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DEPARTMENT OF STATE

Washington, D.C. 20520



June 10, 1969

MEMORANDUM FOR GOVERNOR SCRANTON

SUBJECT: Report of Meeting with Canadian Officials, June 5, in Ottawa

This will be in narrative form, in order to give more of the flavor of the exchanges.

The day in Ottawa included meetings with U.S. Ambassador Harold Linder and Embassy economic officers Charles Wootton and Walter Collopy; with External Affairs officials James C. Langley (Assistant Under Secretary) and Ralph Reynolds (Chief of Transport, Communications, and Energy Division); with the Minister of Communications Eric Kierans, Deputy Minister Alan Gotlieb and several key members of their Ministry; and with a group of seven members of the Canadian Delegation to the INTELSAT Conference.

In the morning, at the Embassy, I was handed the attached memorandum of conversation, dated June 4, which reflects a rather bleak picture, and Ambassador Linder said, "You have work to do here." From the outset, however, the Canadians were clearly making an effort to show cooperativeness. At dusk Chuck Wootton remarked that the day's work had cleared away a good deal of underbrush and dispelled several Canadian illusions.

Alan Gotlieb, who headed their delegation at the first round, went to some length to explain that their positions were sincere efforts to move the Conference forward and not the result of perverseness. Canada supports us completely on the single global system concept, he said. "We are deeply committed to strengthening INTELSAT and making it a universal instrument that will serve mankind for the next two or three generations. It has special meaning for a spread-out, bilingual country like ours. We need it. A proliferation of systems would be very bad, and very costly.

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So our long-range goal for INTELSAT parallels yours. We much regret it if our strategy and objectives were misinterpreted at the first round."

Minister Kierans' opener was: "Tell me what troubles you about us." Assistant Under Secretary Langley spoke specifically of Frank Loy's "unhappiness" with Canadian actions. Alan Gottlieb said he knew Jim McCormack to be "disappointed in us"; this gave him pain because of his high regard for COMSAT's chief.

I said that our problem stemmed from their joint paper with the Germans and Indians (Com. I/26), in particular paragraph 1(d): "There would be full internationalization of the Manager as soon as practicable, consistent with the maintenance of a high level of competence." This had tended to polarize opposition. I said we felt strongly that the continued high competence of the system was the first priority, and that any degree of internationalization was secondary. Gottlieb replied that their collaboration with the Germans and Indians, whom they regard as "moderates", had actually tempered the opposition to the U.S.

Assistant Under Secretary Langley said "the Conference poses some very tough problems indeed, but we do want to work with you to help resolve them." It would be most helpful, I said, if they could act as honest broker between the Europeans and ourselves. He then firmly asked the blunt question: "Does the United States, underneath it all, as some people suspect, really want to hang on indefinitely to the control of INTELSAT's management by COMSAT?" I replied that forever is a long time, that such would not be realistic, that our willingness to spin off administrative management functions was evidence of our good faith -- but that we saw real danger in moving too far or too fast toward internationalization. Unlike some of our partners, we do not see anything magic about full internationalization. It is not a Bali Hai to be reached at all costs. The continued high competence and growth of the INTELSAT global system are our first considerations. We will not accept anything that might jeopardize the system's full efficiency and viability.

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At luncheon at the Rideau Club, given by Minister Kierans, the Minister announced that there was a good chance that the Parliament would pass the TELESAT bill that afternoon. If so, it would be announced that the United States will launch the Canadian-designed bird and that steps will be taken to ensure its technical compatibility with the INTELSAT satellites. (We had heard this earlier from Langley.) Kieran said that in this connection he had just arranged a major contract with RCA of Canada.

