

There was general agreement that a continuing effort was needed in both countries to achieve and maintain an adequate balance in defence purchasing between Canada and the United States.

BOUNDARY DISCUSSION

After deciding which subjects should be discussed, the Boundary Problems Committee came to the following conclusions, which it approved for transmittal to the plenary session.

1. *Passamaquoddy tidal-power project* - It was important to determine whether the Passamaquoddy project was economically feasible. Meanwhile, judgment should be reserved awaiting further studies by the International Joint Commission. The Committee felt that this topic should be retained on its agenda.

2. *Hudson-Champlain-Richelieu waterway* - Since the St. Lawrence Seaway was in operation, the two governments should consider referring to the International Joint Commission the question of the economic feasibility of further development of this waterway, taking into account the possible increase in trade between Canada and the United States that might result.

3. *Columbia River basin development* - The Canadians welcomed statements by United States delegates that no particular project of interest to the United States delegates should be allowed to stand in the way of a treaty on this subject based on the principle of optimum development of the Columbia River basin with mutual sharing of the benefits. Once this principle had been adopted by the two governments, particular projects would fall into their appropriate order.

4. *Chicago Diversion* - This subject was again thoroughly and vigorously discussed and no change of the positions of the respective delegates emerged. The Canadian delegation expressed understanding of the waste-disposal problem facing Chicago.

5. *Pollution in the Great Lakes* - Both delegations expressed concern about increasing pollution both from lake cities and shipping. It was agreed that it would be useful for the two governments to study remedial measures.

6. *Yukon-Alaska problems* - Canadian delegates expressed concern that a proposed high dam at Rampart, Alaska, might prejudice maximum development for the benefit of both countries of the Yukon River power potential. Canadian delegates raised the question of some form of free-port facilities for Canada in the Alaska Panhandle and corridors across it. United States delegates suggested that additional information about these matters be furnished to them before the next meeting of the Group and that they be placed on the agenda for the next meeting.

The Economic Problems Committee approved the following summary for transmittal to the plenary session:

1. *Common trade problems, especially with Western Europe* - The Committee agreed that economic progress abroad and the changing pattern of trading relations in Europe were creating new opportunities and serious problems for Canada and the United States. It was recognized that the interests of the two countries diverged to some extent in the face of these developments, partly because of political considerations and partly because of the greater dependence of Canada on international trade and the narrower range of its exports.

The merits and demerits of solutions based on different methods of computing tariffs and of tax relief were briefly explored. No firm agreement was reached concerning the respective cases for the "Inner Six" and "Outer Seven," but agreement did occur on the need for the United States and Canada to co-operate closely and to work toward new arrangements with their European allies on a North Atlantic basis.

2. *Bilateral Problems* -

(a) The Canadian oil problem: Attention was drawn to the difficulties being experienced in the Canadian oil industry (particularly in Alberta) due to lack of markets for increasing oil supplies. Canadian delegates described various possible solutions, notably that of increasing domestic consumption, recognizing that some of these had foreign policy implications. Reference was also made to recently-issued Canadian regulations governing oil and gas exploration in the Yukon and Northwest Territories.

(b) Metals and minerals: -The Committee recognized the intimate and important relationship between United States and Canadian production and markets for such commodities as lead and zinc, aluminum, copper, nickel, and uranium.

A United States delegate described the depressed lead and zinc condition in his country and foresaw no significant change in conditions over the near future either in production or importation.

The delegates then considered the uranium and aluminum situations. In view of recent developments, the discussion on uranium was mainly in terms of the prospects that might emerge in a few years time, which did not appear very auspicious for producers. On the other hand, the outlook for aluminum was regarded as more promising.

A United States delegate drew general attention to the increasing significance of Latin-American markets for both Canada and the United States, and to the implications of prospective competition from expanding Latin American production of commodities such as oil, gas, and iron ore.

(c) Wheat: There was considerable detailed discussion of the surplus-wheat problem confronting both the United States and Canada. No new approach was advanced for the problem, and there was general agreement that