had abused the new system and had moved canola and corn meal into the American north-west in substantial and unusual quantities. The Canadian government was attempting to negotiate a voluntary restraint program which should, if agreed to, largely satisfy U.S. millers.

COMMITTEE II—ENERGY, DEFENCE AND MULTILATERAL QUESTIONS

I. Energy

1. Modification in Canadian policy on gas exports and impact on trade with United States.
2. Impact of changes in Canadian oil and gas policies regarding retroactive "back in"; deregulation of oil prices; investment climate; outlook for bilateral energy co-operation.
3. Bilateral electricity trade.
4. Problems of access to U.S. market for uranium.

II. Defence

1. **Multilateral**
   - (a) Arms control negotiations;
   - (b) The Strategic Defence Initiative (the Star Wars debate).
2. **Bilateral**
   - (a) Modernization of NORAD;
   - (b) Deployment of AWACS for North American defence;
   - (c) Deployment in Canada of U.S. nuclear weapons;
   - (d) Functioning of the defence production sharing arrangement between Canada and the United States.

III. Multilateral Issues
(in joint session with Committee III)

1. The food crisis in Africa.

I. Energy

During the exchange on energy issues, the Canadian side described the new Canadian energy and investment policies. On the subject of the inefficiences on energy transportation and distribution systems in North America, the U.S. delegation thought there was unlikely to be any lifting of the U.S. prohibition of crude oil exports.* This led a senior U.S. Senator to revive a proposal he had made a decade earlier for a North American or continental energy policy. During the discussion on bilateral electricity issues, the U.S. side reacted positively to the idea of increased electricity exports from Canada.

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* However, on June 14, 1985, the U.S. Administration removed the prohibition on exports of crude oil to Canada from the lower 48 states, retroactive to June 1.

Natural gas and petroleum policies

A Canadian delegate described briefly the impact of the Canadian government's new energy policies including the Western Accord and the replacement for the Foreign Investment Review Agency (FIRA). The Canadian natural gas price has already been deregulated and crude oil prices would be deregulated by June 1, 1985. The Petroleum and Natural Gas Revenue Tax (PGRT) was being phased out and the Petroleum Incentive Program (PIP) grants to Canadian companies were being done away with. Draft legislation was currently under debate to replace FIRA by Investment Canada to ease investment constraints. The Prime Minister and other Ministers have indicated the government intended to make changes in the Crown Share and the retroactive 25 per cent 'back-in' provisions on all Canada Lands production projects. How this policy was to be implemented was being studied. Production in the Canada Lands fields, in the tar-sands and offshore, have high potential but are very high-cost and an assured market was needed before development. As for the deregulated gas price, it would be 'market sensitive' but the export price would not be allowed to fall below the Canadian price.

A Canadian Senator noted that Canada, under a National Energy Board (NEB) requirement, had mandated a 25 year surplus supply of natural gas and at present there was more than enough available. The government needed to develop a new gas-pricing mechanism by December 1, 1985. The present requirement—that the price of exported gas cannot be less than the Toronto city gate price—annoys western producers since this price includes the transportation and gathering costs. This delegate doubted that such a price floor for exports would be adhered to. Under the previous government, when natural gas prices had been set by the federal and Alberta governments, several policies had been put in place to make Canadian gas exports more 'market-sensitive' in the United States and in recent years, higher quantities of gas exports had been authorized than Canada had, in fact, exported.

This delegate said there was some concern in Canada regarding the natural gas transmission facilities to the Atlantic provinces and eastern seaboard. The NEB was suspending its hearings until the U.S. regulatory agency ERA (the Economic Regulatory Agency of the Department of Energy) had approved the pricing for long term gas contracts.

U.S. delegates expressed satisfaction that FIRA was now being replaced by a more open investment regime. However a Canadian delegate noted that there was still a commitment in the new legislation to a certain level of Canadian ownership in this industry where foreign ownership, prior to the NEP, had been at the 85 per cent level. The new procedures would continue to maintain a threshold—$50 million for indirect acquisitions and $5 million for direct—and transactions above this level would continue to be subject to review. This participant