker to Port Angeles and transport it by pipeline to Edmonton, Alberta, where it would enter existing lines into Montana and Minnesota. The foothills route would connect the existing Alyeska pipeline in Alaska to existing pipelines running from Edmonton, Alberta. The Kitimat route would involve shipping oil by tanker from Valdez to Kitimat, British Columbia, where a pipeline would connect the oil into existing pipelines at Edmonton.

In January 1980, the President approved the Northern Tier pipeline, an all-U.S. route, which will transport oil through Washington, Idaho, Montana, North Dakota, and Minnesota. The approval is subject to a 1-year period for arranging financing. At this time, financing has been difficult to secure for the construction of the Northern Tier route. If the Northern Tier pipeline cannot be financed, attention would turn to the transmountain pipeline, which, like the Northern Tier proposal, would involve construction of a major oil port near Puget Sound.

Both of these oil pipeline proposals have raised serious environmental concerns, including the possible disruption of the pipeline due to volcanic action in the State of Washington. It was pointed out, however, that the eruption of Mount St. Helen's would not have affected the Northern Tier pipeline as planned, but at the same time it was agreed that people must have specific assurances that this kind of environmental disaster would not occur. Moreover, in attempting to address environmental concerns, the President's January decision stipulates that the four existing Puget Sound refineries be hooked up directly to the pipeline in order to reduce tanker traffic in the sound. Furthermore, the United States and Canada signed an agreement in

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December 1979, to install a mandatory vessel traffic management system in the Strait of Juan de Fuca and Puget Sound to reduce the danger of tanker accidents.

OIL SUPPLY AND BEAUFORT SEA DRILLING

Given the present OPEC situation, Canada has reduced oil exports to the United States. Canada imports nearly 100,000 barrels of oil per day, and, despite oil exports, is a net oil importer. In searching for new sources of oil, Canada has discovered more natural gas than new oil reserves.

One encouraging but expensive oil exploration has been the drilling in the Beaufort Sea. The Canadian company Dome/Canmar is beginning its fifth season of offshore oil and gas exploration in the Beaufort Sea. The company has drilled 17 exploratory wells to date and has discovered encouraging evidence of major hydrocarbon deposits. Based on these findings, the company hopes to be producing 100,000 barrels per day of crude oil from a single offshore platform by 1985, and as much as 1.2 million barrels per day by 1990.

According to Canadian members, nearly $1 billion have already been spent in the search for oil in the Beaufort Sea. At this time, there are signs of oil in four or five well areas, but only signs. If adequate amounts of oil are not found in the Beaufort Sea, Canada will continue as a net importer of oil.

NEW ENERGY TECHNOLOGIES

At this time, the United States and Canada are cooperating on research and development for tar sands and heavy crude oil. On June 4, 1979, the two countries signed a cooperative agreement in this regard. For the United States and Canada, cooperation offers access to technology and experience in an important hydrocarbon area. In particular, cost sharing reduces overall American expenditures while increased awareness of Canadian activites allows the United States to target its resources where they can bring the greatest benefit.

One activity of future benefit may be tar sand extraction in California and Utah. U.S. Delegates pointed out that California has a tremendous heavy crude potential. At the same time, Canada has been spending considerable money on heavy crude oil extraction and already has a plant producing oil from far sands. Equally important, the United States expects to derive future synfuel benefits from its immense shale resources, if, among other things, environmental and regulatory difficulties can be resolved.

The many benefits of renewable sources of energy were also discussed. Although renewable sources of energy provide only a small amount of both countries' current consumption of energy, their contribution is nevertheless important. At this time, Canada is spending about $20 million on future energy technologies. Examination of the potential for renewable sources of energy in Canada has identified several promising opportunities for that country, among them being solar heating, wind technology, and utilization of wood wastes.

The Canadian resource of solar radiation is large, although diffuse. Research on active solar heating to provide warm or hot water is progressing well and through a pioneering Federal provincial agree-

ment with Prince Edward Island some experience has been gained in the field. Canada is already a world leader in wind technology, especially large wind turbines and windmills.

There are many opportunities in Canada for using trees as fire for wood-burning stoves, which are selling at a record pace in Canada, or in the production of gas or alcohols. Methanol and ethanol alcohol fuels can be made from such biomass resources as wood, agricultural residue, municipal solid wastes, and peat. In the last 3 years, the Canadian Government has adopted several programs which aim to encourage the use of biomass for energy, although Canadian members pointed out that there may be some limits in proceeding with forestry biomass because of ecological concerns. Members were especially interested in the production of gasohol, as well as hydrogen, in order to power automobiles.

For the United States, the most promising future energy technologies included synfuel production, solar energy, photovoltaic processes, and nuclear fusion which is being studied at the Tokamak reactor near San Diego.

NUCLEAR ENERGY

Despite recent concerns over nuclear safety and waste management, there was general agreement among the members that nuclear energy was important to meet the energy needs of both Canada and the United States. Moreover, it was agreed that leadtime and financing of reactors were major problems for the nuclear industry.

There was much discussion in regard to public attitudes toward nuclear energy in light of the Three Mile Island incident. According to Lou Harris polls in March 1975, 63 percent of all Americans interviewed were in favor of nuclear power while 19 percent opposed it. However, in late January 1980, nearly 1 year after the Three Mile Island incident, only 50 percent of all interviewed were in favor of nuclear power while 38 percent now oppose it.

Canadian members indicated that there has been a slowdown in nuclear plant production in their country due to several factors, among them the Three Mile Island incident, nuclear waste disposal problems, and nuclear nonproliferation concerns.

According to several members, the nuclear industry's public relations programs appeared to have compounded public attitude problems rather than resolved them. Moreover, members generally agreed that commercial nuclear programs should not appear to be so shrouded in secrecy, and education of the public in regard to commercial nuclear power is essential.

The Canadians were particularly concerned about nuclear waste disposal problems and believe that there is also a need for greater public education on this matter. To the group members, nuclear waste management was as much a political problem as a technological problem.

At this time, Canada sends some of its spent fuel from its research reactors, to the United States for reprocessing. Since the early sixties, the United States has supplied highly enriched uranium fuel for several Canadian research reactors located at Chalk River, Canada, and has then received the spent fuel from these reactors for reprocessing in the United States. In general, American delegates believed that our country has more of an opportunity to benefit from nuclear reprocessing than Canada because of our particular kind of commercial nuclear reactor.

Commercial nuclear power composes the largest research and development program in Canada. Nuclear power, largely situated in the province of Ontario, represents 3.3 percent of all energy produced in Canada and 9.4 percent of all electricity.

The CANDU reactor has been a very successful electricity producer. For years Canada has wanted to sell the CANDU reactor abroad but has been somewhat constrained by a lack of political clout and a strong commitment to nuclear nonproliferation. Canadian and American nonproliferation concerns were specifically expressed in regard to the issue of further U.S. shipments of uranium to India.

Prior to 1974, Canada had a cooperative nuclear relationship with India, supply to that country, among other items, a heavy-water-moderated research reactor which India guaranteed would be used for peaceful purposes. U.S.-origin heavy water was also supplied for this reactor.

