

GOVERNMENT

Storage

th Congress }
2d Session }

COMMITTEE PRINT

Y4

.F 76/2

C 16/2/964

44
CANADA-UNITED STATES
INTERPARLIAMENTARY GROUP

REPORT TO THE SENATE

ON THE

SEVENTH MEETING, HELD AT WASHINGTON, D.C.

January 14-15, 1964

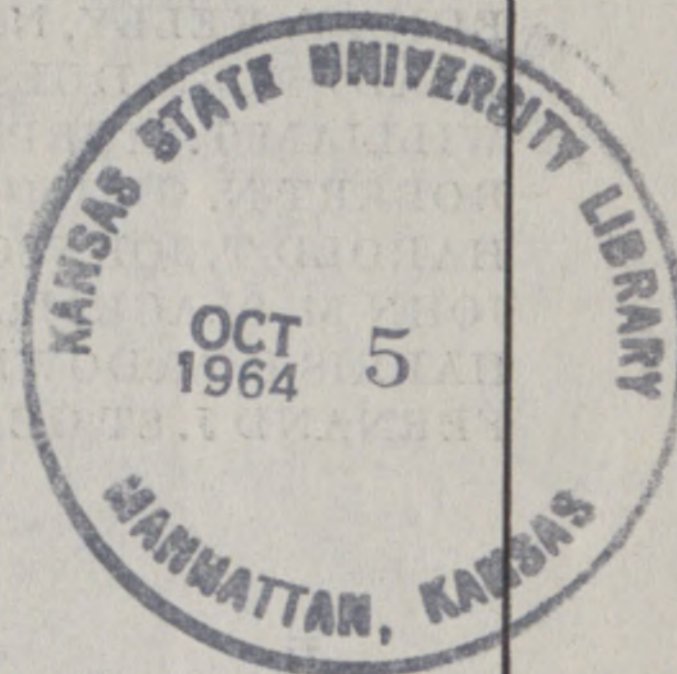
BY

Senator GEORGE D. AIKEN, Chairman
of the Senate Delegation

KSU LIBRARIES



✓
A11900 916534



44 U.S. Congress, 3 Senate

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE

30-398

WASHINGTON : 1964

SENATE DELEGATION

GEORGE D. AIKEN, Vermont, *Chairman*

MIKE MANSFIELD, Montana

WAYNE MORSE, Oregon

SPESSARD L. HOLLAND, Florida

E. L. BARTLETT, Alaska

PHILIP A. HART, Michigan

JOHN O. PASTORE, Rhode Island

EDMUND S. MUSKIE, Maine

EDWARD M. KENNEDY, Massachusetts

KARL E. MUNDT, South Dakota

MILTON R. YOUNG, North Dakota

LEN B. JORDAN, Idaho

DARRELL ST. CLAIRE, *Staff Consultant*

SETH P. TILLMAN, *Staff Consultant*

MILRAE JENSEN, *Staff Assistant*

HOUSE DELEGATION

CORNELIUS E. GALLAGHER, New Jersey, *Chairman*

EDNA F. KELLY, New York

THADDEUS J. DULSKI, New York

WILLIAM T. MURPHY, Illinois

ROBERT N. GIAIMO, Connecticut

HAROLD T. JOHNSON, California

JOHN M. SLACK, Jr., West Virginia

HARRIS B. McDOWELL, Jr., Delaware (Alternate)

FERNAND J. ST GERMAIN, Rhode Island (Alternate)

