

be prepared to pay in full by tariff concessions for all advantages gained in the negotiations.

The committee discussed in some detail current problems of trade between Canada and the United States. It was pointed out by the Canadian delegation that while Canada's over-all world balance of trade is favourable, its balance of trade and payment with the United States, its principal market, is chronically adverse. Canada, it was emphasized, therefore views with concern any restrictions on the entry of Canadian goods into U.S. markets. Members of the Canadian delegation expressed dissatisfaction, for example, with U.S. quota restrictions on Canadian dairy products, such as cheddar cheese. The Canadian delegation further emphasized the great importance which is attached to the U.S. market for Canadian lumber, among other reasons because of increased competition from the Soviet union and Scandinavian countries for certain European markets.

Trade with Communist countries.

Members of the two delegations expressed general agreement that certain forms of trade in non-strategic goods with communist countries are proper and advantageous. There were, however, differing opinions as to the desirable over-all volume of trade with communist countries and as to the specific communist countries with which trade should be conducted. Specifically, the Canadian delegation did not share the view of the U.S. delegation that a firm embargo should be maintained on trade with Cuba and communist China.

The question of extending credits to communist countries was discussed. Members of the U.S. delegation expressed the view that there should be strict limits on the extension of credits to communist countries, not because these countries are regarded as bad credit risks, but because it is feared that the extension of liberal credits will enable them to divert resources to purposes inimical to western interests. Members of the Canadian delegation expressed the view that, with certain exceptions, communist countries should be granted non-discriminatory terms of trade.

There was frank discussion of the policies of Canada and the United States with respect to trade with Cuba. Members of the U.S. delegation noted with concern that part of the wheat sold by Canada to the Soviet union has been diverted to Cuba. Members of the Canadian delegation expressed the view that there is considerable misunderstanding in the United States as to the scope of Canadian trade with Cuba. Canada's trade with Cuba,

it was pointed out, consists only of non-strategic goods, is on a small scale, and has diminished in recent years. Members of the Canadian delegation pointed to the inconsistency between the sale of wheat to the Soviet union by the United States and its maintenance of a strict embargo on trade with Cuba and communist China. The United States delegation asserted, in response, that Cuba was, for historical reasons, an area of exceptional United States interest and concern. This concern, in the view of the United States delegation, is reasonable and necessary and one which the United States hopes will continue to enlist the sympathetic understanding of its friends.

The deliberations of the committee revealed differing opinions with respect to trade with communist China. Members of the United States delegation expressed the view that communist China should be denied trade as well as diplomatic recognition and admission to the United Nations as long as it refuses to renounce force as an instrument of national policy and refuses to accept the continued existence of the Chinese nationalist government in Taiwan. Members of the Canadian delegation endorsed the need for a continuing embargo on trade in strategic goods with communist China but questioned the view that a policy of rigorous embargo on trade in non-strategic goods would prove effective as a means of deterring Chinese communist aggression. It was agreed by both delegations that the trade policies of their two countries with respect to the communist bloc should be governed by considerations of their own economic and political needs as well as by their desire to deny significant economic benefits to potential antagonists.

Law of the Sea

By mutual agreement the committee devoted considerable time to a thorough discussion of the situation created by the announcement by the Canadian government of June 4, 1963 that it intends to declare in May 1964 a 12 mile exclusive fisheries zone, the 12 miles to be measured by a straight headland to headland base line method. The Canadian delegation explained the particular problems presented for the Canadian fisheries industry by the presence of large numbers of foreign fishing vessels operating close to the Canadian shoreline. The Canadian delegation also emphasized that in the statement of policy of June 4, 1963, the Canadian Prime Minister declared Canada's intention to enter into direct discussions with interested foreign countries, the United States and France in particular, with a view to protecting treaty rights and taking into account claims to historic rights by those countries.