Later, in a two-hour session with the members of the Canadian INTELSAT Delegation, I went through our litany as to flexible approach and key issues at the Prep Com. Gotlieb expressed their gratitude for our views, for our forthcomingness, and for our determination to bring the Conference to a successful resolution this year. They support us, he said, on the single global system. They support us on INTELSAT's role in specialized services. Their thinking parallels ours on regional systems: i.e., any such systems must be compatible both technically and economically and must not be sprawling specters like Symphonie. In this connection I asked if the Canadian side would be willing to try to soften up the Germans on the matter of giving the Governing Board powers of determination with regard to economic compatibility. Gotlieb replied: "Yes, if voting power in the Governing Board is altered to reflect a real international decision, not a decision by one or two members."

With respect to the Assembly, he said that their position had apparently been misunderstood. They are not, in fact, opposed to signatories (communications entities) sitting in the Assembly; like ourselves, they feel the decision should be left to each country to decide whom to send.

Their position also parallels ours with respect to the Governing Board. It should be held to roughly the present size. The two-thirds weighted vote should prevail. Their position at the Conference calling for a basic-bloc-vote for each member on the Governing Board was a trial balloon only. "We are flexible on this," Gotlieb said.

In the light of what I had reported, he saw no problem with regard to Legal Status.

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He raised the matter of legal relationship between INTELSAT and ITU. How binding is INTELSAT's authority for technical compatibility on parking spaces and frequencies? INTELSAT certainly should have a role in this, but how does it relate to the ITU role? He did not know whether this, when explored further, might constitute a difference between us. He thought probably not.

"So it boils down to only one real difference. We go along with a COMSAT contract as technical and operational manager reporting to the Governing Board for the life of INTELSAT IV. But we strongly believe that the new Agreement should define the goal of eventual full internationalization of the management, and describe how to get there. Merely leaving it open -- to be decided in the future -- will not satisfy a significant number of other delegations, particularly some of the Europeans." He believed that a number of them would refuse to sign any Agreement without such a provision, and that we might even face defections.

If COMSAT were to be given a seven-year contract without provision for what happens thereafter, this would be seen as simply deferring the whole matter for seven years. At that point the same problem would have to be faced again, without any visible progress in the meantime. They are happy to see the spin-off of administrative functions to a secretariat. But these are, after all, only the hors d'oeuvres and soup courses. The meat and potatoes are the design, construction, and operation of the space segment. In a system owned by 75 or 80 countries, these cannot be left in perpetuity to one of the signatories only.

I remarked that it is very difficult, if not impossible, to try to predict a priori what course of action should be taken six or seven years hence in a technology moving as rapidly as space communications. Also there would be a virtual certainty of the global system's losing technicians and advanced expertise if a COMSAT phase-out were to be part of the new Agreement. Gotlieb said that a COMSAT "phase-out" need not be contemplated. In this regard they had a proposal to present for discussion. He then turned to Dr. John Chapman, head of the technical planning group in the Department of Communications and one of the fathers of Canada's Alouette series of scientific satellites.

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Dr. Chapman stated that in his experience each satellite generation is different. Ground stations are not. A team of technicians is assembled for each new bird. "They bring it into being, live with it, and get so they can analyze anything that may be going wrong and correct it. The COMSAT team is well along with INTELSAT IV. They should see it through its life-span, approximately seven years. But our thought is that the next series, INTELSAT V, might logically be developed by the International Manager. He would begin to form the new team in about five or six years. He would be empowered to contract out various parts of the job. It would be understood that he would contract with COMSAT for a specific set of INTELSAT V requirements -- but not the total job. It would be a phasing related to function. But COMSAT would retain an important piece of the action after the contract for the life-span of INTELSAT IV."

Gordon Nixon, Director General of Telecommunications Management, broke in at this point to say: "The International Manager, as we see it, would be a very senior individual with the stature to carry this off. We don't like the terms 'Director General' or 'Secretary General'. We prefer 'International Manager'." It was inferred that he would probably be an American. Most of his technical staff, Chapman and Nixon thought, would be Americans and paid whatever it would take to hold them. The International Manager should be paid on a scale comparable to a senior official of COMSAT.

