

### GROUND RULES FOR CANADA-U.S. PARTNERSHIP

On July 12, Prime Minister Pearson and President Johnson simultaneously made public a report submitted to them a few days before by A.D.P. Heeney, former Canadian Ambassador to the United States, and Livingston T. Merchant, former United States Ambassador to Canada. Its title is *Canada and the United States - Principles for Partnership*.

Following the meeting of President Johnson and Prime Minister Pearson on January 22, 1964, Mr. Merchant and Mr. Heeney were appointed "to study the practicability and desirability of working out acceptable principles which would make it easier to avoid divergencies in economic and other policies" of the two countries. A progress report was submitted to the Joint United States-Canadian Committee on Trade and Economic Affairs in April 1964.

### CONTENTS OF REPORT

Among the recommendations contained in the Heeney-Merchant report are the following:

Study of the economic desirability of ignoring the U.S.-Canada border in the development and distribution of hydro-electric power;

Extension of the recent agreement on automobiles and spare parts to other areas;

Avoidance by Canada "so far as possible" of "public disagreement" with U.S. foreign policy "in the absence of Canadian interest or obligations";

Close consultation on mutual problems of the balance of payments;

Revision and expansion of the existing machinery for U.S.-Canada consultation.

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### TRAFFIC IN SECURITIES

Transactions in outstanding securities between Canada and other countries in April resulted in the sixth successive monthly net outflow of capital amounting to \$28.0 million - a magnitude exceeded in this period only by the \$39.1 million net outflow in January. Purchase balances were recorded in amounts of \$11.9 million with the United States, \$9.5 million with Britain, and \$6.6 million with other overseas countries. In the previous month, the net

outflow of \$26.0 million was composed of net purchases of \$23.6 million and \$3.4 million from residents of the United States and Britain, respectively, reduced by net sales of \$1.0 million to other non-residents.

Trade in outstanding Canadian securities in April led to a \$29.5-million repatriation comprising \$3.0 million of bonds and debentures and \$26.5 million of common and preference stocks - the ninth successive monthly net outflow for the repurchase of Canadian equities. Geographically, there were net outflows of \$13.3 million to the United States, \$9.7 million to Britain and just over \$6.5 million to other countries. In March, there were net repurchases of \$16.5 million of Canadian equities and \$0.5 million of bonds and debentures; net outflows of \$13.5 million and \$3.8 million went to the United States and Britain, respectively, while there was a small inflow of \$0.3 million from other non-residents.

### CANADIAN HOLDINGS REDUCED

Canadians reduced their holdings of outstanding foreign securities by \$1.5 million in April - \$0.9 million of bonds and debentures and \$0.6 million of common and preference stocks. Residents of the United States and Britain re-purchased \$1.4 million and \$0.2 million, respectively, while other non-residents relinquished on balance \$0.1 million. In March, Canadians acquired on balance \$9.0 million of outstanding foreign securities with acquisitions of \$10.1 million from the United States being reduced by sales of \$1.1 million to other non-residents.

By April of this year, transactions in all outstanding securities in 1965 between Canada and other countries had accumulated to a net capital export of \$119 million - \$79 million to the United States, \$30 million to Britain and \$10 million to other countries. This is substantially larger than the last three successive capital outflows, of \$87 million, \$40 million and \$75 million, which have taken place during the same four months in the years 1962 to 1964. The total capital outflow from transactions in outstanding securities up to April of this year was chiefly the consequence of investment by Canadians in their own equities through the repurchase of \$110 million of foreign holdings.

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