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CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

REPORT

ON THE

SIXTEENTH MEETING, HELD AT QUEBEC CITY, CANADA APRIL 24–27, 1975

BY

SENATOR GALE W. MCGEE, *Chairman*

OF THE

SENATE DELEGATION

SEPTEMBER 1975

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SENATE DELEGATION

GALE W. McGEE, Wyoming, *Chairman*

JOHN C. CULVER, Iowa
PATRICK J. LEAHY, Vermont
CARL T. CURTIS, Nebraska
TED STEVENS, Alaska

ARTHUR M. KUHL, *Staff Assistant*

ABNER E. KENDRICK, *Staff Assistant*
JAN NOVINS, *Staff Assistant*

LETTER OF TRANSMITTAL

United States Senate,
Committee on Foreign Relations,
Washington, D.C., September 15, 1975.

Hon. Nelson Rockefeller,
President, U.S. Senate.

Dear Mr. Vice 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 16th meeting of the Canada-United States Interparliamentary Group, which was held in Quebec City, Canada, from April 24–27, 1975.

Sincerely yours,

Gale W. McGee, *U.S. Senator.*

CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

BACKGROUND

The basic authority for U.S. Participation in the Canada-United States Interparliamentary Group is contained in Public Law 86–42, which was adopted on June 11, 1959. Under the provisions of this law, not to exceed 24 Members of Congress (12 from the Senate and 12 from the House of Representatives) are appointed to meet annually with representatives of the Canadian Parliament "for discussion of common problems in the interest of relations between the United States and Canada." The meetings are held alternately in Canada and the United States. However, because of the elections which took place in both countries in 1974, an interparliamentary meeting was not scheduled last year.

COMPOSITION OF DELEGATIONS

The United States delegation to the 16th meeting of the Canada-United States Interparliamentary Group consisted of the following Senators and Representatives:

From the Senate

Gale W. McGee, Wyoming; John C. Culver, Iowa; Patrick J. Leahy, Vermont; Carl T. Curtis, Nebraska; Ted Stevens, Alaska.

From the House of Representatives

Thomas E. Morgan, Pennsylvania; Harold T. Johnson, California; William J. Randall, Missouri; Lloyd Meeds, Washington; Helen S. Meyner, New Jersey; Cardiss Collins, Illinois; Dante B. Fascell, Florida; Sam Gibbons, Florida; Mike McCormack, Washington; James C. Cleveland, New Hampshire; Robert C. McEwen, New York; and Larry Winn, Jr., Kansas.

Senator McGee and Representative Morgan served as Co-Chairmen of the United States delegation.

The Canadian delegation was composed of the following:

From the Senate

A. A. Macnaughton, P.C., (Sorel); P. Lafond (Quebec); M. Lamontagne, P.C., (Quebec); C. McElman (New Brunswick); G. C. van Roggen (British Columbia); L. P. Beaubien (Quebec); J. Flynn, P.C. (Quebec); J. Quart (Quebec).

From the House of Commons

Mr. M. O'Connell, P.C., M.P. (Scarborough East); Mr. H. Breau, M.P. (New Brunswick); Mr. J. R. Comtois, M.P. (Quebec); Mr. R. Daudlin, M.P. (Ontario); Dr. M. Foster, M.P. (Ontario); Mr. R. Kaplan, M.P. (Ontario); Mr. J. Roberts, M.P. (Ontario); Mr. I. Watson, M.P. (Quebec); Mr. W. Baker, M.P. (Ontario); Hon. A. Hamilton, P.C., M.P. (Saskatchewan); Mr. F. Hamilton, M.P. Saskatchewan); Mr. D. MacDonald, M.P. (Prince Edward Island); Mr. D. Munro, M.P. (British Columbia); Mr. F. Oberle, M.P. (British Columbia); Mr. S. Leggatt, M.P. (British Columbia); Mr. G. Rondean, M.P. (Quebec).

Senator Macnaughton and Mr. O'Connell served as Co-chairmen of the Canadian delegation.

The Honorable Renaude Lapointe, Speaker of the Senate, and the Honorable James A. Jerome, Speaker of the House of Commons, were also present during the meeting.

