

## A N N E X

- (1) As background to the discussions on trade and economic matters, the United States Secretary of State and the Canadian Secretary of State for External Affairs reviewed major recent international developments.
- (2) United States members pointed to the substantial deterioration of the global United States trade balance in recent years and noted that appropriate world payments equilibrium would require that the United States rebuild a substantial surplus on current account and that this would entail adjustments in the pattern of world payments. Canadian Ministers referred to Canada's longer term objective of greater balance in its overall current account which would reduce Canada's dependence on net inflows of capital.
- (3) The Committee reviewed the operation of the international monetary system. The members agreed that an important step in its further evolution should be the early activation of the Special Drawing Rights facility in the International Monetary Fund in adequate amounts.
- (4) The United States members noted with satisfaction the fact that Canada has accelerated its Kennedy Round tariff reductions, putting them into effect immediately and that Canada is liberalizing its tourist allowances.
- (5) The Committee examined post Kennedy Round trade problems. They noted the encouraging progress being made in the GATT examination of non-tariff barriers and discussed possible approaches toward the multilateral reduction of these barriers. They reviewed world developments affecting agricultural trade and noted that serious distortions have resulted from price support policies and subsidy practices in other areas of the world. The two Governments agreed to coordinate their efforts to reduce distortions and impediments to agricultural trade.
- (6) United States members reviewed the problem caused by rising textile imports into the United States and the desirability of an international solution for it. Canadian members expressed concern about the possible implications of the United States proposals and expressed the hope that a solution would be found which