In May 1974, India detonated a nuclear device constructed from plutonium produced in the Canadian reactor which may have contained some U.S.-origin heavy water. Canada strongly condemned India's nuclear explosion and cut off nuclear assistance to that country. The explosion was also cricitized by the United States, although our country continues to supply uranium to India's Tarapur commercial reactors, which have not been subjugated to full-scope nuclear safeguards.

It was pointed out by several of the American delegates that the United States must continue to be a reliable supplier of nuclear fuel or such countries as India will only turn to the French or the Soviets for future nuclear supplies. At the same time, however, Canadian members indicated that if the United States again approves the shipment of nuclear fuel to India, a decision which is pending action by the President and possibly the Congress, the Government of Canada will surely be displeased.

The American delegation initiated a discussion concerning INFCE, the international fuel cycle evaluation, which was undertaken to provide an internationally accepted analytic basis for negotiations on the future form of the nuclear fuel cycle. Of particular concern to the U.S. delegation in the post-INFCE period was the continued viability of the Nonproliferation Treaty (NPT). Restraints on the export of sensitive nuclear technology and equipment that have been imposed over the last few years because of nonproliferation concerns in the major nuclear nations have been interpreted by many other nations as inconsistent with the NPT arrangement. Correcting this perceived imbalance between constraint and assistance in peaceful nuclear programs will be a major challenge to U.S. diplomacy. In this regard, several members were anxiously looking ahead to the 1980 NPT Review Conference.

ELECTRICITY

Canada's hydroelectric and nuclear capacities provide large amounts of electricity, 8.6 percent of which is exported to the United States. In 1979 the United States was a net importer of some 30 million megawatt hours from Canada, and imports for 1980 are expected to reach 36 million megawatt hours. The province of Ontario is especially important in the production and the export of electricity. Moreover, 30 percent of Canada's total amount of electricity is produced in Ontario.

Looking ahead to future uses of electricity, the American delegation explained that the United States was making some headway with electric automobiles and that battery breakthroughs were beginning to occur in regard to providing vehicular power. All members agreed that solar energy can help both the United States and Canada in the future generation of electricity.

Committee III—Fisheries, Boundaries, and Environmental Issues

Committee III was cochaired by Hon. Herb Breau and Representative Edward P. Boland. Other members of the Canadian delegation included Senators Charles McElman and Paul Lafond and Members of the House of Commons Coline Campbell, Jim Fulton, James McGrath, Donald Munro, and Ian Watson. Representing the U.S. delegation were Senator Ted Stevens and Representative Dante B. Fascell and Bob Wilson. Also participating in some of the committee's discussions was Canadian delegate Jack Murta.

EAST COAST MARITIME BOUNDARY AND FISHERIES TREATIES

United States-Canadian east coast maritime boundary differences were greatly magnified when both countries extended their fisheries jurisdictions to 200 miles in 1977. Recognizing the potential gravity of the dispute, both sides appointed special negotiators to seek a resolution of the boundary and related resource issues involving fisheries and mineral resources. Many months of difficult negotiations resulted in the linked East Coast fisheries and boundary treaties. The Senate Foreign Relations Committee held hearings on these treaties on April 15 and 17, 1980.

The fishery treaty covers stocks in the disputed area as well as other stocks of mutual interest to the United States and Canada. This treaty would remain in force until terminated by mutual agreement or modified by agreement of both countries. Each party's entitlement share to a particular stock is open to renegotiation every 10 years primarily on the basis of the ultimate outcome of the boundary delimitation, with binding dispute settlement if the parties cannot agree on revised percentages.

The boundary treaty provides for settlement of the dispute by referral of the boundary question to a special chamber of the International Court of Justice for adjudication. This treaty is noncontroversial and has received wide spread support. The boundary settlement and fisheries treaties are expressly linked, and neither will enter into force until the instruments of ratification for both are exchanged.

There was considerable discussion of the fisheries treaty within the committee. A Canadian delegate emphasized the extreme importance with which Canada views this treaty and the vital necessity for Senate ratification of the treaty this year. Should the treaty not be ratified this year, the delegate stated there will be serious consequences which will adversely affect United States-Canada relations. The Canadian delegation requested that a special session of the Canada-United States Interparliamentary Group be convened in Washington as soon as possible to discuss and exchange views on this treaty. The Canadians pointed out that the House of Commons ratified the treaty

unanimously; that there presently is overfishing by the United States in the area; and that Canada compromised on many of their initial demands during the treaty negotiations.

A U.S. delegate explained that during the Senate hearings strong opposition to the fisheries treaty was expressed by a number of fishing industry spokesmen and their congressional representatives. These opponents were critical of the permanent nature of the treaty and of the inequitable allocation of catches which ignore recent trends in U.S. fishing and the likely location of the seabed boundary. Opponents also felt that the treaty would damage the American fishing effort permanently by guaranteeing Canada access to sizable new areas of the U.S. zone and would over the long-term impede sound conservation and management of the valuable Georges Bank and Gulf of Maine fishing grounds by circumventing the Regional Management Councils and by creating unwieldy decisionmaking procedures. The delegate went on to express the opinion that a special session of the Interparliamentary Group would be helpful. The delegate also asked why a permanent treaty was necessary.

A Canadian delegate responded that the U.S. administration supports the treaty; that the entitlement shares are reviewable every 10 years; and that the permanence of the treaty would facilitate long-term planning and orderly management.

A U.S. delegate noted that there has been no treaty in this area in the past and that U.S. fishermen were not involved in the negotiations and do not support the treaty. The delegate also stated his belief that there was no chance that the Senate would ratify the treaty this year, but might ratify it next year if some reservations are agreed to by both governments.

There was general agreement within the committee to pursue the suggestion of a special meeting of the Interparliamentary Group to exchange additional views on this important issue.

FISHERIES PROBLEM

The committee briefly discussed other fisheries issues of concern to both countries. Both the United States and Canada hold that the country where the salmon spawns "owns" these fish when they go to sea. On the West Coast, the salmon migrate in a counterclockwise manner from the rivers of Washington, Oregon, British Columbia, and Alaska up the coastline as far as the Aleutian Islands. Thus, Canadian salmon are caught, or "intercepted," in U.S. waters by U.S. fishermen, and vice-versa. Both countries wish to increase expenditures on enhancement of salmon stocks but are reluctant to do so when the resulting increased salmon runs will chiefly benefit fishermen of the other country.

A U.S. delegate noted that the transboundary question was a very delicate one and that certainly the country which does the enhancement should derive some benefit. The delegate further observed that if both countries increased the enhancement of the stocks, we would not have to argue about allocating the shortages.