ORGANIZATION OF MEETING

The 16th meeting of the Canada-United States Interparliamentary Conference was formally opened by Mr. Harry Blank, Deputy President of the National Assembly of Quebec, at a plenary session held in the Chateau Frontenac Hotel on April 25, 1975. Subsequently, for discussion purposes, the delegates were divided into three committees dealing with (1) Energy, (2) Trans-border Problems, and (3) Trade, Investment and Economic Affairs. Set forth below are the agendas and reports of all three committees, as well as the names of the United States and Canadian delegates who served on each committee:

COMMITTEE I—ENERGY

(a) Canadian and U.S. Energy Sources and Areas for Possible Future Cooperation.
(b) Bilateral Problems.
(c) Multilateral Issues.

The U.S. members of Committee I were Senators McGee (Cochairman) and Stevens and Representatives Johnson, McCormack, Cleveland, and Winn. The members of the Canadian delegation on Committee I were Senators Lafond and van Roggen and, from the House of Commons, the Honorable A. Hamilton (Cochairman) and Messrs. Breau and Roberts, and Dr. Foster.

REPORT OF THE ENERGY COMMITTEE

The Canadian Cochairman of the Committee opened the meeting by giving a review of the oil, gas, uranium, and coal reserves—and potential reserves—of both countries, so as to provide a factual basis for discussion.

He indicated that the estimated reserves of oil in Canada are 9.5 billion barrels and in the United States 35 billion barrels, and that there are 56 trillion cubic feet of natural gas in Canada and 235 trillion cubic feet in the United States. Both countries have substantial reserves of uranium, and massive reserves of coal.

There was an indication from both American and Canadian delegates of wide variations of reserves and potential reserves in Alaska and northern Canada, depending on the agency doing the forecasting.

Delegates also indicated that the rising demand for oil and gas has been badly underestimated in the United States and Canada.

A discussion was held concerning the Canadian export charge on crude oil sold to the United States. Canadian delegates pointed out that the export charge was purely a domestic impost, used to shield eastern Canadian consumers from higher world priced oil, thus maintaining the one price system in Canada.

The matter of capital accumulation to develop expensive frontier and off-shore oil and gas supplies was discussed. It was felt by some delegates that low oil prices will hinder this capital accumulation.

Canadian delegates suggested that the Canadian price of crude oil would rise towards the world price, to bring on more expensive reserves, but that Canada would be reluctant to let prices rise above the "rolled-in" price of crude, as it would put Canadian industry at a competitive disadvantage.

One U.S. delegate did not think there was any possibility that world prices of crude oil would fall because of the increasing demand in the industrialized world and developing countries. It was reported that Arab countries are planning to provide some 25 percent of their oil revenues to the Third World for development and to create new markets for their crude oil. A Canadian delegate felt that the world price would be reduced by several dollars in the future—perhaps to $8.50 a barrel expressed in terms of 1974 dollars.

Canadian Exports of Crude Oil to U.S.A.

A discussion followed concerning Canadian reductions on crude oil exports to the United States. U.S. delegates questioned the Canadian position of phasing out these exports. They did so in view of large Canadian reserves and Canada's ability to import oil; her traditional "friendly neighbour" status; and because of earlier demands by Canada to export crude oil.

These delegates said that the timing of the cut-backs should be arranged so that they would take into account the availability of Alaskan oil to the lower 48 States in 1978. It was suggested that the United States would have to convert to coal and that some Americans would recommend that coal sold to Canada have an export tax applied to it.

The Canadian delegates said that the National Energy Board Report of November 1974 showed Canada's oil production was projected to decline dramatically in the 1980's and that production would not even meet the needs west of the Ottawa Valley Line, plus 250,000 barrels per day to Montreal. The Canadian solution was to phase out exports to the United States so as to have the least disruptive effect possible.

U.S. delegates felt it was important to maintain exports at a minimum level of 650,000 barrels per day through 1976 and 1977, until Alaskan oil came on stream to the lower 48 States.

