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**JOINT CANADA-UNITED STATES COMMITTEE
ON TRADE AND ECONOMIC AFFAIRS
WASHINGTON, D.C., JUNE 25-26, 1969**

The Joint Canada-United States Committee on Trade and Economic Affairs held its twelfth meeting in Washington, D.C., June 25 and 26, 1969. This Committee was established in 1953 to provide a forum for consultations at Cabinet level between the United States and Canadian Governments. The most recent meeting of the Committee was in Montreal in June, 1967.

The members of the Committee reviewed the international political and economic situation. They reaffirmed the support of the two Governments for policies aimed at expanding world trade. The Committee recognized the importance of efforts to achieve a smoother functioning of the international monetary system and agreed on the desirability of an early activation of the plan for Special Drawing Rights within the International Monetary Fund. It confirmed the concern of both Governments for the economic growth of developing countries and their willingness to participate with other countries in exploring ways of expanding trade opportunities of developing countries.

The Committee noted with concern current developments in international wheat marketing which have placed serious pressure on the price provisions of the International Grains Arrangement. The members emphasized their readiness to consult bilaterally and with the governments of other countries concerned to seek to overcome these difficulties and restore stability in world markets, in conformity with the objectives of the International Grains

Arrangement, an important outcome of the Kennedy Round.

The Committee reviewed the extensive trade and economic relationships between the two countries. Ministers reaffirmed the desire of the two Governments to cooperate closely in strengthening these relationships. They emphasized the importance of close consultation on matters of mutual interest.

The Committee agreed that inflation and the need to cool their overheated economies were serious problems facing both countries. They reviewed their fiscal and monetary policies, which in both countries are directed towards ending inflation and reversing expectations of its continuance.

The Committee discussed important bilateral trade and economic matters including energy, developments under the Automotive Agreement, and specific agricultural commodity problems.

The Committee noted the impressive contribution made to world trade by the St. Lawrence Seaway, the 10th Anniversary of which will be celebrated tomorrow by President Nixon and Prime Minister Trudeau in joint ceremonies at Massena and Montreal.

The United States Delegation was headed by the Honourable William P. Rogers, the Secretary of State, and included the Honourable David M. Kennedy, Secretary of the Treasury; the Honourable Walter J. Hickel, Secretary of the Interior; the Honourable Clifford M. Hardin, Secretary of Agriculture; the Honourable Maurice H. Stans, Secretary of Commerce; the Honourable Paul W. McCracken, Chairman, Council of Economic Advisers; the Honourable Carl J. Gilbert, Special Representative Designate for Trade Negotiations; the Honourable Nathaniel Samuels, Deputy Under Secretary for Economic Affairs; the Honourable Harold F. Linder, United States Ambassador to Canada, and advisers.

The Canadian Delegation was headed by the Honourable Mitchell Sharp, Secretary of State for External Affairs, and included the Honourable Edgar J. Benson, Minister of Finance; the Honourable Jean-Luc Pepin, Minister of Industry, Trade and Commerce; the Honourable Horace Andrew Olson, Minister of Agriculture; the Honourable Otto E. Lang,

Minister without Portfolio; Mr. Louis Rasminsky, Governor of the Bank of Canada; the Honourable A. Edgar Ritchie, Canadian Ambassador to the United States, and advisers.

Further details of the discussion are set forth in the attached Annex.

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

would not be prejudicial to the development of world trade.

- (7) The Committee reviewed the trade and development problems of the developing countries. It recognized the importance of revitalizing the common aid effort. Special reference was made to the importance of expanding private investment and to the growing problem of debt repayment. It was noted that Canada had increased its aid appropriations at a time of heavy demands on its resources.

The Committee agreed that improvement in the trade of developing countries requires a concerted effort by both industrialized and low income countries. The Committee discussed the current examination in the Organization for Economic Cooperation and Development of a generalized scheme of preferences. The Canadian Delegation referred to its submission to the OECD on this subject. In this context, United States members said that the United States had not completed its policy review of the subject of preferential access for developing country exports. Nevertheless, they affirmed the United States intention to contribute illustrative lists in July to the study of a generalized preference system now in progress in the Organization of Economic Cooperation and Development.

- (8) The Committee considered problems that from time to time arise in cross-border trade in certain agricultural commodities and agreed that early consultations should take place to achieve an understanding on how to deal with these problems.
- (9) The Committee examined achievements under the Automotive Agreement of 1965 which they recognized had led to a greater rationalization of the industry and to an increased flow of trade. The Committee agreed that there should be consultations in the fall on ways and means of making further progress towards the full objectives of the Agreement.
- (10) The Committee discussed trade in energy resources and the current oil export situation between the two countries. They reviewed progress of arrangements for discussions and studies pursuant to the meeting of President Nixon and Prime Minister Trudeau in March. They recognized the importance of this subject for

the two countries and agreed that officials should meet to discuss current problems and longer range prospects. In this connection, the United States members described the intensive review being undertaken of United States oil import policies.

- (11) The Committee discussed developments relating to the Law of the Sea and agreed to an early negotiation on the delineation of United States-Canada continental shelf boundaries.
- (12) The Committee agreed that the limitations on immigration into the United States which became effective a year ago have given rise to problems of concern to both Governments. Accordingly, they agreed to consult together with a view to resolving these problems.
- (13) The important role of the International Joint Commission in seeking solutions to water and air pollution problems along the common frontier was recognized. The Committee discussed certain common water pollution problems, especially in the Great Lakes, and agreed that the two Governments should strengthen their efforts to safeguard these vital water resources.