Last fall, Canada seized 19 U.S. vessels fishing for albacore tuna within its fisheries zone. The boats and crews were quickly released upon the posting of bond by each captain; trials are scheduled for

June 1980. Since the seizures took place pursuant to a claim of jurisdiction which is not recognized by the United States, they triggered import prohibitions under the U.S. Fishery Conservation and Management Act in the form of a mandatory ban on imports of tuna or tuna products from Canada. Subsequent consultations with Canada on the fisheries issues have not yet been fruitful. Canada has maintained, for example, that a small experimental Washington State fishery for herring, which is an important traditional fishery for Canada, should be discontinued as a concession to Canadian interests. Although the State does not plan to expand that small fishery, it is unwilling to forego entirely a potential new fishery and has the support of the concerned Federal agencies. It was noted that Canada did not consider the Washington herring fishery to be experimental. A U.S. delegate expressed the opinion that there was no reason for linking these two issues.

AIR QUALITY

All delegates expressed concern over the recently recognized problems with "acid rain," and agreed that it was the single most pressing problem that must be addressed in any discussion regarding air quality.

Acid rain is caused by sulphur dioxide (SO_2) emissions by coal-powered electrical generating plants. In the atmosphere, SO_2 combines with oxygen and water to produce a mild sulphuric acid which returns to Earth in rain. This acidic precipitation can cause lakes with a minimal absorptive capacity to turn acidic. This, in turn, can result in the loss of desirable fish and plant species in lakes and rivers as the water turns from mildly alkaline to mildly acidic. Acid rain in many locations is also harmful to crops and trees.

Canada is concerned about the increased air pollution and acid rain which may result from the U.S. coal conversion program. In an effort to reduce U.S. dependence on imported fuels, the President proposed to Congress a $10 billion plan to convert many oil- and gas-fired plants to coal. Although the plan requires that existing air quality standards be met, these regulations permit higher emission levels from coal-fired plants than are allowed from oil- and gas-fired facilities. In order to offset increased emissions from the converted plants, the proposal provides $400 million to reduce emissions from existing coal-fired installations by cleaning and preparation facilities and advanced sulfur dioxide removal systems.

A Canadian delegate expressed concern that within 15 to 20 years Canada will have thousands of lakes incapable of supporting life, that forest growth in eastern Canada will be slowed, and that the coal conversion program does not provide the necessary controls. A U.S. delegate stated that the United States recognizes the problems which acid rain can cause in Canada and that there are also grave problems with acid rain within the United States. The delegate reported that the Administrator of the Environmental Protection Agency is deeply concerned over acid rain. Both delegations agreed that emissions from new plants are no problem. It was also pointed out that the United States "exports" to Canada five times the amounts of pollutants that Canada sends to the United States. A Canadian delegate further explained that pollution control is provincial in Canada, that the main source for emissions is Ontario, that Ontario has recently announced a major

program for pollution control, and, finally, that Canada is now emphasizing nuclear power and natural gas. The U.S. delegation assured the Canadians that the problem of acid rain will be addressed by both the President and the Congress. One U.S. representative made the point that the financial commitment required for building nuclear powerplants is also a problem. In conclusion, a Canadian delegate stated his view that it is extremely important to resolve the bilateral problems regarding acid rain because continuation of such problems will affect the overall relationship between Canada and the United States. A U.S. delegate reiterated his strong belief that the Congress will examine this problem very closely.

DISPOSAL OF TOXIC WASTES

The disposal of toxic wastes has recently led to several bilateral issues with Canada. One issue is the SCA plant near Niagara Falls, N.Y., which has treated and disposed of chemical wastes for a number of years. It was recently granted approval to expand its facilities and to dispose of large amounts of treated wastes directly into the Niagara River. The permit was granted only after thorough examination by both the Environmental Protection Agency and the State of New York and is subject to stringent control and monitoring by both Federal and State authorities. Canadian Federal and Provincial health authorities have stated that the SCA operation is environmentally sound. Nonetheless, several Canadian towns downstream from the plant have mounted a campaign against SCA and their cause has been taken up by some Canadian politicians and by the press.

Another important issue is related to the EPA regulation banning the import for disposal of PCB's, an extremely toxic chemical known to cause cancer. When the regulation went into force May 1, 1979, Canada requested and was granted a 1-year exemption to develop its own disposal sites. On April 1, Canada requested an additional 1-year exemption to May 1, 1981. A U.S. delegate stated that he understood the EPA has decided to deny the request for an additional 1-year exemption and has already informally advised Canadian officials of that decision.

The U.S. delegate further stated that it is to the mutual advantage of both countries that these wastes be disposed of in an environmentally sound manner, subject to stringent controls and scrutiny; that the United States sympathizes with Canadian concerns about the SCA operation, but is confident that the plant, under strict Federal and State control, will comply with all applicable environmental requirements and noted that this view is shared by Canadian Federal and Provincial environment and health officials; that the delegation regrets the United States will be unable to extend the exemption of Canada to transport PCB's to the United States for disposal, but believes that postponing a solution of Canada's problem is not in the interest of either country; and, in conclusion, expressed the hope that the United States and Canada may cooperate more closely in the future to work toward a solution of this vexing problem.

In response, a Canadian delegate said that Canada is studying the problem of the disposal of toxic wastes and is currently doing research on destroying PCB's on an experimental basis. It was also his feeling that Canadian disposal facilities, if built, would be on a regional basis.

The Canadian further pointed out that it may be easier to dispose of PCB's by designating sites that can be used by both countries, and expressed the hope that discussion toward a bilateral agreement will continue. The Canadian delegation emphasized that they are working on this problem, but that it will take some time to arrive at a solution.

TRANSBORDER ENVIRONMENTAL ISSUES

Garrison diversion project

In 1965, the Congress approved the construction of the Garrison diversion unit. This project would irrigate up to 250,000 acres in central and eastern North Dakota in part by diverting water from the Missouri River basin to areas draining into the Hudson Bay basin in Canada.

In the early 1970's, Canada objected to the plan, claiming it would cause injury to Canada. In 1975, the two governments jointly referred the matter to the International Joint Commission (IJC) for its recommendations.

In 1977, the IJC recommended that the project not be built "at this time" because of the possibility that foreign biota might be transferred to Canadian waters, endangering the multimillion-dollar commercial, recreational, and native peoples' fishery in Manitoba. The United States assured Canada in 1977 that no construction potentially affecting Canada would be undertaken until it was clear that the U.S. obligation in the Boundary Waters Treaty "not to pollute to the injury of health or property" in Canada would be met.

In March 1979, the Department of the Interior proposed a revised plan which would reduce the irrigation area from 250,000 to 96,300 acres. Canada has indicated that the new plan, if fully implemented as proposed, would satisfy Canadian concerns regarding impact on water quality, water quantity, and waterfowl habitat. However, the Canadians believe the plan would not eliminate the possibility of biota transfer. Canada formally requested that the plan be modified to eliminate the transfer of water to the Hudson Bay drainage area. The Interior Department is considering several alternative plans which it believes will be responsive to Canadian concerns on biota transfer.

A Canadian delegate expressed his concern and alarm over the possible introduction of new species and organisms into northern waters and Canada's total opposition to this project as originally proposed. A U.S. delegate responded that there is great sensitivity within the Congress toward the Canadian concerns. The delegate went on to point out that opposition to the project exists within the Congress and that the United States will meet its obligations with regard to transboundary pollution under the Boundary Waters Treaty.