Possible swap arrangements of crude oil during this period of time, to ease the impact of Canada's export reductions, were discussed. Some delegates felt that this was an area of possible cooperation to be discussed by the governments of the two countries.

Northern Tier Refineries

There was no formal discussion of the problem of the several refineries of the Northern States' supply of crude oil. However, some private discussion of this problem took place. Discussions are going on between officials of the two countries regarding possible swaps of crude oil when exports from Canada drop below minimum U.S. requirements of these refineries.

Natural Gas Problem

Both delegations felt that natural gas prices have been too low in Btu equivalents to other fuels.

A U.S. delegate foresaw a battle in Congress as to means of getting Alaskan gas to the lower 48 States, either by the MacKenzie Valley route or the trans-Alaska route.

This delegate saw a need to have a pipeline in place by 1979 because of the maximum 2-year storage capacity for gas from start of shipments of crude oil. Since construction of the pipeline will take 3 years, it would be necessary to start construction in 1976.

It was reported that Alaskan gas would cost a minimum of $2, with $1.25 for transportation into the United States.

There was concern on the part of U.S. delegates that Canada would reduce exports of gas and that the greatest impact would be on the same U.S. prairie regions suffering from loss of crude oil imports.

U.S. delegates questioned how sacred the Canadian contracts for natural gas are with U.S. customers.

It was reported that current gas exports from Canada are 1 trillion cubic feet and that total contracts are for 16 trillion cubic feet until 1993.

Canadian delegates said they felt every effort possible would be made to honor the contracts.

One Canadian delegate saw real problems regarding exports of gas from the British Columbia area of Canada including the following. The pricing of export gas is related to competing fuels in the U.S.A. and is recommended to the Canadian Government by the National Energy Board. The current problem of productability of British Columbia gas wells is due to water getting into wells. Although the last two winters were mild ones, there were occasions when shortfalls of 25 percent occurred in natural gas supplies. It was felt that the tax policies would result in few new discoveries in British Columbia. It was also reported that British Columbia has put all shortfall on U.S. customers.

British Columbia has attempted to relieve the situation somewhat by converting one electric plant from gas to oil and by constructing a $20 million pipeline for transmission of natural gas.

It was felt that the delays in establishing pipelines to Alaska and the Arctic until 1980–81 will create shortages of supply during the period 1976–80. Some suggestions were made concerning possible swap of natural gas. However, the shortages of supply of gas in both countries during the next few years seemed to make solutions in this regard difficult.

It was pointed out that a report of the Canadian National Energy Board will be released in late May. This report will clarify Canada's supply and demand situation for natural gas.

Delegates discussed the idea of cooperation between Canada and the United States to avoid high transportation costs for energy commodities.

There was a brief discussion on the price of Canadian gas exports which have risen from a lower price to $1 in January 1975, and which will probably rise to $2/m.c.f. over the next year, which will approximate intra-State prices in the United States now.

A discussion followed on the development of alternate sources of energy, replacing oil and gas. The use of heat pumps and solar energy was considered and one U.S. delegate gave an outline of the work his committee in the House of Representatives is doing in this regard. The Cochairman of the Committee expressed his enthusiasm for the use of heat pumps and outlined the advantages. The United States is expending $143 million for research and development in nonnuclear, nonfossil fuel programs.

It was noted that the Canadian nuclear reactor program is going ahead with increased emphasis and that world demand for Canadian uranium is growing in spite of the U.S. embargo which will be lifted in 1977.

However, the U.S. delegates indicated that their nuclear electric program has been slowed by environmental and financing problems.

Canada-United States Pipeline Treaty

The Canada-United States Pipeline Treaty was mentioned. This treaty guarantees continuity of supply and prohibits discriminatory transportation charges.

The Committee's discussion of energy matters gave delegates from both countries a better appreciation of each other's problems as well as areas of cooperation.

Committee II—Trans-Border Problems

(a) Law of the Sea Questions.
(b) Fisheries Conservation.
(c) Environment (air and water pollution).
(d) Water Boundary Issues.

