Our problem is one that does not exist for the United States at all. It is that of a large and persistent deficit in what are defined as current payments. These relate to purchases and sales of goods of all kinds, and of services such as tourism, transportation, insurance and the like, together with interest and dividends and certain transfer payments. This deficit has only once fallen below half a billion Canadian dollars in the last 11 years, and was over $1 billion last year. Scaled up to the dimensions of the United States economy, this would represent a deficit approaching $15 billion, or substantially more, in one year, than your entire gold reserve. The structure of the Canadian economy is such, however, that it attracts a substantial volume of foreign investment capital (particularly from the United States). Provided that the flow of such capital remains unimpeded, it can normally be counted upon to offset much, if not all, of Canada's current-account deficit, though of course the inflow of capital adds to Canadian indebtedness in one form or another, incurs a continuing economic cost in the shape of interest or dividend payments to the foreign investor, and is all ultimately repayable or repatriable.

The United States, by contrast, earns a healthy surplus each year in respect of current transactions as I have described them (and a substantial part of that surplus is attributable to transactions with Canada). It is a function both of the structure of the U.S. economy and of the pre-eminent financial and political role of the United States in the world that the flow of capital is outwards from this country. It takes the form of investment as well as foreign aid, and in recent years it has generally exceeded the current-account surplus earned by the United States.

To any extent that Canada does not succeed in covering her current-account deficit by attracting capital, she has to meet the shortfall by payments of gold and foreign exchange out of reserves. The United States, on the other hand, can and does finance the excess of its capital outflow over its current-account surplus with its own currency, and in so doing has provided most of the very necessary liquidity to the world's monetary system in the post-war period. Problems only arise, as they have done recently when major creditors of the United States rightly or wrongly judge themselves to be over-supplied with reserve dollars and exercise the option inherent in the system to switch back into gold.

In the year 1962 ... our current-account deficit was $874 million. Of this deficit, no less than $580 million was accounted for by trade in automotive vehicles and parts. The deficit in the automotive sector has increased by nearly 25 per cent within a 12-month period.

The previous Government, in November 1962, had taken certain steps to correct this situation. Specifically, it allowed Canadian automotive producers to bring into Canada free of duty automatic transmissions and engines, on the condition that, and to the extent that, they expanded their exports of automotive parts.