

The substantial United States surplus with Canada in respect of services, and the consequential correction of the imbalance in merchandise trade, is not a pattern that you will find repeated in your other major trading relationships. To illustrate the point, we need only look at the figures for Japan and West Germany.

First Japan, in 1985, the last year for which complete statistics are available, the United States ran a deficit of over 1.8 billion dollars in its services account with Japan. Thus, services only exacerbated the already massive merchandise deficit, which was almost 50 billion dollars, making a total deficit in merchandise and services of just under 52 billion dollars. The deficit in merchandise trade with Japan for 1986 was almost 59 billion dollars. The deficit in invisibles will be very much larger in future years as the United States pays dividends on the large infusion of Japanese capital required to finance the trade and budget deficits.

Now, with West Germany, you ran a deficit in services of 5.6 billion dollars in 1985, and a total deficit in merchandise and services of 16.2 billion