WILLIAM S. BROOMFIELD, Michigan

STANLEY R. TUPPER, Maine

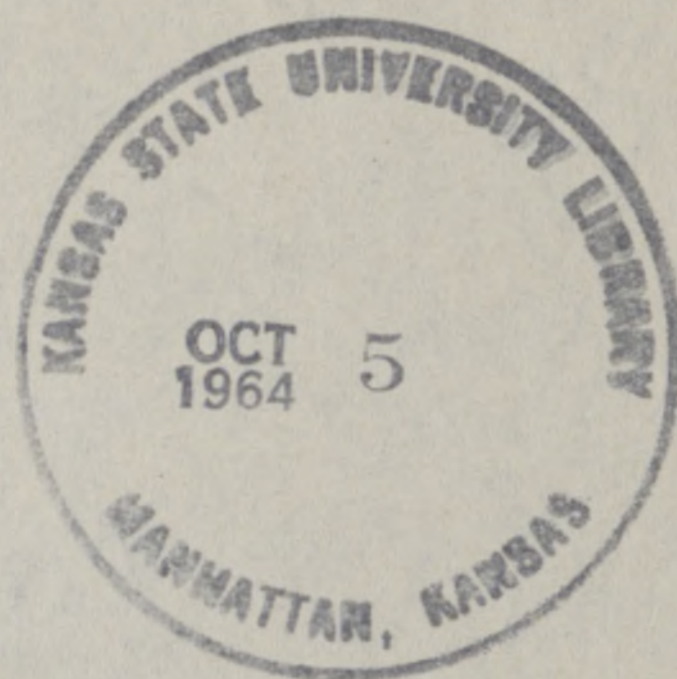
HOWARD W. ROBISON, New York

JAMES F. BATTIN, Montana

MARK ANDREWS, North Dakota

ALBERT C. F. WESTPHAL, *Staff Consultant*

LOUISE O'BRIEN, *Staff Assistant*



LETTER OF TRANSMITTAL

Hon. CARL HAYDEN,
President pro tempore of the U.S. Senate.

DEAR Mr. PRESIDENT: Pursuant to Public Law 86-42, approved June 11, 1959, and as chairman of the Senate delegation, I have the honor to submit a report on the seventh meeting of the Canada-United States Interparliamentary Group which was held in Washington, D.C., on January 14-15, 1964.

Sincerely yours,

GEORGE D. AIKEN,
U.S. Senator.

LETTER OF TRANSMITTAL

Hon. Claude H. Hayden,
President, House of Representatives,
Washington, D.C.
Dear Mr. President: Pursuant to Public Law 85-12, approved
June 11, 1958, and as Chairman of the Senate delegation, I have the
honor to submit a report on the 27th meeting of the Canada-United
States Parliamentary Group which was held in Washington, D.C.,
on January 14-15, 1961.
Sincerely yours,

George D. Aiken,
U.S. Senator

CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

BACKGROUND

There are probably no two countries in the world closer to each other in character and national values, in interests and aspirations, than Canada and the United States. The relationship between the two countries is preeminently one of interdependence, in world politics and defense, in trade, and in the cooperative development of the resources of the North American Continent. Because of the deeply rooted friendship and understanding that unite the two countries, they have been able to translate their interdependence into a working partnership for peace and progress, in North America and throughout the world.

This partnership is the basic fact of United States-Canadian relations, but it is not the only fact. Often overlooked are the lesser, but not insignificant dissimilarities between the two countries. Canada is a sparsely populated nation with certain economic interests that the United States does not share and with special political affiliations as a member of the Commonwealth of nations. The United States is one of the world's four most populous nations, the leader of the free world, with interests and responsibilities in every part of the world. Inevitably, these differences in the roles which Canada and the United States play in the world make for divergencies of attitude and outlook in certain areas of public policy. These are limited, but not unimportant, differences between two nations whose basic similarities of character and interest tend to obscure the existence of occasionally differing points of view.

The vitality of the North American partnership depends not only upon the determination with which Canada and the United States pursue their many common objectives but also on the candor with which they discuss and seek to resolve their limited differences of attitude and outlook. It is the purpose of the Canada-United States Interparliamentary Group to fulfill both of these functions: the advancement of our common aims and the exposition and understanding of our differing viewpoints. Those of us who have participated in this seventh meeting of the Group and in the meetings of previous years are persuaded that the interparliamentary dialog has made an important contribution in both of these areas and is therefore highly beneficial to both Canada and the United States.

