

nuclear capabilities. The committee considered some of the possible means of dealing with this situation, such as the proposed seaborne multilateral nuclear force, or MLF, and recognized the difficulties in the way of finding a solution to this problem which would be satisfactory to all members of the alliance. It was suggested that the incentive to develop independent nuclear capabilities might be lessened by finding some way of associating all members of NATO more closely with the decision making process in respect of the possible use of these weapons. United States delegates noted that several United States proposals within NATO with this objective in mind had failed to be accepted. It was agreed that the major endeavour should be in the direction of reducing the danger of nuclear war by determined efforts in the pursuit of peace. It was pointed out that the disarmament talks could be an extremely useful vehicle in this regard. The test ban agreement was the result of a desire of nations in achieving the goal of a lasting peace.

In general the committee concluded that the success of the alliance to date could accommodate some minor adjustments of forces but that both Canada and the U.S. must and would continue to meet their agreed commitments to NATO and North American defence, while looking to other allies to carry out an appropriate portion of the defence burden as their resources increased.

One good working example of defence co-operation among interdependent allies was the Canada-United States defence production sharing program.

The committee recalled that in recognition of their joint responsibilities for North American defence, the program had been initiated to encourage Canadian industrial participation in U.S. defence requirements to balance Canada's continuing procurement from U.S. sources of major weapons following the Canadian decision to abandon her own independent development of certain major defence equipments. The five years experience with the program had demonstrated that it was a practical and sensible approach to co-operation in industrial research, development and production founded on mutual understanding and of practical advantage to both countries. Although, for the first few years of the program, Canadian production sharing procurement from U.S. companies had exceeded U.S. procurement in Canada, more recently United States procurement in Canada has exceeded Canadian procurement in the U.S. However, the current Canadian requirements for U.S. armoured vehicles, and the anticipated completion of

certain U.S. aircraft procurement from Canada indicated that the program in the future would tend to a long term balance.

The U.S. and Canadian members were unanimous in their support of the defence procurement objectives and emphasized the desirability of sharing not only defence production but also the earlier essential phases of research and development where each country has specialized and unique capabilities to support North American defence needs.

In conclusion the committee recognized that there remain several outstanding subjects of contention between the two countries which is an inevitable consequence of two nations sharing a continent and a broad variety of responsibilities. Among these issues are such matters as the Canadian withholding tax on the earnings of foreign investment in Canada, Canadian export incentives in the automobile and automobile parts field, and the proposed United States interest equalization tax. The Canada-United States interparliamentary group provides a most useful forum in alleviating such problems to achieve better understanding and relations.

COMMITTEE II—ECONOMIC MATTERS

Free World Trade

The committee discussed current problems and prospects of trade between Canada and the United States and with other free world countries. It was agreed that with respect to world trade in general the two countries have similar interests, such as the maintenance of export markets for agricultural products and problems in common such as continuing balance of payments deficits, although the latter problem results from different causes in each country.

The two delegations exchanged views on the prospects of the forthcoming Kennedy round of tariff negotiations and on the problems posed for both Canada and the United States by current policies of the European economic community. Each delegation requested the other's views as to the prospects for extensive tariff reductions in the Kennedy round. The U.S. delegation expressed cautious optimism for the general lowering of tariffs but expressed misgivings with respect to agricultural products. The Canadian delegation indicated that Canada will join in the effort to attain tariff reductions in many areas but expressed concern as to the high level of certain specific U.S. tariffs. It was pointed out the GATT member countries have agreed that the formula for across the board tariff cuts would not be appropriate for Canada in view of Canada's particular pattern of trade and economic activities, but that Canada would