

developments. The rest of the world is not prepared to acquiesce automatically in the major adjustments in their own economies which are required to accommodate large deficits or surpluses thrown up by the internal policies of one country. There is general insistence that all countries so order their internal affairs that the interests of their trading partners are given due consideration. This means that for countries whose external accounts are in equilibrium, balance-of-payments considerations are a constraint upon internal policies. For countries whose external accounts are not in equilibrium, balance-of-payments considerations must be elevated to the level of positive policy objectives. Both Canada and the United States are in the latter category.

It is significant that we should both find ourselves faced with the necessity of making balance in our international payments an objective of deliberate policy in spite of the fact that our basic balance-of-payments positions are fundamentally different. We in Canada have a large and persistent current-account deficit which other countries are being asked to finance. You in the United States have a large and continuing current-account surplus, and supply by far the major part of long-term capital needs in the world, partly from the proceeds of short-term borrowings from other countries. In spite of the fundamental strength of your position in comparison with ours, you, as well as we, are regarded by an important part of the world as having an unsatisfactory balance-of-payments relation with them. In these circumstances, neither of us can regard ourselves as being in a satisfactory balance-of-payments equilibrium.

In dealing with the bilateral aspects of our respective situations, we have gained a new appreciation of our interdependence. Each country has experienced the real and speedy impact of policy measures taken -- or merely talked about! -- in the other. The impact has been felt and understood not just by governments but by wide segments of the population.

The appropriate response to this increasing awareness of interdependence has been the development of more and more consultation and co-operation between our two governments. Sometimes this is institutionalized in the form of joint committees at the ministerial or official level. The Joint U.S.-Canadian Committee on Trade and Economic Affairs, at the ministerial level, has met a number of times during the three years covered by the balance-of-payments developments which I have been describing. The discussions in this Committee have become increasingly wide ranging and useful to both sides. Since the IET announcement in mid-1963, two other channels of consultation have been established in connection specifically with our balance-of-payments relationship: a technical working group of officials to examine the statistics, and a joint committee of senior officials, in which information on the unfolding balance-of-payments situation in each country is exchanged and prior consultation takes place on action by either side which would be likely to affect the other.