Public Law 86-42, adopted in June 1959, authorized continuing U.S. participation in the Canada-United States Interparliamentary Group, provided procedural guidelines, and authorized the appropriation of funds for the expenses of the U.S. delegations to the meetings. Seven meetings have now been held, alternately in Canada and the United States, starting with the initial meeting in Washington in January 1959. The discussions at these meetings have been concerned with matters of defense, world politics and trade, and bound-

ary questions and economic relations between Canada and the United States.

COMPOSITION OF DELEGATIONS

The President pro tempore of the Senate, pursuant to Public Law 86-42, names the following Members of the Senate for the January 1964 meetings: Senator George D. Aiken (Vermont), chairman, Senator Mike Mansfield (Montana), Senator Wayne Morse (Oregon), Senator Spessard Holland (Florida), Senator E. L. Bartlett (Alaska), Senator Philip A. Hart (Michigan), Senator John O. Pastore (Rhode Island), Senator Edmund Muskie (Maine), Senator Edward Kennedy (Massachusetts), Senator Karl E. Mundt (South Dakota), Senator Milton Young (North Dakota), and Senator Len B. Jordan (Idaho).

The Speaker of the House of Representatives named the following Members of the House: Representative Cornelius E. Gallagher (New Jersey), chairman, Representative Edna F. Kelly (New York), Representative Thaddeus J. Dulski (New York), Representative William T. Murphy (Illinois), Representative Robert N. Giaimo (Connecticut), Representative Harold T. Johnson (California), Representative John M. Slack, Jr. (West Virginia), Representative William S. Broomfield (Michigan), Representative Stanley R. Tupper (Maine), Representative Howard W. Robison (New York), Representative James F. Battin (Montana), and Representative Mark Andrews (North Dakota). In addition, the following Members of the House of Representatives were named alternates and participated in the meetings: Representative Harris B. McDowell, Jr. (Delaware), Representative Fernand St Germain (Rhode Island), Representative J. Irving Whalley (Pennsylvania), Representative George M. Wallhauser (New Jersey), and Representative Robert McClory (Illinois).

The Canadian delegation included the following members of the Canadian Senate: Speaker Maurice Bourget, chairman, Senator M. Wallace McCutcheon, Senator W. H. Taylor, Senator F. Elsie Inman, Senator Sydney J. Smith, and Senator M. Grattan O'Leary.

Members of the House of Commons included in the Canadian delegation were the following: Speaker Alan A. MacNaughton, chairman, Mr. Michael Starr, Mr. J. Waldo Monteith, Mr. Paul Martineau, Mr. Herman M. Batten, Mr. W. B. Nesbitt, Mr. Jack McIntosh, Mr. Robert Thompson, Mr. Lucian Lamoureux, Mr. Stanley Knowles, Mr. James Byrne, Mr. Maurice Sauvé, Mr. A. J. P. Cameron, Mr. Andrew Brewin, Mr. R. G. L. Fairweather, Mr. H. Latulippe, Dr. Pauline Jewett, and Mr. Jean Chrétien.

ORGANIZATION OF THE MEETING

The seventh meeting of the Canada-United States Interparliamentary Group took place in Washington, D.C., on January 14 and 15, 1964, after which members of the two delegations flew to Florida where they visited space installations at Cape Kennedy.

The meeting opened with a plenary session, at which the cochairmen of the U.S. delegation, Congressman Gallagher and myself, welcomed the members of the Canadian delegation. The cochairmen of the Canadian delegation, Senator Maurice Bourget, Speaker of the Senate, and the Honorable Alan A. Macnaughton, Speaker of the House of Commons, replied on behalf of their colleagues.

The delegates thereupon separated into two working committees, each of which held three meetings in the 2-day period. Committee I, which dealt with matters of defense and foreign policy, was presided over by Representative Gallagher, with Speaker Macnaughton acting as Cochairman. The U.S. Senate was represented in Committee I by Senators Young of North Dakota, Holland, Mundt, Mansfield, and Hart. I acted as Chairman of Committee II, which dealt with economic matters, with Speaker Bourget acting as Cochairman. U.S. Senators participating in the proceedings of Committee II were, besides myself, Senators Morse, Pastore, Muskie, Jordan of Idaho, Kennedy, and Bartlett.