Dickey-Lincoln

The Dickey-Lincoln School project is a proposal to create a 700-megawatt hydro-powered electrical generating station in northern Maine. The project would cause the flooding of 88,000 acres in the St. John River basin in Maine and 4,500 acres in the Canadian Province of Quebec. Dickey-Lincoln was authorized by the Congress in 1965, and was deauthorized in 1968. It was reauthorized in 1975, and the Corps of Engineers completed its initial draft environmental impact statement in December 1978.

A U.S. delegate announced that in January 1980, the House of Representatives, in its omnibur water resources development bill, deauthorized the project, but that the outcome was still dependent on Senate action on its version of the bill. A Canadian delegate reiterated Quebec's concern over the flooding of the 4,500 acres in Quebec.

Atikokan

In 1973, Ontario Hydro announced plans to construct an 800-magawatt coal-fired electrical generating plant in Atikokan, Ontario, 40 miles north of the Boundary Waters Canoe Area in northern Minnesota. In 1978, Canada refused a U.S. request to install scrubbers on the plant to reduce sulfur dioxide emissions.

An EPA study on the potential effects of the Atikokan plant on the United States, released in March 1976, indicated that the proposed plant would not significantly violate U.S. air quality standards in the area. However, the study noted that the area already has poor air quality (caused largely by existing sources in the United States), and that its soils and lakes are particularly vulnerable to damage from acid rain. The study concluded that additional sulfate emissions from the Atikokan plant could increase acid precipitation to a point where dozens of lakes could "tip" into an acidic condition.

In April 1979, Ontario Hydro announced that the capacity of the Atikokan plant would be reduced to 400 megawatts and that it would be designed to permit retrofitting of scrubbers if required. Ontario Hydro further stated that the plant would normally operate at only 40 percent of capacity and would produce considerably lower levels of emissions than estimated by EPA. A Canadian delegate stated that since the capacity of the plant was reduced to 400 megawatts and since the plant will have emission controls, the problem is really gone.

Cornwall Island

Reynolds Metals Co., operates a large aluminum smelter at Massena, N.Y., 1½ miles from Cornwall Island, Ontario, in the St. Lawrence River. Leaders of the St. Regis Band, an Indian tribe which inhabits the island, claim that fluoride emissions from the plant are causing injury to human life, cattle and crops on the island. The Indians have taken their charges to the media in Canada which has featured the story. Available evidence indicates that fluoride emissions from the plant, at least since 1977, have met both New York State standards and EPA recommended guidelines.

Both delegations agreed that this situation was a matter of concern and that further study is necessary.

Eastport refinery

The Pittston Co. has been attempting since 1973 to gain approval for the construction of a major oil refinery at Eastport, Maine. The site is just south of the Canadian border, and tankers entering the port would have to transit a passage claimed by Canada as internal waters. Canada objects on the grounds of environmental hazard, and the project has also run into environmental opposition in the United States, particularly because it could endanger the binational Roosevelt Memorial at Campobello Island.

In early 1979, the Environmental Protection Agency denied a permit necessary for the project. Pittston has appealed, and a decision is expected in mid-1980.

A Canadian delegate pointed out that the problem was not with the refinery itself; the problem was with the tankers and the potential environmental damage. The U.S. delegation shared this concern.

Proposed United States-Canada migratory caribou agreement

United States and Canada officials began informal discussions in 1978 about a possible treaty to protect caribou which migrate across the international boundary. Following the receipt of authority to negotiate such a treaty, the State Department, in cooperation with the Department of the Interior, initiated the formal treaty process.

A Canadian delegate expressed a sense of urgency that the treaty process should proceed as rapidly as possible; that realistic quotas for the taking of caribou need to be decided upon; and that a balance be struck between economic development and conservation. A U.S. delegate strongly questioned the necessity of such a treaty, pointing out that oil and gas exploration would not be allowed in that area; that the land involved is owned by the Federal Government; that the caribou are only present in that area for 6 weeks; and, finally, that there is no evidence of any excess taking of the herd.

Draft treaty on equal access to courts on boundary pollution cases

The committee discussed a proposed treaty which has been offered as a basis for negotiation between the United States and Canada upon the initiative of the American Bar Association and the Canadian Bar Association Joint Working Group on the Settlement of International Disputes. The thrust of this treaty is that persons in both countries should have equal access to judicial and administrative procedures of the other country for prevention of and compensation for pollution damage. Each country's existing legal systems should accommodate residents of the other country in pollution matters so that it should not matter on which side of the border the polluter is located, where the person affected lives, or in which jurisdiction the judicial or administrative protection is sought. Mention was made that, even with such a treaty, Canadian jurisdiction over such suits might still be precluded because of the structure and rules to which Canadian courts adhere.

West coast tanker traffic

The committee briefly discussed tanker routes and traffic with respect to the transporting of Alaskan oil. A Canadian delegate said it was his understanding that the majority of Alaskan oil will be moved by ships and expressed grave concern that "tar balls" are coming into the estuaries. A U.S. delegate quickly countered by saying that there is no discharge from the supertankers and that the problem is with foreign tankers. A Canadian delegate expressed the view that the tankers should operate outside the tidal zone so that if there is an accident or problem, the oil will go offshore, rather than onshore.

Plenary Session

THE UNITED STATES AND CANADA IN THE 1980'S

The first plenary session was devoted to a look at the United States and Canada in the 1980's. The discussion commenced with a presentation by John Naisbitt, senior vice president of Yankelovich,

Skelly & White and publisher of the Trend Report. The text of Mr. Naisbitt's opening statement follows:

This morning I will be talking with you about five powerful trends that are restructuring the United States, and to varying degrees, Canada and the other developed countries of the world. Let me list them first, and then return to each of them for a more detailed discussion.

1. The United States is rapidly shifting from a mass industrial society to an information society, and the final impact will be more profound than the 19th century shift from an agricultural to an industrial society.

2. There is more decentralization than centralization taking place in America—for the first time in the Nation's history; the power is shifting not only from the President to the Congress, but—less noticed—from the Congress to the States and localities.

3. We are now a truly global economy because of instantaneously shared information, and the world is deeply in the process of a redistribution of labor and production. As part of this process all of the developed countries are deindustrializing.

4. The American society is moving in dual directions of high tech/high touch. The introduction of every new technology is accompanied by a compensatory human response—or the new technology is rejected.

5. There are the beginnings of a job revolution in America, a basic restructuring of the work environment from top-down to bottom-up.

Before dealing with each of these structural changes, I will briefly outline our methodology. In developing the Trend Report for our clients we rely almost exclusively on a system of monitoring local events and behavior. We are overwhelmingly impressed with the extent to which America is a bottom-up society, and so we monitor what's going on locally rather than what's going on in Washington, or in New York. Things start in Los Angeles, in Tampa, in Hartford, in Wichita, Portland, San Diego, and Denver. It's very much a from-the-bottom-up society.

