

PRESS RELEASE



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**JOINT CANADA-UNITED STATES MINISTERIAL COMMITTEE
ON TRADE AND ECONOMIC AFFAIRS
MONTREAL, JUNE 20-22, 1967**

The Eleventh meeting of the Joint Canada-United States Ministerial Committee on Trade and Economic Affairs was held in Montreal June 20-22.

The Committee exchanged views on current economic developments. They reviewed the success achieved in both countries in moderating excessive demand pressures during the past year and noted that a more dynamic pace of expansion of real output was expected in coming months. Recovery of the residential construction industry, an end to the inventory correction, modest expansion of private investment expenditures, higher Federal, State and local government purchases, and renewed vigor in consumer spending were cited as the major anticipated sources of strength in the U.S. outlook for the coming year. Similar forces were also expected to lead to stronger growth in Canada. The Committee emphasized the need for flexible and responsive fiscal policy in both countries during the coming months. They recognized the need for dealing with the problem of achieving greater stability in costs and prices, especially as the two economies resume races of advance more in line with their potentials.

In a world of growing trade and development assistance Committee members affirmed the intention of their Government to press for general agreement at the 1967 annual meeting of the Governors of the International Monetary Fund on the structure and major provisions of a contingency plan for the creation of a new international reserve asset. They stressed the need for an asset which monetary authorities could include in their reserves.

The Committee also reviewed the balance of payments prospects of the two countries. United States members reiterated the continued determination of the United States to make as much progress toward equilibrium in its world-wide balance of payments as the costs of Vietnam permit. The Committee discussed capital movements between the two countries and took note of the benefits to both countries of existing arrangements relating to access by Canadian borrowers to the United States capital market.

The Committee welcomed the successful conclusion of the Kennedy Round of trade negotiations which will provide an important stimulus to world trade as well as to trade between the United States and Canada. They discussed prospects for future trade liberalization, noted that both countries are conducting studies on this matter and agreed to continue close consultations.

The Committee devoted special attention to the trade problems of the developing countries, recognizing the importance of positive and constructive measures in support of efforts by the developing countries to accelerate their own economic development. This will be the main theme of the second United Nations Conference on Trade and Development early next year.

The Committee was concerned about the failure of development aid to expand in line with the growing requirements of the developing countries. In this context early and substantially enlarged replenishment of International Development Association resources must have a high priority. The Committee welcomed the new multilateral food aid programme agreed upon in the Kennedy Round which will help expand food aid and will result in a more equitable sharing of the cost. The amount and character of food assistance must be improved as well as the degree of self-help by the recipient nations.

The Committee recognized the importance of close and effective cooperation between the two countries in respect of wheat marketing policies, including wheat flour, particularly in the context of the new Cereals Agreement concluded in the Kennedy Round. They agreed to strengthen consultative arrangements concerning wheat marketing and food aid.

United States members reiterated their concern over those aspects of the Canadian Bank Act which in their view have the effect of discriminating retroactively against a bank in Canada owned in the United States. Canadian Ministers took a different view of the effect of the Bank Act, and stressed the importance of effective Canadian ownership of

major financial institutions. They reiterated Canada's intention to encourage increased participation by Canadians in the ownership and control of Canadian industry while continuing to maintain a hospitable climate for foreign investment.

Canadian members also drew attention to the problem arising from the effect which certain United States laws and regulations may have upon Canadian companies, especially as regards securities regulation and foreign assets control but noted that good progress had been made in dealing with particular aspects of the problem. The Committee agreed on the desirability of an exchange of information in the securities field that would benefit investors in both countries.

The Committee examined results achieved under the Automotive Agreement of 1965. Despite fluctuations in demand and the continuing process of adjustment the industry is making progress in rationalization and efficiency, and trade in automotive products between the two countries has expanded substantially to the benefit of both producers and consumers. They noted that a comprehensive review of the Agreement was to begin later this year.

The Committee discussed energy relations between the two countries. They recognized the common interest in the orderly expansion of trade in energy resources and discussed the kinds of facilities which might be needed to serve efficiently the development of this trade. The Committee noted the recent decision of the Federal Power Commission which, in approving the transmission of natural gas to Eastern Canadian and border state customers, referred to the community of interest in this project and to its security advantages.

The Committee discussed a number of bilateral questions of current interest to the two countries. United States members urged that Canadian tourists returning to Canada from the United States be given duty-free allowances equivalent to those given Canadian tourists returning from overseas areas. They also requested that Canada accord official recognition to Bourbon whisky as a distinctive product of the United States.

Canadian Ministers referred to the desirability of expanding the area of free trade in agricultural machinery,

tractors and equipment and it was agreed that this matter should be examined jointly with a view to working out mutually satisfactory arrangements. They also urged the elimination of the manufacturing clause in United States copyright legislation and the relaxation of restrictions on United States imports of aged Canadian cheddar cheese. Canadian members drew attention to the problem created from time to time because of the cross-border movement of relatively small quantities of agricultural products at depressed prices usually at or near the end of the marketing season. The Committee agreed that continued efforts would be made to work out acceptable solutions to these problems. Other topics discussed included trade in lead and zinc, and the Saint John River development.

The Committee expressed pleasure that agreement had been reached regarding winter maintenance for the Haines Cutoff portion of the Alaska Highway and discussed possible improvements in the Alaska Highway system.

The Committee took note of the studies at present being undertaken by the International Joint Commission which, at the request of the two Governments, is investigating a number of questions of economic and general public interest relating to boundary waters and pollution of air and water.

Meetings of the Joint Ministerial Committee have in the past been held alternately in Ottawa and Washington. On the occasion of the Centennial of Canada's Confederation, this meeting was held in Montreal which provided an opportunity for members of the Committee to visit EXPO '67.

The United States Secretary of State, the Honorable Dean Rusk and the Canadian Secretary of State for External Affairs, the Honourable Paul Martin were unable to participate in the meeting as planned because of the Emergency Session of the United Nations General Assembly.

The United States was represented by Secretary of the Treasury, the Honorable Henry H. Fowler (Chairman of the Delegation); United States Ambassador to Canada, the Honorable W. Walton Butterworth; Secretary of Agriculture, the Honorable Orville L. Freeman; Secretary of Commerce, the Honorable Alexander B. Trowbridge; Under Secretary of the Interior, the Honourable Charles F. Luce; Chairman of the President's Council

of Economic Advisers, the Honorable Gardner Ackley; Assistant Secretary of State for Economic Affairs, the Honorable Anthony M. Solomon.

The Canadian Delegation was headed by the Honourable Robert Winters, Minister of Trade and Commerce, and included the Honourable Mitchell Sharp, Minister of Finance; the Honourable Charles M. Drury, Minister of Industry; the Honourable Jean-Luc Pépin, Minister of Energy, Mines and Resources; the Honourable J.J. Greene, Minister of Agriculture; Mr. Louis Rasminsky, Governor of the Bank of Canada; and Mr. A.E. Ritchie, Canadian Ambassador to the United States.