Committee I discussed the following major issues: The present situation in Panama; Canada and the Organization of American States; and North American defense sharing and the NATO Alliance.

Committee II discussed the following major issues: Free world trade; trade with Communist countries; fisheries and the law of the sea; U.S. interest equalization tax; labor problems on the Great Lakes; the Passamaquoddy power project; and the Alaska Highway System.

In addition to the formal discussions of the two Committees, a great deal was gained by informal conversations among the members of the two delegations. In these informal meetings, problems affecting individual States and Provinces were brought up and in some instances specific lines of action were anticipated looking toward the settlement of local and regional problems. In addition, much useful information was exchanged through these informal contacts relating to the comparative legislative processes of the Canadian Parliament and the U.S. Congress.

After the Committee sessions on January 14, the members of the Canadian delegation visited the floor of the House of Representatives. They visited the House again on January 15 to hear President Segni of Italy deliver an address to a joint session of the Congress. On that day, the Canadian delegation also visited the floor of the Senate, where I had the privilege of introducing them to my colleagues.

Members of both delegations were received at the White House on the afternoon of January 15 by the President and Mrs. Johnson. The President expressed his best wishes and warm support for the work of the Canada-United States Interparliamentary Group. Other notable events of the 2-day period were a reception tendered the two delegations by the Canadian Ambassador and Mrs. Charles S. A. Ritchie, and a dinner given by Representative Gallagher and myself, at which Secretary Rusk and the cochairmen of the two delegations delivered brief concluding remarks.

The final official business of the meeting was a press conference held on the afternoon of January 15 by Speakers Bourget and Macnaughton and Congressman Gallagher and myself. The four co-chairmen at that time issued a joint press statement which summarized the results of the Conference.

On the morning of January 16, members of the two delegations went to the Arlington National Cemetery where wreaths were laid at the Tombs of the Unknown Soldiers, at the Canadian Cross, and on the grave of President Kennedy. Thereafter, members of the Canadian delegation, accompanied by members of the U.S. delegation, flew to St. Augustine, Fla., where they were received by Mayor Joseph Shelley and the city commissioners, and visited the Castillo de San

Marcos National Monument as guests of the National Park Service of the Department of the Interior. The two delegations then went to Cape Kennedy where they met with Dr. Kurt H. Debus, Director of the John F. Kennedy Space Center; Maj. Gen. Leighton J. Davis, U.S. Air Force, commander of the National Range Division, Patrick Air Force Base, and Brig. Gen. Harry Sands, commander, Atlantic Missile Range, Patrick Air Force Base. Members of the two delegations were briefed by Dr. Debus and General Davis and were conducted on a tour of the installations at Cape Kennedy as guests of the U.S. Air Force and the National Aeronautics and Space Administration. On January 19, the two delegations departed Florida for their respective capitals.

RESULTS OF THE MEETING

As has been the case with each of the meetings of the Canada-United States Interparliamentary Group, the deliberations of the seventh meeting have strengthened the bonds of the North American partnership. While no attempt was made in the proceedings to resolve specific issues, the discussions clearly reinforced the sense of common purpose which motivates the two countries while generating greater information and understanding on those issues where viewpoints differ.

Participation by both delegations was vigorous. Issues were discussed with both energy and knowledge. Both new and old viewpoints were put forth, contributing markedly to the knowledge and mutual understanding out of which constructive and cooperative policies are forged.

This report would not be complete if I did not give credit to those whose efforts contributed so much to the success of the Conference. Members of the staffs of the House Committee on Foreign Affairs and of the Senate Committee on Foreign Relations, as well as their Canadian counterparts, assisted the two delegations with skill and efficiency, scheduling programs, arranging accommodations, and seeing to it that everyone was at the right place at the right time. We are also indebted to the U.S. Air Force for providing transportation on the ground and from Washington to Cape Kennedy and back. As a result of the efficient efforts of the Air Force, there were no delays or inconveniences from the time the Canadian delegation arrived until the time it departed. In addition, we are indebted to the city officials of St. Augustine for their hospitality and to Dr. Debus and General Davis at Cape Kennedy, both for their courtesy to the two delegations and for the information which they so generously imparted.