The reason this system of monitoring the changes in society works so well is that the "news hole" in a newspaper is a closed system. For economic reasons, the amount of space devoted to news in a newspaper does not change over time. So, when something new is introduced into that news hole, as it is called, something or a combination of things has to go out or be omitted. The principle involved here can be classified as forced choice within a closed system.

In this forced choice situation societies add new preoccupations and forget old ones. We keep track of the ones that are added and the ones that are given up. Evidently, societies are like human beings: I do not know what the number is, but a person can only keep so many problems and concerns in his or her head at any one time. If new problems or concerns are introduced, some existing ones must be given up. We keep track of what preoccupations Americans have given up and have taken up. We are keeping track of the changing "share of the market" that competing societal concerns command.

The information collected on various issues or topics is not extrapolated, but is used to look for patterns. For example, there are five States in the United States where most social invention occurs. The other 45 States are, in general, followers. California is the key indicator State; Florida is second, although not too far behind; with the other three trend setter States being Washington, Colorado, and Connecticut.

An example of this phenomenon is provided by a look at who the Governors are in these five States. Connecticut and Washington are the only two States where women have been elected governor in their own right. The other States have elected the "new" politican: Graham, Lamm, and Brown. The new politics has little to do with the old liberal-conservative dichotomies. Rather, it has to do with appropriate scale, decentralization, fiscal conservatism, and a lot of experimentation.

Now let's look at the five trends.

1. The United States is rapidly shifting from a mass industrial society to an information society, and the final impact will be more profound than the 19th Century shift from an agricultural to an industrial society.

In 1950—I want to talk about the percentage of the labor force in the various sectors—in 1950, 65 percent of people working in this country were in the industrial sector. That figure today is around 30 percent. It has gone from 65 to 30 percent since 1950. That is a dramatic change. (In 1900, at the turn of the century, it stood at 35 percent.) In 1950, the number of people in the information sector of

the society—information occupations—was 17 percent—and now exceeds 55 percent. Information occupations are those involved in the creating, processing, and distribution of information, including banks, stock markets, insurance companies, education and government.

For years we have been hearing that we are moving into a service society. Yet the service sector (absent information occupations) has remained relatively flat—about 11 or 12 percent for decades. (The character of these service sector jobs has changed—we have few domestics today and a lot of people in fast food jobs—but their ratio to the work force has remained fairly constant.)

It is clear that the post-industrial society is an information society.

One of the important things to notice about this shift is that the strategic resource in the industrial society was capital; the strategic resource in the post-industrial information society is knowledge and data (and that's not only renewable; it's self generating). That explains the explosion of entrepreneurial activity in the United States. Because the strategic resource is now what is in our heads, access to the system is much easier. Not only will we see an impressive increase in the creation of new small firms, but if large institutions are to survive, they will restructure to encourage entrepreneurial activity within their institutions.

And those large industrial corporations are in decline everywhere. In the seven years from 1969 to 1976, we added 9 million workers to the labor force, along these lines:

Fortune 1,000 largest companies	0
Small business	6, 000, 000
Federal Government	0
State and local governments	3, 000, 000

Now, the mass instrumentalities that were created, that were consonant with the industrial society, are now out of tune with the times. Just as in 1800 the fact that 90 percent of us in the labor force were farmers dictated the societal arrangements of the day, the fact that most of us were in industrial occupations until recently dictated the arrangements of a mass industrial social—which are now out of tune with the new information society. Let me give you three examples. Labor unions. In 1950, with 65 percent of the work force in this country in the industrial sector, more than 30 percent of the workers in the country were members of unions. That's now 19 percent. There's no way that's going to do anything but continue to go down, as we move more and more into the information society. A late entry in mass industrial society, network television. Network—notice I'm saying network, not television—network television started down last year, and it is on a long, slow, irreversible slide downward. I'll talk more about that later. National political parties, which had their heyday in the industrial society, exist today in theory only. Things like department stores and national chain stores which are in tune with the mass, industrial society have been yielding over the last decade and a half to things like boutiques. This phenomenon, the breaking up of mass instrumentalities, you'll see everwhere.

Starting a year ago, the No. 1 occupation in the United States became a clerk, replacing the laborer, and the farmer before that. Farmer, laborer, clerk; a brief history of the United States. (What comes after clerk? I can't decide whether it is soldier or poet.)

In connection with this shift to an information society it is important to notice a powerful anomaly developing: as we move into a more and more literacy-intensive society, our schools are giving us an increasingly inferior product: this is a powerful mismatch. SAT scores (the tests to qualify for college) have been going down each year for more than a decade. We all experience that our young people are not outstanding when it comes to writing and arithmetic. Consider this: for the first time in the history of the United States, the generation that is graduating from high school today is less skilled than its parents. Lastly, with the basic restructuring of the society from an industrial to an information society, the traditional groupings of goods and services won't work any more. That is why the economists are almost always wrong. And they will continue to be as long as they rely on the old indices. We need new concepts and new data if we are to understand where we are and where we are going.

2. There is more decentralization than centralization taking place in America—for the first time in the nation's history: the power is shifting not only from the President to the Congress, but—less noticed—from the Congress to the states and localities.

Trends move in different directions, at different speeds. They have different weights. They have different life cycles. About three or four years ago, the heft

and feel of the movement toward decentralization became greater than the heft and feel of those forces toward continued centralization.

The two great centralizing events in America's history were the Great Depression and World War II, plus the centralizing impact of industrialization. We are now receding from these centralizing influences.

You remember, in the 1950s and into the 1960s (and beyond) we began to celebrate individual diversity more than we had celebrated it before. In the 1960s, we started to celebrate ethnic diversity. Polish is beautiful, as well as black is beautiful. We started to celebrate our ethnic restaurants, which of course had been there all the time. An extraordinary thing happened, by the way, in the late 1960s. We gave up the myth of the melting pot. For years we had taught our children in fourth grade civics (or thereabouts) that America was a great melting pot, as if we were all put in a giant blender and homogenized into Americans. Now we have given up that myth and recognize that it is our ethnic diversity that has made us such a vital, creative country. Then a phenomenon of the 1970's was jurisdictional diversity, geographical diversity. We have no national urban policy today because a (top-down, master plan) national urban policy is out of tune with the times. The only national urban policy that would be in turn with the times is the national urban policy that would respond to local initiatives. It is an inappropriate question to ask, "Are we going to save our cities?" That's an either/or formulation. It doesn't work in the new multiple option society. The point is, we'll save some of our cities; we will not save others. We'll save some of our cities a little bit; we'll save others a great deal. And it will all turn—again—on local initiative. That's also why we're not getting a national health policy, because you can't do a top-down monolithic kind of policy anymore because of the growing diversity in the United States.