This plan, they felt, would meet the strong desire for internationalization while at the same time keeping COMSAT in the act and insuring the continued high efficiency of the global system. They are as aware as we are of the specter of turning over the management to an international entity with built-in international politicking and jockeying for position. The Agreement can and must prevent this, they believe.

I reacted that the idea was a new one, and that I would be glad to take it back for discussion within our Delegation. Like all proposals, however, it would be judged by our first criterion -- the continued high competence and growth of the global system. Dr. Chapman said they would be glad to work up a short paper reflecting how the International Manager

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might handle the contracting for the various technical elements of INTELSAT V. They would send this along on a completely informal basis, he said. I replied that we would be glad to see it. Of necessity, they inferred, most of these contracts would have to continue to be with various U.S. firms plus COMSAT.

Ralph Reynolds stated that key members of the International Manager's technical staff, during the course of its development five or six years hence, might be drawn from COMSAT. I cited Jim McCormack's understandable fear that any mention of such a thing in the new Agreement would result in lowered morale and loss of COMSAT's key technical personnel. They would be more apt to accept good salaries and fringe benefits at Hughes or Sylvania rather than look forward to joining an international civil servant set-up. In reply, he expressed the belief that the challenges and rewards of working with the International Manager could be developed in a way that would be appealing and that would not make recruiting too difficult.

They are aware that our Congress would oppose any move toward a full COMSAT phase-out, however distant.

Commenting on the upcoming visit of the Germans to Ottawa (which they confirmed for June 17, 18, and 19), I said that we hoped there would be no papers introduced at the outset of the Prep Com. It was not our intention, I said, to table any such papers and we hoped that others would not do so. Gottlieb replied that he fully concurred in this and that any new papers should emerge from discussions at the Prep Com "except for tidying-up type documents left over from the first round". He added that they value their association with the Germans and the Indians, and believe this collaboration will be useful.

Ralph Reynolds will head their delegation to the Prep Com. Alan Gottlieb apologized for not being able to do so himself (because of the weight of his new duties as Deputy Minister); but in a private conversation he told me he would be willing to fly to Washington for two or three days if we felt it would be helpful at some point. He added that he hoped very much our delegations would keep in close touch.

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Reynolds asked what we would think of the idea of John Killick as Chairman of the Prep Com. I said that one or two other delegations had also suggested this and we were in favor. Gotlieb seemed pleased, but remarked it was rather a shame to isolate from discussion so able a man by putting him in the chair.

Reynolds commented that progress at the Prep Com might be disregarded or impeded at the November plenary by those nations not participating in the Prep Com's work. Gordon Nixon minimized this fear on the basis that the situation is now quite different from what it was before the February-March Conference. Most of the countries are now more aware of the issues and want to see a successful conclusion to the negotiations.

I asked Messrs Wootton and Collopy to contact Reynolds and one or two others in about a week to assess their reactions and learn more, if possible, about the visit of the Germans. There was no mention of the Indians coming to Canada.

Ambassador Linder expressed his feeling that we will have to face the question of including in the agreement the ultimate internationalization of INTELSAT management. "It won't go away. It will be at the heart of your negotiations." He made the suggestion that COMSAT might consider spinning off a subsidiary international corporation sometime soon explicitly for the purpose of managing the space segment. It might be peopled with qualified foreign nationals as well as Americans, with the thought that this corporation itself could become the internationalized technical manager at some point later on.

Abbott Washburn
Deputy Chairman, U.S. Delegation
INTELSAT Conference

Distribution:

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DEPARTMENT OF STATE

4 JUN 1969

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Canadian Official Appraises INTELSAT Conference

SUMMARY

A member of the Canadian delegation to the first INTELSAT Conference has expressed disappointment at the meager progress made in negotiating definitive arrangements. He blamed the United States for this, citing primarily the United States inflexibility on one of the key issues: the internationalization of the management of INTELSAT.