The seventh meeting of the Canada-United States Interparliamentary Group was, in my judgment, the most successful of all the meetings that have been held. Both as a forum for generating specific solutions to specific problems and as a forum for generating information and understanding between Canada and the United States, the meeting was a striking success. When the modest cost of one of these interparliamentary meetings is compared with an intercontinental ballistic missile costing hundreds of times more, in terms of the contribution of each to international peace and security, there can be little doubt that an interparliamentary meeting such as the one herein reported yields returns for the national interest far out of proportion to its modest cost.

The results of this year's discussions are summarized in the reports of the Committee on Defense and Foreign Policy and the Economic Committee, which I herewith submit:

REPORT OF THE COMMITTEE ON DEFENSE AND FOREIGN POLICY

The present situation in Panama

The present crisis in the relations between the United States and Panama was discussed as part of the larger problem of the hemispheric relations of Canada and the United States. The maintenance of active control by the United States over the Panama Canal, including the preservation of the security of the canal, was justified by U.S. delegates as vital not only to the defense of this hemisphere but also for the commerce of all maritime countries that have access to its facilities upon the payment of uniform and modest tolls. In this connection, it was pointed out that Latin American countries in particular rely on the canal for their participation in world trade.

Several U.S. delegates explained the genesis of the present crisis. The flag issue was only a symptom of more basic issues. Among the reasons advanced for the crisis were the economic disparity between the living conditions of U.S. and Panamanians working in the Canal Zone, a growing nationalist sensitivity in Panama, approaching elections in that country in which candidates use the presence of Americans as a campaign issue, and Communist-inspired activities.

In response to a Canadian inquiry comparing the U.S. role in Panama with its role in the Suez situation, it was pointed out that the Suez Canal had been privately owned, whereas the United States has treaty rights agreed to by two sovereign governments. The Panama Canal, unlike the Suez Canal, is not a sea level canal and requires the presence of highly skilled and efficient personnel for its successful operation. Moreover, the cost of the canal was borne entirely by the United States. The gross investment by the United States in the canal, exclusive of investment in military facilities, is about \$1.7 billion. Of this amount, \$1.1 billion has been recovered from revenues, leaving an unrecovered net investment of \$600 million. For the last fiscal year the net revenue to the United States from the canal was only \$2.3 million. Ancillary work in connection with the construction of the canal, such as health measures, made the isthmus a habitable piece of territory; economic improvements have accrued to the advantage of the Panamanian citizens. It was noted that Panama itself has not advocated internationalization of the canal.

Canada and the Organization of American States

The discussion of the present troubled situation in Panama led into consideration of the question of Canada's joining the Organization of American States (OAS). Several U.S. delegates expressed the strong belief that it would be very desirable that Canada join without further delay. The statements of Canadian delegates reflected the complexity, from the Canadian viewpoint, of the question of Canadian membership in the OAS. On the one hand, it was pointed out that for a relatively small country Canada was already well extended in international affairs, with commitments in many areas of the world. In addition, unlike the United States, Canada has no history and tradition of close association with Latin America but has looked to Europe and the Commonwealth connection, and there are some who maintain that joining the OAS would be inconsistent with these historical ties and attitudes. Further, it could be anticipated that difficult problems would confront Canada from time to time as the second North American country in the Organization. On the other hand, several Canadian delegates expressed the opinion that too much weight has been given to these negative considerations and that the time has come for Canada to give most serious consideration to joining the OAS. It was suggested that there is a need for Canada, with its skills and resources, to contribute more directly to the development of Latin America, bearing in mind the constant danger of social unrest and subversion arising from low living standards. It was also recognized that Canada could and should take an active interest in the progress and development of the newly emerging countries of the Caribbean. It was noted that the fact that many Canadians are of French origin and tradition is a great asset in relations with Latin America. U.S. delegates stressed that Canadian membership in the OAS would in itself be a great asset to the Organization and would add to it a further measure of dedication to democratic principles. Canada's basic philosophy of government is little different from that of the United States and both, along with

all Latin American countries, have in common a spirit of independence and recognize the need for mutual security of the hemisphere.