The Committee on Trans-Border Problems was cochaired by the Honorable Alan A. Macnaughton and Representative Thomas E. Morgan. Other members from the U.S. delegation were Senator Patrick Leahy and Representatives Dante Fascell, Lloyd Meeds, Robert McEwen, and Helen Meyner. Also representing the Canadian delegation were Senators Flynn, Lafond, McElman, Quart and from the House of Commons, Messrs. Baker, Leggatt, MacDonald, Watson, and Munro.

REPORT OF THE COMMITTEE ON TRANS-BORDER PROBLEMS

Law of the Sea

Discussion revealed mutual understanding of several areas of substantive policy differences between Canada and the United States based on each country's differing perceptions of its national interest and distinctive geography.

Canadian Parliamentarians expressed their view that the important Northwest Passage was a part of Canada's Arctic Archipelago and not an international strait and that Canada therefore had a right to take steps to prevent marine pollution. A similar position was taken regarding Canada's rights over straits leading to a proposed oil refinery site at Eastport, Maine.

Members of the U.S. delegation expressed their shared concern to prevent pollution of the environment but expressed their view that

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freedom of the high seas and the right of unrestricted transit of straits was a vital security concern of the United States.

With respect to differences on these issues a consensus was reached that their resolution at the Law of the Sea Conference would be useful but that this was unlikely to occur in the near future. Thus, an alternative was suggested that the two countries seriously consider entering into an interim bilateral agreement which would not be prejudicial to the legal positions of either party but which would provide a workable agreement on such matters as navigation and pollution in the Arctic and the location of marine boundaries beyond those presently established.

Further discussion concerned the respective positions of the two countries with regard to the deep seabed and areas of the Continental Shelf beyond 200 miles. Canadian delegates outlined Canada's claim to the Continental Margin, the area of the Continental Shelf beyond 200 miles, and its willingness to participate in an international revenue-sharing scheme with respect to resources recovered from the margin area.

Fisheries

Discussion of fisheries centered on anadromous species, especially salmon, and the potential adverse impact on Canadian fisheries of various proposed U.S. oil terminals and associated tanker traffic.

Canadian members of the Committee expressed their appreciation for United States support in international forums for efforts to remove the threat to Canadian east coast fisheries from overfishing by third countries.

Discussion of west coast salmon fisheries focused on difficulties encountered as a result of Canadian and U.S. fishermen's taking of one another's salmon. There was complete agreement on the legal concept of ownership of the fish of each country and it was suggested that the problem could best be ameliorated by increased emphasis on joint research and technical monitoring efforts in order to identify who is taking whole fish. There was basic agreement that a more thorough understanding of the factual aspects of this problem would lead to a mutually agreeable solution.

Agreement was reached among all participants that potential overfishing in the Pacific by third countries was a potential threat to both Canada and the United States and that joint efforts should be made to conserve west coast fisheries resources.

Discussion was also held concerning renewed fisheries problems on the Great Lakes which arise because of an increase in the amount of fish in the lakes as a result of successful joint programs to eradicate the lamprey. Current difficulties principally involve national fish ownership and the equitable division of catch between both countries.

Environment

Discussion of environmental concerns and water boundary issues frequently overlapped. These agenda items together consumed much of the Committee's time. Environmental concerns were discussed in connection with virtually every item discussed by the Committee.

The principal areas of concern centered on possible oil spills in the Strait of Juan de Fuca; tanker traffic to a proposed refinery at Eastport, Maine; the impact of a Canadian project on Lake Champlain;

and the impact on Canada of the Garrison diversion project in North Dakota.

1. Strait of Juan de Fuca

Canadian delegates expressed their serious concern over the possible damage to Canada resulting from oil spills as a result of tankers carrying oil from Alaska to a refinery at Cherry Point, Wash. The subsequent detailed discussion of this issue included a number of alternatives to tanker traffic through the strait. A Canadian delegate offered a plan for off-shore loading at a point where spills would not damage Puget Sound. U.S. delegates expressed their own concern for potential damage to the environment but emphasized steps being taken by the United States to assure safe transit of the oil and the great need of the United States to make use of its domestic oil reserves in Alaska.