A senior member of the Canadian delegation is the source for the following appraisal of the INTELSAT Conference. He said his views generally reflect those of the Canadian delegation, which met daily during the conference. (Another member of the Canadian delegation, from a different Ministry, has expressed similar views to the Embassy.)

In general, he was disappointed at the lack of progress made on elaborating definitive arrangements. He attributed blame directly to the United States, and, somewhat ruefully, added that in some twenty years' experience in international conferences, he had never seen the United States more isolated from its traditional friends. He had thought it had been made abundantly clear to the United States before the conference that COMSAT's role as manager of INTELSAT would have to be phased out; instead, the U.S. position seemed anchored, without any flexibility, on the continuation without time limit of COMSAT's managerial role.

He dismissed contemptuously the U.S. compromise proposal, splitting the managerial function between COMSAT as operational manager and an international administrative managerial body which would "empty the wastebaskets and sharpen the pencils". In fact, the Canadian delegation came to feel,

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as positions were exposed in the four committees, that the negotiations were actually between COMSAT and the rest of the participating Governments. This view was held, he said, by most informed delegations; he added that this view was certainly reinforced by the "ambiguous" position of the Chairman of the U.S. delegation. He explained that he was referring to the generally known fact that Mr. Marks was shortly to assume his new position with COMSAT.

He thinks the position of the United States during the Preparatory Committee sessions will be closely watched to assess whether the United States is really interested at all in negotiating definitive arrangements. Scuttling such arrangements, he said, "would be a success for COMSAT, in that its managerial function would continue, but would be a disaster for the United States Government." New impetus would be provided to European initiatives for a regional telsat system, and the Soviet Union would gain time to develop ideas more palatable than INTERSPUTNIK in some areas of the world, but still incompatible with the basic aims of INTELSAT. He then commented as follows on more specific questions concerning the Conference:

The Problem of Cumbersomeness: The use of committees in dealing with such complex and interrelated issues made it most difficult for the Canadian delegation to maintain a coordinated and inherently cohesive position despite daily delegation meetings. Contact with all other important delegations was almost next to impossible; consequently, the Canadian delegation, like others, found itself keeping closest company with those delegations sharing Canadian viewpoints, especially India, Brazil and Romania. This situation tended to harden positions and make necessary compromises difficult to attain. Social events were taxing, and led to one situation vis-a-vis the United States which he hoped had not been misinterpreted: the failure of the Canadians to accept a single United States invitation. In every case but one, the Canadians had had prior commitments. In the case of Chairman Marks' cocktail party, Chairman Gottlieb of the Canadian delegation had been tied up, but his secretary had mistakenly declined the invitation for the entire Canadian delegation.

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Soviet and Bloc Delegations: The Canadian delegation had frequent contacts with bloc delegations, especially the Romanians and the Czechs. The Soviet delegation was close-mouthed, but was obviously voicing its views through the Czechs. The Romanians were well informed and, prepared to join INTELSAT despite adverse pressure from the Soviet Union. Both the Czechs and the Romanians, as well as the Yugoslavs, were caustically critical of INTERSPUTNIK and pointed out that the bulk of their telecommunications traffic was western oriented.

Voting in the Governing Body: The Canadian delegation supported the United States position that voting power should be related to investment in or use of the system. They had offered a proposal embodying these views, coupled with what they considered reasonable precautions against abuse of the veto by a blocking third. This Canadian proposal had been unacceptable to the United States. The Canadians are now inclined towards supporting the United Kingdom proposal which contains much more stringent protection against use of the veto.

Expertise of the Manager: The Canadians took soundings with all "serious" delegations to ascertain their reactions to COMSAT's assertion that the Manager, if internationalized, could never attract sufficient technological expertise because it would not pay salaries commensurate with those paid by COMSAT. The Canadians found a consensus that sufficiently high salaries could and should be paid. As for the countries with the minimum or near minimum investment in INTELSAT, the Canadians were convinced they couldn't care less if scientists and technicians, whether classified as international civil servants or not, were paid fifteen or fifty thousand dollars a year.

LINDER