Sharing of North American defense and the NATO alliance

The Committee noted the mutual responsibilities of the United States and Canada for North American defense and reviewed their respective commitments to NATO in the light of changing economic, military, and political considerations.

The new Special Committee on Defense of the Canadian Parliament recently visited NATO Europe and members recalled European concern about future United States and Canadian intentions with regard to maintaining forces in Europe. Such concern is leading France, for example, to develop her own independent nuclear deterrent in the face of continued Communist threats to world peace. As European defense resources and power increase, the question arises whether Canada and the United States, being the two non-European countries in NATO, should review their changing role. Is it normal and desirable for North American forces to be stationed indefinitely in Europe? The newly established Special Committee on Defense of the Canadian Parliament has in effect endorsed Canada-United States defense arrangements, and the U.S. delegates welcomed this evidence of continued Canadian interest in cooperation in defense matters.

In the light of the heavy burden of defense costs and such new strategic developments as the ICBM, it was debated whether Canada should continue to contribute some small fraction to the now massive Western deterrent forces or should develop a new and different role. One approach might envisage the Canadian contribution as a small but well-equipped mobile force available for any appropriate world peacekeeping mission.

Much discussion concerned the problem of control of nuclear weapons within the Western alliance and the position of some members of NATO with respect to the development and maintenance of independent national 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 decisionmaking process in respect of the possible use of these weapons. U.S. delegates noted that several U.S. proposals within NATO with this objective in mind had failed to be accepted. It was agreed that the major endeavor 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 United States must and would continue to meet their agreed commitments to NATO and North America defense, while looking to other allies to carry out an appropriate portion of the defense burden as their resources increased.

One good working example of defense cooperation among interdependent allies was the Canada-United States defense production sharing program.

The committee recalled that in recognition of their joint responsibilities for North American defense, the program had been initiated to encourage Canadian industrial participation in U.S. defense 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 defense equipments. The 5 years' experience with the program had demonstrated that it was a practical and sensible approach to cooperation 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 U.S. procurement in Canada has exceeded Canadian procurement in the United States. However, the current Canadian requirements for U.S. armored 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 United States and Canadian members were unanimous in their support of the defense procurement objectives and emphasized the desirability of sharing not only defense production but also the earlier essential phases of research and development where each country has specialized and unique capabilities to support North American defense 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 U.S. interest equalization tax. The Canada-United States Interparliamentary Group provides a most useful forum in alleviating such problems to achieve better understanding and relations.

REPORT OF THE ECONOMIC COMMITTEE

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 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 overall world balance of trade is favorable, 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 nonstrategic goods with Communist countries are proper and advantageous. There were, however, differing opinions as to the desirable overall 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 nondiscriminatory 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 nonstrategic 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 U.S. delegation asserted, in response, that Cuba was, for historical reasons, an area of exceptional U.S. interest and concern. This concern, in the view of the U.S. 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 U.S. 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 nonstrategic 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.

There was general agreement in the committee that in the matter of fisheries rights and the closely related question of territorial waters it would be highly desirable to proceed by way of an international agreement. Some U.S. members suggested that another effort be made in concert with other interested governments to call together as soon as possible an international conference to discuss fisheries conservation matters and to attempt to arrive at an international convention, quite possibly one based on a 12-mile fisheries limit, which would allow for direct bilateral arrangements concerning any traditional rights. The Canadian delegation drew the Committee's attention to the fact that the Canadian Government would prefer an international agreement and had so stated but that the failure of the Geneva Conference of 1960 and of subsequent considerations of the problem had led to the conclusion that international agreement on the fisheries issue and the related question of territorial waters was not to be expected in the near future. Consequently, the Canadian Government considered it imperative that action be taken by Canada to protect its fishing interests.

