

President has proposed legislation to remove certain restrictions on trade with Communist countries but no positive action by Congress can be expected in this direction as long as the war in Vietnam continues. He said that he appreciated Canadian concern over the impact of U.S. trade restrictions on Canadian subsidiaries of U.S. firms. Another U.S. delegate said that the attitude of Congress on this issue only reflects the thinking of their constituents.

A Canadian delegate said that the Battle Act did not bother Canadians so much as the Cuban control regulations. He was unable to understand why the U.S. should control the actions of long-time Canadian residents.

There was considerable discussion about trade with Communist China. A U.S. delegate said he had not heard of any U.S. protests over Canadian wheat sales to China and pointed out that U.S. wheat exports increased after Canada began selling to China. A Canadian delegate said that they had found their traders very effective in their relationships with the Chinese. Another referred to the effect of subsidized U.S. flour exports in making inroads on traditional Canadian markets expressing the hope that the grains agreement will result in solving this problem.

Members of the Canadian delegation stressed that trade with the Communist world was in the political interests of both the U.S. and Canada. Some members of the U.S. delegation expressed their agreement with this view, stating that one of the most effective means to combat Communism is to encourage growth of consumer demand in the Communist world and a general expansion of trade between East and West. It was said by one U.S. delegate that our trade policy toward China since the Communists gained control had been very ill-advised. As to getting restrictions on trade with Communist countries removed, U.S. delegates agreed that although the President had requested Congress to Act, there was little chance that the Congress would move in this direction so long as the Vietnam war goes on.

A U.S. delegate cited the 50-50 restriction on shipping grain as a factor limiting any wheat sales to the Soviet Union, and said that the longshoremen's unions are very powerful in preventing easing of East-West trade restrictions.

Several Canadian delegates referred to the extra-territorial effect of U.S. trade restrictions on Canadian firms seeking to expand

commercial markets with Communist countries. Canadian managers of many subsidiaries of U.S. concerns are reluctant to risk running afoul of U.S. trade regulations. Canadians, they said, believe that commercial decisions should not be influenced by the political policies of the country of the parent. U.S. delegates agreed that U.S. policy should not control actions of Canadian firms.

There was general agreement among members of both delegations that expansion of East-West trade worked to the political and economic advantage of both countries, but that the Vietnam war was a severely limiting factor at present.

#### 8. *International Grains Agreement*

A Canadian delegate opened the discussion by saying that the principal question as Canada sees it is what action will be taken by the United States before July 1 when the new price range for wheat under the IGA comes into effect. Present prices in the U.S. are about 22¢ below the new floor price and Canada is interested to know how the U.S. will approach the problem of getting its prices up to the agreed level.

A U.S. delegate replied that the Senate hearing on the IGA begin next week. There seemed to be general agreement among the U.S. delegates that farm opinion in the U.S. is in favour of the IGA and that it will consequently be ratified. The view was, however, expressed by one U.S. delegate that during the past 18 months world wheat marketing had not been working as far as the U.S. was concerned. He thought that the importance of the IGA had perhaps been exaggerated.

Another U.S. delegate asked whether an increase of 22¢ per bushel in the wheat price would be likely to lead to larger production in other countries such as France and the Argentine. Canadian delegates pointed out that this did not happen some years ago when wheat prices were considerably higher than they are now. In their view, if the United States and Canada stand together it is unlikely to happen at the present time.

#### *Committee II*

The Committee on Defense and Security was co-chaired by Congressman Gallagher and Mr. Wallace Nesbitt, M.P. Representing the United States Congress were Senators Hickenlooper, Cooper, Long, Griffin, Fong and Spong and Representatives Broomfield,