

We recognize, of course, the vital importance to the United States of its own balance-of-payments problem. Perhaps, however, there are two comments that would be in order in this connection. First, while Canada is almost certainly the world's largest net debtor nation, the United States, by contrast, is the world's largest creditor. Against Canada's net international liabilities, which are in the neighbourhood of \$18 billion, the United States has net international assets in excess of \$40 billion and these are growing year by year.

The second comment I should like to make is that Canada has been a source not of weakness but of strength to the United States balance of payments. In the ten-year period 1952-1961, our cumulative deficits with you have amounted to \$13.5 billion, of which only about \$7.5 billion has been covered by borrowing from you. Your overall payments surplus with Canada over that period has, therefore, amounted to some \$6 billion.

Industrial Specialization Sought

In seeking a better balance in our trade with you, we are naturally anxious that this should come about through export expansion rather than import restriction. We are convinced that this is the best interest of both our countries. We also believe that it is in the interest of both our countries, particularly in sectors where trade between us is the predominant factor, to develop increased industrial specialization consistent with a rational use of our economic resources. This is of particular importance to Canada because of the limited size of our domestic market, to which I have already referred and which makes it impossible to secure the long production runs and other economies of scale that are necessary to efficient industrial operation. This problem is particularly acute, as I am sure any Detroit audience will appreciate, in the circumstances in which the Canadian automobile industry has developed.

This industry, which consists almost entirely of subsidiaries of United States firms, follows a pattern of production similar to that of their parent companies, even though the Canadian market is less than one-twelfth that of the United States in size. We are convinced of the desirability of much greater rationalization of production between our two countries to permit the Canadian industry to concentrate on the production of those items which can be manufactured most efficiently in Canada. This clearly means increased production and more jobs in both countries and an expansion of trade in both directions.

At present the Canadian automobile market accounts for between 6 and 7 per cent of the total North American market, but only 4 per cent of combined production is located in Canada. In absolute terms the value of our automotive exports to the United States last year amounted to \$36 million - which represented a threefold increase over the previous year - but our imports from you were valued at almost \$600 million. The objective of the Canadian Government is to bring the trade in automobile parts and components into somewhat better balance. This is not an unreasonable objective.