It was agreed by all that it was regrettable that the United States was not planning to require double hulled tankers to carry the oil and it was suggested by a Canadian delegate that both countries should work through the Intergovernmental Maritime Consultative Organization to strengthen cooperation on ship safety. A U.S. delegate pointed out that in the past Canada had opposed U.S. proposals for stricter ship standards. Both delegations noted the possible pollution hazard from oil carried by tankers of third countries whose vessel safety requirements might not be sufficient.

2. Eastport, Maine

The Canadian delegation raised the issue of the potential danger to Canada of oil spills as a result of tankers passing through Head Harbour Passage en route to a proposed refinery at Eastport, Maine. The Canadian delegates stressed the danger to valuable fish and lobsters in the area and the hazardous navigational attributes of the passage.

The Canadians expressed their view that the passage was entirely Canadian and it would appear from the forcefulness of the Canadian presentation that their position is essentially nonnegotiable.

U.S. delegates pointed out the energy problems of the United States and the need for additional East Coast refineries and associated oil terminals. The Canadian position on unilateral denial of passage through Head Harbour Passage was criticized as possibly inconsistent with international law.

3. Richelieu River-Lake Champlain

U.S. delegates expressed concern over potential damage to the ecology of Lake Champlain as a result of a dam authorized to be constructed in Canada on the Richelieu River. The International Joint Commission has agreed to a further study of the issues involved and there was a general consensus that this study should be concluded as rapidly as possible and that further progress on the project should await the study's completion.

4. Garrison Diversion Project

Canadian delegates expressed their concern over potential environmental damage to Canada as a result of the Garrison diversion project being constructed in North Dakota. They stressed that despite protestations the project appeared to be going forward. The Canadian delegates suggested, and U.S. delegates agreed, that there should be a moratorium on further construction until full knowledge is available on the adverse impact on Canadian waters. Further agreement was reached that the issue should be referred to the International Joint Commission.

Boundary Issues

Various aspects of boundary issues were discussed in connection with other agenda items. Among other issues discussed were ocean boundaries, pilotage, and Great Lakes management institutions.

Delegates agreed that the identification of the location of national boundaries between the two countries in both the Atlantic and Pacific Oceans was a potential source of future difficulties. There was agreement that both countries should attempt to resolve the question soon.

U.S. delegates discussed difficulties arising as a result of the differential between higher paid Canadian and U.S. Great Lakes ship pilots.

There was also a discussion of the water level and environmental problems on the Great Lakes. A U.S. delegate described what he viewed as a need for further improvement in joint planning and management of the diverse and complex problems of the lakes. While there was agreement that the International Joint Commission was doing a good job there also was agreement among United States and Canadian delegates that it needed strengthening.

CONCLUSION

All delegates agreed that the frank and friendly discussion of the issues by the committee deepened their individual understanding of each problem and that such discussions were useful in reducing friction and promoting mutually acceptable solutions to problems. To further these goals it was suggested that both Congress and Parliament should encourage the practice of having each country's citizens testify on issues of mutual concern.

It was also suggested that because of the multiplicity of governmental and private institutions in each country concerned with border issues, some form of simplified restructuring should be considered so that one technically capable official group in each country could coordinate national policy toward its neighbor and advise the highest levels of each respective government.

Committee III—Trade, Investment, and Economic Affairs

(a) Foreign Investment Policies.
(b) Bilateral Trade Issues.

The Committee on Trade, Investment, and Economic Affairs was cochaired by the Honorable Martin O'Connell and Senator Culver. Other members from the U.S. delegation were Senator Curtis and Representatives Gibbons, Randall, and Collins. The Canadian delegation was also represented by Senators Beaubien and Lamontagne and, from the House of Commons, Messrs. Comtois, Daudlin, Kaplan, F. Hamilton, Oberle, and Rondeau.

REPORT OF THE COMMITTEE ON TRADE, INVESTMENT, AND ECONOMIC AFFAIRS

The discussion in the Committee focused on inward foreign investment in Canada and the United States, agricultural trade, disruption of the international economic system, Canada-United States trade perspectives, and economic forecasting.

