

positive contribution to the United States balance of payments in an amount averaging something like \$600 million a year over the past decade or so.

Fourth, we have had to rely on substantial inflows of capital to help meet our payments deficit with the United States. This has added to our external debt. It has also made our economy more vulnerable than we should like it to be to disruptions in the flow of international capital. Furthermore, while we have welcomed and continue to welcome the investment of United States capital in Canada, which is now in excess of \$18 billion, this has inevitably faced us with certain problems relating to foreign ownership and control of segments of our economy.

Fifth, there have been occasional differences between us in the foreign policy and defence fields. Such differences -- as over relations with Cuba or trade with Communist China -- are, however, the exception rather than the rule. In substance, our two countries have a similar outlook on world affairs; we are close allies and partners in many areas of international co-operation and, by and large, where there are differences between us, they tend to be matters of emphasis and tactics. We in Canada acknowledge the primacy of the United States in the leadership of the free world, and I think it is fair to say that the United States, for its part, acknowledges the role Canada has played -- and which it would not have been open to the United States to play -- in such fields as international peace keeping.

I have left to the last the problem which is presented for Canada by its contiguity to the United States, coupled with the size, the vitality and the drawing power of that country. This is a problem which has been with us from the beginning and, I suppose, will be with us in the foreseeable future. In essence, it is the problem of our separate and distinctive identity. For my own part, I like to think of it not so much in terms of a problem as in terms of a challenge -- a challenge to our determination to manage our affairs sensibly, to develop our national strength and unity, and to play a responsible part in the world at large.

It is in the nature of things that our bilateral problems should figure prominently in Canadian-United States relations and that pressure for their solution should at times be both urgent and insistent. I am glad to be able to record some important achievements in this field over the past year or so.

We have carried out our intention to maintain close and continuous contact between the two countries at all levels, to ensure "that the intentions of each may be fully appreciated and misunderstanding avoided".

We have settled the issue of nuclear weapons for Canadian forces at home and abroad and for United States air-defence forces in Canada in accordance with previous Canadian commitments.

We have been able to reaffirm and elaborate the principles governing the defence production-sharing programme which is so important to our Canadian industry and which is now nearing the billion-dollar mark in mutual procurement.