Now, where we feel centralization continuing most painfully is in government regulations, as we well know. And that's changing. That's really bending back. It was a Republican. Nixon, who opened China. A democrat never could have done that. And I think just so, the Democrats are the only ones who're going to be able to at least get the deregulation started, because Republicans would come under too much pressure. You know about the airlines, and you know about the trucking industry, which I thought would be the last to go, the railroads, radio. The watershed in this, I think, was in February of 1978, when the U.S. House of Representatives voted against a consumer protection agency. What was not, I think, sufficiently underlined at that time was that the first and second term Democrats voted 43 to 37 against establishing that agency. More and more, we are going to see the political left and right meeting on this issue of being against big government and against government regulations. And that's part of a larger power shift, too, that's going from the President to the Congress—and from the Congress to the states, which means more state regulations.

Proposition 13, I think, has to be understood as having a lot more to do with the initiative trend, or the referendum trend, than it has to do with taxes. We are submitting to the political process questions we never submitted to the political process before. The watershed on that was Proposition 15 in California three years ago, when the citizens in California voted on whether or not to build a plant (a nuclear plant, but nevertheless, a plant). We have never submitted that kind of question to the political process before. Business got very involved in that because that had so much at stake. And in the process they helped to legitimatize this notion of submitting this kind of question to the political process. There is no end to it. Last November, more than 400 questions were voted on around the country. There have been many votes on where we can and cannot smoke. Five jurisdictions last year voted on using or not using public funds for abortion. Two cities voted on South Africa. Long Beach, Calif., voted on whether or not to have an oil tanker terminal, and, later, on the color of street lights. We never voted on those kinds of things before, but we're going to see more and more of this. It's a part of this larger, "direct democracy." We'll be voting on a great range of new things, at times "leapfrogging" the traditional political process.

Decisions are now being made at the local level, and the people know it no longer matters who is President. Their concerns are those of day-to-day life, to which the President is irrelevant. 1980 will be the first election in which the voter turnout will be less than 50 percent, while the participation on local issues will be up to 80 percent.

In America, the large, general purpose instrumentalities are folding everywhere. An early sign and instructive analogue of this was the demise of Life, Look, and Post, the huge circulation, general purpose magazines 9 years ago.

That same year, 300 special purpose magazines were created, most of which are still being published. Four hundred or so were added the following year, and so on. There are now more than 4,000 special interest magazines being published in the United States, and no general purpose magazines. This phenomenon is an analogue for what is going on in the United States. Two years ago the National Association of Manufactures and the U.S. Chamber of Commerce announced they were going to merge for all kinds of wonderful reasons, none of which was true. They were going to merge in order to survive. About a year ago, they announced that they couldn't negotiate the merger, so now, presumably, they're going to die separately (except that the chamber has lately become much more responsive to the grass roots, and that may save it). The American Medical Association, another umbrella organization, is getting weaker as the groups within it—the pediatricians, surgeons, etc., and the county and local medical groups are getting stronger.

A year ago two big labor unions, the meat cutters and the retail clerks, merged to form a huge union—for survival. That's the dinosaur effect: they get larger just before they go under. (We haven't noticed it, but there have been 50 mergers of labor unions in the last 8 years.)

These kinds of umbrella organizations are out of tune with the times, just as network television now is becoming. ABC, CBS, and NBC will be the Life, Look, and Post of the 1980s and 1990s. Back to the magazine analogue, network television will lose ground to new options: the incredibly array of cable, video disks, and new special-interest networks—a Spanish language network, the all-sports network, the all-news network, the BBC in America network, etc. My guess is that by the end of the 1980s, the three big networks may have fewer than half the viewers they have today.

The cross-over in politics came in 1976—a Presidential year—when the number of people contributing to special interest groups, like "Save the Dolphins" exceeded the number of people who contributed to the umbrella Democratic and Republican parties combined. That trend is continuing. The two great American political parties now exist in name only. We have a Congress filled with independents. We may get some new political parties, but in tune with the decentralization of the country, they will be local, new political parties, not national. We already have the Right-to-Life party on the ballot in New York State. In Sweden, there is an environment party and a health food party. We will have local special-interest parties developing in the United States.

The magazine analogue is also instructive in connection with leadership. In the United States, we have all noticed a dearth of leadership. We have no great captains of industry any more, no great university presidents, no great leaders in the arts, or in civil rights, or in labor, or in politics. It is not because there is any absence of ambition or talent on the part of those who would be leaders. We don't have any great leaders any more because we followers are not creating them. Followers create leaders—not the reverse—and we followers are not conferring leadership as we did in the past. We are now creating leaders with much more limited mandates: closer to us and on much narrower bands. In the old Taoist model of leadership. "find a parade and get in front of it," we who would be leaders in America are finding much smaller parades—and many more of them.

3. We are now a truly global economy because of instantaneously-shared information, and the world is deeply in the process of a redistribution of labor and production. As part of this process all of the developed countries are re-industrializing.

The other side of relying on less centralized political authority is the growing world economic interdependency. Sir Arthur Clarke said that the two inventions that accounted for America's swift economic growth were the telegraph (later the telephone) and the railroads. Similarly, the two great inventions that are making us a global village are the jet airplane and communication satellite. In another way Marshall McLuhan captured the sense of interdependence when he recently said, "there are no passengers on spaceship earth. We are all crew."

We are now a truly world economy because of instantaneously shared information. We have wiped out the "information float". And we are now deeply in a process of re-sorting out who is going to make what in this world. As part of this process all of the non-communist, developed countries are de-industrializing. Even Japan (the most flexible country in the world) is getting out of the steel business and the shipbuilding business. She knows that in these markets (which are at saturation worldwide), South Korea will outdo her in steel and ships will be more economically built by the new shipbuilders: Brazil, Poland and Spain.

The United States and the rest of the developed countries are on the way to losing the following industries: steel, automobile, railroad equipment, machinery, apparel, shoe, textile, and appliance. In 1960 the United States accounted for 45 percent of world industrial production; today it accounts for 38 percent. By the end of the century, the Third World will make 25 percent of the world's manufactured goods. The end of the century is only 19 years away. Remember when President Kennedy was inaugurated? That is how far it is to the year 2000.

We developed nations are probably going to kill ourselves competing over steel and cars, when we should be moving in other areas as the Third World takes over the old tasks. That is why the Chrysler bailout was so important. That bailout is a big step down; the path of turning the U.S. automobile industry into an employment program, just as Britain turned its automobile (and steel) manufacturing into an employment program. We have to see Chrysler, and the other automobile companies in a world context. Consider: In the world automobile market we are reaching saturation; it will soon be a replacement market. There are now 86 countries that have automobile assembly plants. Japan takes 13 manhours to build a car: the United States takes 30 manhours. Imports passed Ford and became number two to General Motors in 1979 with 20 percent of car sales in the United States. But in the bellwether State of California imports were 50 percent of car sales last year. It has been part of the conceit of the U.S. automobile companies that they never diversified. They thought they would go on forever. Now even Henry Ford is getting out while the getting's good.

Yesterday is over. We have to look to the new technological adventures: electronics, bio-industry, alternative sources of energy, mining the seabeds. We have to work our policies (or at least let the market place do it) to make the transition from the old to the new. By the way, how reliable is the Dow-Jones as a barometer to the economic health of the society or stock market with all these companies from the dying industries on its list? Like the economists, they need a new index.