Foreign Investment

Senator Culver commenced the morning session with a brief history of U.S. congressional and Executive concerns and policy toward foreign investment in the United States.

Historically, foreign investment entered Canada in order to shift the high tariffs and because Canada encouraged foreign investment in order to secure resources for industrialization. Concern began to develop in the late 1950's over the increasingly large proportion of sectors of the Canadian economy that were controlled by foreign investors.

National considerations in both Canada and the United States led both nations to propose legislative action on foreign investment. Restrictive legislation was introduced into both Parliaments, but final legislative action resulted in rather mild approaches that have, to some extent, helped to diffuse the issue. The United States passed the Foreign Investment Study Act of 1974, which mandated an 18-month indepth study of foreign investment in the United States. Canada passed the Foreign Investment Review Act of 1973, which established a process for reviewing acquisitions by foreign investors (only 13 percent of new foreign investment in Canada), but does not affect foreign investment in land, in noncontrolled investments, in expansion of existing investments, or in the establishment of new investments; it only affects a small portion of future investments and in no way reverses the trend of foreign participation in the economy. A second phase will extend the review process to new investment ventures.

The point was made by a Canadian member that Canada has been fortunate in benefiting from friendly foreign investment, whereas the United States is now faced with potentially unfriendly foreign investment.

The door must be kept open to foreign investment because of the increasing need for capital—the scarce resource of the future. Much of new foreign investment will be by governments, and we must find a new structure for foreign investment—possibly more loan capital and less equity capital so as to provide sufficient capital but avoid direct control by foreign governments.

A member of the U.S. delegation made the point that the United States has had the luxury in the past of not having to be concerned over foreign investment, particularly because it is accountable to U.S. law. However, law can easily be changed; only 5 percent of the U.S. citizenry contribute to political campaigns and a small amount of money can have a disproportionate influence, so we must alter campaign finance laws in order to prevent political manipulation.

Application of U.S. law outside the United States, specifically antitrust and trading with the enemy laws, has resulted in the introduction of legislation to prohibit the application in Canada of foreign laws or court actions. Such legislation could put a parent and subsidiary in direct conflict with one another.

Trade

Mr. Kaplan began the afternoon session with a discussion of bilateral trade issues. He noted that conflicts between the two nations cannot be solved by trade-offs—making a deal to benefit one interest group at the price of a parallel deal that harms another interest group. He noted that the Canadian balance of trade in the automotive area had shifted from a $200 million surplus in 1971 to a $1.3 billion deficit in 1974. It was suggested by another member that this was due to cyclical factors—lower gas prices in Canada induced Canadians to continue to purchase large cars manufactured in the United States whereas the U.S. economic recession had reduced demand for cars produced in Canada—and that the basic aims of the Automobile Pact of rationalizing the automobile industry in the United States and Canada were still valid.

The issue of the Michelin Tire case was raised. The Canadian Government granted preferential treatment for the establishment of a production plant by the Michelin Tire Co. in Nova Scotia. Most of its production was to be exported to the U.S. market, and the United States imposed a 6.6 percent surcharge on imports from the plant to offset the "subsidization" of the exports. The Canadian view is that the subsidy was granted in order to encourage regional development, not to encourage exports, and the U.S. action amounts to U.S. questioning and interference with Canadian federal policy.

In recent considerations of trade policy, the United States has paid little attention to Canada because the United States has no serious bones to pick with Canada over trade issues; its main trade antagonists are seen to be Western Europe and Japan. Canada, on the other hand, is particularly concerned over the recent reversals of benefits from the auto pact.

Both Canada and the United States are plagued with excess supplies of meat and low prices, and have engaged in counterproductive trade restrictions against each other. U.S. agricultural policy has been returning U.S. agriculture to the free market system, while Canada is moving in the direction of stabilized agriculture. Canada is considering international trading agreements to stabilize supply and prices, and the United States should consider such policies. Further, there is need for an international system of food reserves.

