

US-CANADA ECONOMIC TALKS

Canadian and United States Cabinet ministers met last week in Washington for a frank and informative discussion on trade and economic subjects of current interest to both countries. It was the first meeting since the new government was formed in Canada of the Canada-United States Cabinet Committee on Trade and Economic Questions.

The communiqué issued at the close of the meetings stated, in part:

In the course of the review of current economic conditions it was recognized that the two countries have a deep and continuing interest in each other's economic stability and strength. In particular, representatives of the two governments expressed their full accord on the importance of a high level of business activity being maintained in their economies, and on the need for growth that does not endanger stability, both in their domestic economies and in the trade of the free world. The recognition of this reciprocal interest was considered basic to close and effective co-operation between the two countries as an integral part of their contribution to world peace and security, including the common defence of North America.

In the review of general trade policies Canadian ministers drew attention to the important implications for Canada of the very high proportion of its external trade which is taking place with the United States. The volume and variety of goods entering into this trade made Canada by far the most important commercial customer of the United States and vice versa. In 1956 well over \$4,000,000,000 worth of United States goods, or approximately one-quarter of the total cash exports of the United States, were sold in Canada. On the other hand Canadian exports to the United States amounted to less than \$3,000,000,000. In the light of these facts Canadian ministers stressed the effects on Canada of developments in United States commercial policies.

The United States members for their part stressed the dependability of the U.S. economy both as a market and as a supply source. They drew attention to the strong economic position of Canada and pointed out that Canada's trading deficit with the United States had been accompanied by an inflow of capital from the United States and that the rest of the deficit had been covered by Canada's trade surplus and investment inflows from other parts of the world. In these circumstances, the United States members felt that the trade and payments relationships between the two countries were basically sound and demonstrated the effective working of multi-lateral trading policies.

It was agreed that in formulating its trade policies each country should show careful regard for the interests of the other.

There was considerable discussion of means for promoting the orderly expansion of world trade. In particular the representatives of the two governments were in accord on the need for continued support of the general agreement on tariffs and trade, to which both the United States and Canada are parties.

SURPLUS DISPOSAL

Canadian ministers maintained that United States surplus disposal operations have adversely affected Canadian wheat sales. In particular they emphasized the harmful effects barter transactions have had on commercial marketings of all exporting countries, including Canada and the United States.

The United States members affirm to the Canadian ministers their intention in all surplus disposal activities to avoid insofar as possible, interfering with normal commercial marketings. They gave assurance that under the present revised commodity credit corporation barter programme each barter contract must result in a net increase in exports of the agricultural commodity involved, and that interest must be paid until the strategic materials are delivered or payment is otherwise effected for the agricultural commodities.

The members of the committee were also agreed on the value of continuing consultation in order to keep to a minimum any harmful effects of surplus disposal activities.

NEED FOR IMPORTS

The Canadian ministers expressed concern over the effect on Canadian producers which result from any future action by the United States to raise duties on imported lead and zinc. The United States members explained the situation confronting their domestic producers. They called attention to the continuing need for imports of certain minerals and metals and indicated that any United States tariff action that might be taken to relieve serious injury to United States producers would have the primary objective of maintaining a normal relationship between imports and domestic production. They noted that any such action would be applied in accordance with the procedures of the general agreement on tariffs and trade.

The Canadian ministers clarified the concern frequently expressed in Canada regarding the nature and extent of United States investment in Canadian natural resources and important manufacturing industries. They made it clear that Canada welcomed the inflow of capital and recognized its important contribution to Canadian economic development. It was the hope of the Canadian Government that all United States companies participating in the expansion of the Canadian economy would develop and maintain closer and mutually beneficial relationships with the people of Canada.

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