4. The American society is moving in dual directions of high tech/high touch. The introduction of every new technology is accompanied by a compensatory human response—or the new technology is rejected.

With the introduction of television, for example, came the group therapy movement, which, in turn, has led to the personal growth movement and the human potential movement. (Watching TV in bed with someone is, of course, very high tech/high touch.)

Similarly, the high technology of the medical field (brain scanners and heart transplants) has led to a new interest in the family doctor and neighborhood clinics. A novel high tech/high touch example is citizen band (CB) radio: people using this technology to get in touch with another human being—anybody! And, moving closer to our offices, the high technology of word processing has initiated a revival of handwritten notes and letters. The high technology of chemistry and pharmocology produced the pill which led to a revolution in life styles (away from either/or to multiple-option). Jet airplanes have led only to more meetings. A poignant example of high touch/high tech is how the high technology of life-sustaining equipment in hospitals led to a new concern for the quality of death (and to the hospice movement).

Whenever institutions introduce new technology to customers or employees, they should build in a high touch component; if they don't, people will try to create their own or reject the new technology. That may account, for example, for the public's resistance to automation and electronic accounting. Electronic Funds Transfer (EFT) is failing everywhere.

The high technology of the computer has been somewhat intimidating to many of us, but now I see its high-tough potential as "computer as liberator." Let me explain. A company with 40,000 employees has always treated those 40,000 the same; it had to because that was the only way it could keep track of them. And that has been unfair, because people are different. Now with the computer to keep track, that company can have a different arrangement with each of its employees as to relation of salary to retirement benefits, work hours, job objective and so forth. And that is the trend: each of us having an individually-tailored contract with our employer. Also, the computer will outmode the hierarchical system of organization (and that is liberating). We had to have a hierarchy in order to keep track of everybody and what they were up to. Now with the computer to keep track we can restructure to horizontal organization of many small entrepreneurial groups. The pyramid has been outdated by the new technology.

5. There are the beginnings of a job revolution in America, a basic restructuring of the work environmental from top-down to bottom up.

Whenever pressing economic trends converge with changing personal values, you get change in a society. That's why we can start to look for some revolutionary changes in the workplace. A whole new attitude toward American workers is on the way. And it could result in a revitalization of the spirit of work and America's sagging productivity.

Here's the situation: The productivity growth rate is on a dismal downswing. Last year was the worst for productivity improvement in the Nation's history.

At the same time, over the last two decades, personal values have been changing radically; there's a growing demand for more satisfaction from life. Workers feel it, too. Their psychic pain is reflected in their low productivity. They are sick of being treated like machines in the service of increased productivity. Workers refuse to produce and even deliberately sabotage the products they make.

They are no longer content with the traditional remedies offered up by labor unions, such as more pay, four-day weeks, better health benefits. What they really want, like everybody else, is deep human satisfaction from their work.

But industry had no compelling need to give it to them—until now. These dropping productivity figures will finally force industry, in economic desperation, to give more than token attention to the mental health of workers. The workplace is in for a good shaking up. And the American worker is about to be saved by one of the most unlikely forces in society—call it humanization, personal growth, "the human potential movement," participatory management, the values of the sixties. Call it whatever, it is about to converge with the economic necessity of the seventies and eighties to rescue the American worker from a deadened existence. For one thing, American industry is beginning to eye the way Japanese companies are run. Japan's productivity runs circles around ours. As I mentioned earlier, it takes Japanese workers 13 man-hours to build a car, compared with 30 man-hours for American workers.

It's often mistakenly thought that Japanese workers are so productive because they perform like robots, ever subservient to authority. The opposite is true. Unlike American workers, the Japanese are given enormous freedom to both plan and execute their work and solve problems alone without the help or interference of managers. The plants are run not from the "top down" like ours where managers deliver orders, but from the "bottom up" where workers make many crucial decisions. Fully 90 percent of Japan's industrial work force is organized in work groups of 8 to 11 people. The whole theory is: the workers know their job better than anyone else, and given a chance, workers will be creative and self-motivated. Interestingly, the Japanese developed some of their management techniques from the theories of our own humanistic psychologists, such as the late Abraham Maslow.

When the Japanese use their techniques on American workers, the changes are astounding. The Japanese Matsushita Co., several years ago took over a Motorola plant near Chicago and began to produce Quasar TV sets. The company retained 1,000 on-line workers but dismissed half of the 600 supervisors and managers. Within 2 years, production doubled and the reject rate of sets dropped from 60 percent to 4 percent. Moreover, through good quality control, the company reduced its annual warranty costs from $14 million to $2 million. Just think, too, of the countless consumers who were spared the frayed nerves of dealing with defective products. That alone is an important contribution to the nation's sanity.

Our workers are not stupid or lazy. They, like everybody else, want a chance for more personal satisfaction. And they are about to get it—even if the trigger is such an eye-glazing event as lower productivity figures. U.S. industry leaders may not understand such a trend as changing personal values, but they do understand dropping productivity.

Because of how economically interlaced the U.S. is with the rest of the world, the only weapon it has against inflation that is in its full control is productivity improvement. Peter Drucker says in his new book, "Managing in Turbulent Times," productivity improvement will be management's most important task for the '80s. And in this regard, for the '80s, creative management will be more important than creative technology.

In closing I want to say that I think the decade of the '80s will be very exciting and uncertain. We must make uncertainty our friend. It is, among other things,

the only certainty we have. In the decade of the '80s, we will be restructuring our society from an industrial to an information society; we are decentralizing at home while at the same time we move into a truly world economy where the redistribution of production spells opportunity for all of us; we are becoming an increasingly high touch world as we continue to push high tech; we are becoming a multiple-option, highly market-segmented society; and we will be a more participatory society with greater opportunities for each of us to realize our potential.

In short, we will be a much more complicated society, and the period of working through the structural changes will be painful, but we will be a more interesting, creative, and nourishing society.

Mr. Naisbitt's presentation was followed by an extensive interchange with the members on the implications of his assessment of the 1980's. It was noted that, extending his comments on the role of modern communications and information, we are witnessing the end of private diplomacy and entering an era in which public diplomacy is increasingly becoming the mode by which foreign affairs are conducted. Furthermore, one result of the information flow is that the individual is presented first thing in the day with a full plate of information; he awakens to information on all of the problems of the world, and the result frequently is an attitude of despair at having any impact on them and a focus on single-issue politics and on local concerns. Furthermore, the increased availability of information is not resulting in a more informed citizen; the information is just shot at people, who are increasingly unable to select out the useful and meaningful portions.

Several members commented on the alarming state of education in the United States. Mr. Naisbitt pointed out that one direction it may take is that of multiple option, with the type of education varying with each community, such as the voucher system which has been experimented with in several areas and which will be voted on in California.

It was noted that electronic communications has changed the character of democracy; it can make possible direct democracy, thereby eliminating the need of representative democracy which was necessary before there was instantaneous availability of information.