The post-World War II international economic system has been rendered inoperative in the past several years, and there is a need to restructure the international trade and monetary system—particularly in the area of international rules on access to supply. The United States might possibly provide the resource-rich developing nations with assured access to the U.S. market in exchange for guaranteed access to their supplies of raw materials. Since World War II, the U.S. Government has focused much of its policy on power questions and too little on economic matters.

A U.S. delegate pointed out that the U.S. consumer pays $13 billion a year for protection against foreign imports, whereas an effective adjustment assistance scheme might cost around $500–$600 million a year. He asked the Canadians to discuss their experience with trade adjustment assistance. The response was that Canada established an adjustment assistance scheme for textiles in order to rationalize the industry. The industry was glad to have the subsidy and interim protection, but, when the end of the interim period arrived, the industry had so much political power they could not be closed and the rationalization plan was dropped and protectionism continued.

Economic Forecasting

Senator Lamontagne gave the panel the benefit of the reasoning he has developed since becoming a "former economist." He noted that government economic policy has been characterized by bad short-term economic forecasting, slow executive and legislative action, and overreaction to economic changes. Economic forecasting has been consistently off-the-mark due to the use of inappropriate leading indicators, and government policy is consistently months behind the mark—deflationary policies are implemented after inflation has reached its peak and inflationary policies are implemented only after a recession has turned around. The result is a continued up-and-down movement in economic activity. The U.S. economy has recently gone through this very cycle—and now, as the U.S. recession has bottomed out, tax cuts and a huge budget deficit will result in a return of inflation in 1976, which will lay the seeds for another recession. Heavy government borrowing in 1976, in competition with business capital needs, will lead either to an overexpansion of monetary supply or a restriction in business expansion due to high interest rates, either of which may lead to another recession. As the Canadian economy, particularly monetary policy, is closely dependent upon developments in the United States, Canada is concerned with U.S. economic policies as well as its own poor performance in forecasting and policy.

Several of the U.S. delegates expressed agreement with Senator Lamontagne's analysis and expressed the hope that the new budget committee in the U.S. Congress would help rationalize congressional consideration of the budget and general economic policy.

AD HOC MEETINGS

In addition to the three scheduled committee meetings, two ad hoc breakfast meetings were arranged at the request of the American delegation to discuss particular issues not covered by the regular sessions. One dealt with certain aspects of Canadian broadcasting policy and the other was on standardization of military equipment in NATO.

RESULTS OF MEETING

The 16th meeting of the Canada-United States Interparliamentary Group continued its procedure of having informal, off-the-record discussions, leaving it to each delegation to make such reports and recommendations to its respective institutions as may be appropriate. As in the past, the meeting provided an excellent opportunity for the legislators of both countries to discuss informally many problems of mutual interest. Not only do the individuals who participate in these meetings derive a personal benefit, but there is a better understanding between Members of the Congress and the Parliament on those issues where there are differing points of view. The discussions held last April clearly reinforced the sense of common purpose which motivates our two great countries and in the end results in greater cooperation and harmony between Canada and the United States.

I wish to take this occasion to express my deep appreciation to Congressman Thomas E. Morgan who served with me as co-chairman of the United States delegation, as well as Chairman of the delegation from the House of Representatives. He and the other members of the House delegation were most cooperative and helpful and I am extremely grateful to them. I also want to thank my Senate colleagues for their active participation in our deliberations. The contributions which they made during our discussions attributed in large measure to what I believe was a highly successful meeting.

Finally, on behalf of the Senate delegation, I wish to express our sincere appreciation to Senator Alan Macnaughton and Mr. Martin O'Connell, the conscientious and hard-working Co-chairmen of the Canadian delegation. A vote of thanks is also due the other members of the Canadian delegation, as well as their able and competent staff, for the many courtesies extended to us during our visit to Quebec City. All of them deserve the highest praise for contributing to a very successful meeting.

FINANCIAL STATEMENT

At the time of the filing of this report, the total amount of expenses incurred by the Senate delegation in connection with its participation in the 16th Canada-United States Interparliamentary Meeting is estimated to be approximately $1,600. A detailed report showing all expenditures will be filed with the Senate later in accordance with law.

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