

If the quite sharp reaction in Canada to what American ministers were thought to have said has come to the attention of the American public at all, I imagine that it may well have been put down in large part to offended national dignity. I can assure you that, on the contrary, very real and practical considerations underlay the concern expressed.

At the conclusion of the last meeting of the United States-Canada Cabinet Committee on Trade and Economic Affairs held in March 1966, the United States clarified the intention of its guide-lines by including the following in the communiqué:

"The United States members made clear that the U.S. Government was not requesting U.S. corporations to induce their Canadian subsidiaries to act in any ways that differed from their normal business practices as regards the repatriation of earnings, purchasing and sales policies, or their other financial and commercial activities. United States members re-emphasized the view that United States subsidiaries abroad should behave as good citizens of the country where they are located. Where U.S. companies were in doubt as to these views, the U.S. Government would ensure that any misunderstandings would be dispelled."

Canada has now issued a set of guide-lines of its own, regarding the way in which we expect the Canadian subsidiaries of foreign corporations to conduct themselves, amounting, in sum, to an expectation that they will act as good corporate citizens of Canada.

These Canadian guide-lines are intended to clear the air and resolve doubts and confusion that may have existed in the minds of managements of foreign subsidiaries in Canada. It should not detract from their effectiveness in this respect that they contain nothing that has not been stated before, at one time or another, and nothing that is in conflict with the aims of your own balance-of-payments programme. I should suggest, too, that they represent the very minimum that the United States or any other major nation itself expects of corporations operating within its own borders but owned or controlled abroad.

Canada's current-account deficit is not the overnight result of a wild international spending spree by Canadians; it is a part of the present structure of the Canadian economy. Successive measures taken by the United States have nearly all threatened to reduce that deficit for us, either directly or by cutting off the capital by which it is financed, despite the fact that our deficit represents a surplus for the United States. It is hardly surprising that Canadian political and financial circles have become so sensitive to each and every new move and statement made here in the United States in connection with your balance of payments.

In this respect our Canadian balance-of-payments problem is similar to the American balance-of-payments problem. No country, small or large, is able any longer to treat its external accounts merely as the fortuitous result of internal economic and financial