

There was general agreement in the committee that in the matter of fisheries rights and the closely related question of territorial waters it would be highly desirable to proceed by way of an international agreement. Some United States members suggested that another effort be made in concert with other interested governments to call together as soon as possible an international conference to discuss fisheries conservation matters and to attempt to arrive at an international convention, quite possibly one based on a 12 mile fisheries limit, which would allow for direct bilateral arrangements concerning any traditional rights. The Canadian delegation drew the committee's attention to the fact that the Canadian government would prefer an international agreement and had so stated but that the failure of the Geneva conference of 1960 and of subsequent consideration of the problem had led to the conclusion that international agreement on the fisheries issue and the related question of territorial waters was not to be expected in the near future. Consequently, the Canadian government considered it imperative that action be taken by Canada to protect its fishing interests.

Some members of the United States delegation emphasized that, apart from the merits of the proposed 12 mile fisheries limit, the long established principles of international law involved in this whole question were of vital importance. In accordance with this view, it was contended by the United States delegation that the resolution of the issue as a matter of international law by means of international negotiation was at least as important as the contents of any agreement that might be reached.

The committee noted that the executive branches of the two governments were continuing their discussion of this question and the hope was expressed that any differences of opinion would be amicably resolved.

Interest Equalization Tax

The committee discussed the proposed United States interest equalization tax bill and also the tax measures invoked by Canada which will affect United States subsidiary companies in that country. The Canadian measures were designed to encourage Canadian ownership of domestic industry while United States measures were designed to help solve the United States balance of payments problem. The Canadian delegation pointed out that Canada was the country most directly affected by the interest equalization tax proposals and was most appreciative of the exemption granted to Canada by the United States on new issues of securities. They expressed the hope that this exemption would be extended to cover existing

securities. While both delegations expressed regrets at these restrictions on the traditional free flow of capital between the two countries, they recognized that these measures were necessary expedients designed to solve critical problems in each of the two countries.

Labour problems on the Great Lakes

The Canadian delegation outlined in some detail the background to the serious problems which have been created on the great lakes by differences which had arisen within the Canadian labour movement as to union representation on great lakes vessels. It was pointed out that following increasing violence and the closing of the St. Lawrence seaway in June of 1962, the Canadian government, at the urging of the Canadian Labour Congress, appointed an industrial inquiry commission. Justice Norris, the industrial inquiry commissioner, recommended in his report that the maritime unions involved be placed under trusteeship. It was emphasized that the Canadian government took the view that developments left no other choice but the appointment of a trusteeship, either government or private.

The United States delegation indicated their understanding that the United States government had attempted to prevent difficulties in United States ports, and that the department of labor was doing everything possible, within United States law, to protect Canadian shipping.

The committee viewed this question with concern because of its continuing adverse effects on Canadian-United States relations and expressed the hope that every effort would be made to reach a satisfactory resolution of the problem.

Passamaquoddy Power Project

The U.S. delegation drew the committee's attention to the recent report of the department of the interior which recommended the construction of a tidal power project in Passamaquoddy bay. This project would be associated with hydroelectric developments on the upper Saint John river. Development of these two projects would require resolution of a number of questions and agreement of both the United States and Canada.

The Secretary of State has been instructed by the President to enter into negotiations with Canada as soon as possible. While there have been technical discussions, formal negotiations have not yet commenced. The U.S. delegation pointed to the benefits of joint development and expressed the hope that it might be possible to begin negotiations at an early date with a view to reaching a constructive agreement.