Some members of the U.S. delegation emphasized that apart from the merits of the proposed 12-mile fisheries limit the long-established principles of international law involved in this whole question were of vital importance. In accordance with this view, it was contended by the U.S. delegation that the resolution of the issue as a matter of international law by means of international negotiation was at least as important as the contents of any agreement that might be reached.

The Committee noted that the executive branches of the two governments were continuing their discussions of this question and the hope was expressed that any differences of opinion would be amicably resolved.

Interest equalization tax

The Committee discussed the proposed U.S. interest equalization tax bill and also the tax measures invoked by Canada which will affect U.S. subsidiary companies in that country. The Canadian measures were designed to encourage Canadian ownership of domestic industry while U.S. measures were designed to help solve the U.S. balance-of-payments problem. The Canadian delegation pointed out that Canada was the country most directly affected by the interest equalization tax proposals and was most appreciative of the exemption granted to Canada by the United States on new issues of securities. They expressed the hope that this exemption would be extended to cover existing securities. While both delegations expressed regrets at these restrictions on the traditional free flow of capital between the two countries, they recognized that these measures were necessary expedients designed to solve critical problems in each of the two countries.

Labor problems on the Great Lakes

The Canadian delegation outlined in some detail the background to the serious problems which have been created on the Great Lakes by differences which had arisen within the Canadian labor movement as to union representation on Great Lakes vessels. It was pointed out that following increasing violence and the closing of the St. Lawrence Seaway in June of 1962, the Canadian Government, at the urging of the Canadian Labor Congress, appointed an Industrial Inquiry Commission. Justice Norris, the Industrial Inquiry Commissioner, recommended in his report that the maritime unions involved be placed under trusteeship. It was emphasized that the Canadian Government took the view that developments left no other choice but the appointment of a trusteeship, either Government or private.

The U.S. delegation indicated their understanding that the U.S. Government had attempted to prevent difficulties in U.S. ports, and that the Department of Labor was doing everything possible, within U.S. law, to protect Canadian shipping.

The Committee viewed this question with concern because of its continuing adverse effects on Canadian-United States relations and expressed the hope that every effort would be made to reach a satisfactory resolution of the problem.

Passamaquoddy power project

The U.S. delegation drew the Committee's attention to the recent report of the Department of the Interior which recommended the construction of a tidal power project in Passamaquoddy Bay. This project would be associated with hydro-electric developments on the upper St. John River. Development of these two projects would require resolution of a number of questions and agreement of both the United States and Canada.

The Secretary of State has been instructed by the President to enter into negotiations with Canada as soon as possible. While there have been technical discussions, formal negotiations have not yet commenced. The U.S. delegation pointed to the benefits of joint development and expressed the hope that it might be possible to begin negotiations at an early date with a view to reaching a constructive agreement.

Roads to Alaska

The Committee discussed the economic benefits that could accrue to both countries through improvements in the Alaska Highway System. They also explored the specific problems involved in any improvement of the system including paving and relocation.

A member of the Canadian delegation expressed the view that there would have to be some agreement between the two countries on the sharing of the considerable costs involved in these improvements.

FINANCIAL REPORT

The estimated total of expenses at the conference for the U.S. congressional delegation was \$10,604.29, of which \$9,592.53 was shared equally by the Senate and House of Representatives, \$713.18 was expended by the House, and \$298.56 represented the expenses of the Senate, by categories, as follows:

Publications and photos.....	\$61. 00
Ceremonial wreaths.....	25. 00
Meals, luncheons, and receptions.....	6, 892. 16
Hotels.....	2, 479. 28
Transportation.....	886. 50
Tours.....	159. 00
Miscellaneous.....	101. 35
Total.....	10, 604. 29

RECAPITULATION, SENATE EXPENSES

Senate share of costs.....	4, 796. 27
Senate costs.....	298. 56
Total.....	5, 094. 83
Authorized, fiscal year 1964.....	- 15, 000. 00
Unexpended balance.....	9, 905. 17



