

this is a relation in which the balance of benefits is perhaps not unduly weighted in favour of one or the other. You will understand, however, that living next door to the greatest country in the world, whose actions have such a great influence on us, but over which we have little or no control, brings with it a special crop of problems.

The word "interdependence" is greatly overworked. But where Canada and the United States are concerned it is not just a word, it is a way of life. And with it come certain international responsibilities and the need to consider carefully any steps which would imperil the balance of this relation. Only nations as closely linked in their geography, history, culture and outlook could, over 150 years, successfully operate such a relation founded on mutual respect and understanding and above all, mutual advantage.

Let us make no mistake about that. It is not altruism or a sentimental continentalism that leads responsible Canadians and Americans to welcome this vital partnership. It is a partnership based upon a keen awareness of the mutual benefits we both can expect. Not self-interest but short-sightedness is the enemy of the harmonious continuation of this special relation. For the national self-interest of both Canada and the United States dictates a determination to continue actively to seek the efficient rationalization of production and, wherever practical, the lowering of consumer prices and production costs that the relatively unimpeded flow of goods and services and capital across our border brings in its train.

This process, which provides the underlying rationale for all international trade and investment, takes time to work out. Time may, on occasion, elapse before the full benefits become apparent. And, on occasion, the temptation may arise to seek some short-term advantage, heedless of the self-defeating consequences of such actions, which threaten the disruption of harmonious inter-relations between our two countries. But it is a temptation which must be resisted by responsible people in both our nations - people prepared to point up the fallacies in this approach.

There are, nevertheless, some points of genuine friction which must naturally develop. We cannot look these problems frankly in the face and then quickly pass on, as one wag has suggested. We must realistically come to grips with these difficulties and search out ways and means to solve these problems.

The first consideration I should like to raise with you tonight concerns the consequences of your nation's pre-eminent financial and political role in the world community. In Canada our problems are simple to define, though difficult to solve. Our balance-of-payments problems are trade problems. We must keep our current account in balance or make up the difference by attracting foreign capital. Any short-falls must be financed with gold and foreign exchange out of our reserves. For more than a decade, our annual deficit on current account has hovered around \$1 billion. To lower this deficit, we must bend every effort to strengthen our export performance with special emphasis on an upgrading of our foreign sales and on improvement, particularly in sales of manufactured goods.