Mr. Naisbitt was asked whether there were similar changes occurring in the societies of Eastern Europe, and he responded in the negative. They are more controlled and will be handicapped as the industrial countries move into newer and more advanced forms of industrialization. In answer to a questioning whether the de-industrialization of the advanced societies will adversely affect their military capability and advantage the Soviet Union, Mr. Naisbitt said that was unlikely as military hardware accounts for only a small portion of industrial output. For example, only a fifth of a percent of U.S. steel production into goes military equipment.

Mr. Naisbitt's assessment of the defeat of the referendum on sovereignty association for Quebec was that the citizens of Quebec felt separation was going too far but that the issue would not die and that some change was inevitable. The secret of Canadian unity lies in the celebration of the nation's diversity.

One member suggested that the computer may become a Frankenstein, particularly with the ability to use it in a manipulative manner, and that people may begin to reject it. Mr. Naisbitt warned against underestimating the intelligence of people, particularly in being able to sense when they are being subject to manipulation.

Mr. Naisbitt was asked whether his analysis led to the conclusion that the Congress is becoming irrelevant. He said yes, as the decentralization movement is resulting in more and more decisions to be made at the local level and is making government at the center weaker.

It was pointed out that the United States is becoming the world's number one exporter of a new product—information—which is becoming the basis for Third World industrial production.

IRAN AND AFGHANISTAN

A discussion of the holding of the U.S. hostages in Iran and of the Soviet invasion of Afghanistan was held in plenary session. The discussion was begun by the U.S. delegation expressing its sincere gratitude to the Canadians for the role of their Government in engineering the departure from Iran of six American diplomats.

A U.S. delegate noted that the situation in Iran is affecting U.S. economic and political relations around the world, and that there are many unresolved issues and unanswered questions, such as did and, if so, should the United States have given in to pressure to allow the Shah to enter the United States? Have the hostages really been dispersed? Are U.S. embassies adequately protected?

Several Canadians expressed sympathy for the U.S. position in Iran, but urged that the United States not allow its policy decisions to be totally focused on Iran; it should view the situation there in the broader context of the region as a whole, such as the possibility that the Soviet Union by 1985 will be a net importer of petroleum and its actions in Afghanistan were taken with that likelihood in mind. It was further suggested that the United States should look for possible openings in the area, such as Somalia or even the fact that Iran is very much in flux and that the primary U.S. goal should be to bring stability to the region.

It was also reported that Canadians were irritated over the lack of consultations over either the grain embargo or the boycott of the Olympics, and suggested that the latter would have been more successful if its announcement had been preceded by consultations.

One U.S. delegate pointed out that the options available to the United States ranged from an immediate rescue option, to diplomatic efforts, to economic sanctions, to military sanctions. The first was ruled out, numerous diplomatic efforts have failed, and the full extension of economic sanctions would lead to military action. It was asked why the United States is the only Western country reacting strongly to the Soviet invasion of Afghanistan and why the U.S. President is always the one who has to speak out first and take the hard line.

It was suggested that the United States should realize that the hostages will be held for a long time, that the Ayatolla has a history of never compromising on anything, and that maybe the United States should downplay the hostages as the best way to obtain their release.

A U.S. delegate stated that Afghanistan was a political straw that required a response and that the United States has drawn the line. The situation is not one of oil for the United States; the real issue for the United States is the economic health of Western Europe and Japan, for it is those countries that would really feel the bite if the oil line were ruptured. The United States is increasingly having to divert its

attention, and maybe its military effort, toward that region of the world, with the result that it is possible that the United States might be forced to reduce its share of input into NATO.

It was suggested that the problems of the Middle East have diverted the attention of American decisionmakers from other important issues in the world and that the United States should begin to deal with the current Arab leaders because otherwise they might be replaced by more radical leaders if they do not receive the proper support. It was noted that Canada will support the United States but wants to be consulted before decisions are taken.

QUEBEC REFERENDUM

At the request of the U.S. delegation, the Canadian delegation engaged in a discussion of the Quebec referendum on sovereignty association. The wording of the referendum was not directly on the question of independence or separatism for Quebec, but simply asked for a mandate to negotiate sovereignty association with the Federal Government. The referendum was defeated by a vote of 50 to 41 percent. The defeat of the referendum does not mean that the issue of the status of Quebec in Canada is closed—some change is essential. Levesque has at least 40 percent of the Quebecqers behind him who are, at a minimum dissatisfied with the current situation. It was emphasized that Prime Minister Trudeau must move rapidly toward bringing about meaningful change or the momentum will return to the separatist movement in Quebec. One Canadian felt a major problem will be to get other Provinces sufficiently exercised about constitutional reform; other delegates felt there is already considerable interest in many of the other Provinces.

The major problem facing the country is that there is no comprehensive constitution—no symbol of independence. The British North American Act, enacted by the British Parliament, serves as the constitution. There is no agreed process for amending that document; as a result, constitutional change; that is, structural change, would require the approval of each of the 10 Provinces—unanimity.

The major reason for the rise of Quebec separatist sentiment is the duality of culture and language and the absence of sufficient guarantees of civil or linguistic rights in Canada—the absence of any commitment to civil rights as is found in the U.S. bill of rights.

The struggle also is over control of natural resources, which has wrought a major change in Canada as the discovery of vast oil and gas riches in western Canada has shifted the economic balance in favor of the western Provinces.

Another Canadian delegate suggested that the future of Canada faces a threefold challenge: One is how to recognize the French factor, how to take into account that Quebec is not like the other Provinces and still keep it within the Federation. A second is how to deal with the question of equalization between the Provinces when jurisdiction over natural resources belongs to the Provinces; if Canada further decentralizes, how do you prevent increased economic imbalance between the oil-rich Provinces and those that are less well endowed, which could destroy the Canadian common market. Third, what are the necessary reforms of the Federal institutions—the House of Commons, the Senate and the Supreme Court—particularly in light

of the fact that there is no national party in Canada. In explaining this latter point, it was noted that the new Government has no representation west of Winnipeg, the geographic center of the country, but holds 74 of the 75 parliamentary seats from Quebec. On the other hand, Conservative Party governments, at least in the past, have had representation from across Canada.

There was discussion among the Canadians as to the difficulty of the process of constitutional reform and of bringing back the British North American Act. It was pointed out that the next crucial event will be the Provincial elections in Quebec, which will occur within the next year, and how the Parti Quebecóis fares in that election.

The U.S. delegates expressed the view that a strong, united Canada is in the U.S. national interest; the United States stands ready to assist Canada; but clearly the Quebec issue and constitutional reform are matters which can be resolved only by the Canadian people themselves.

U.S. ELECTIONS

Responding to a Canadian request, several of the American delegates engaged in a discussion of the U.S. primaries and the November election. One delegate noted a more conservative trend in the United States and the possibility, although remote, that the Republicans might gain a majority of seats in the Senate. There was general consensus that the Republicans would also pick up some seats in the House of Representatives.

It was suggested that there may be a reversal of the trend of recent years of undue attention to special interests and the interest of the individual, so that more consideration may be directed to national concerns.

The U.S. delegates also explained what may transpire if no candidate wins a majority of the electoral college and the election is thrown into the House of Representatives.

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