was made clear by the U.S. authorities that it was not expected to be allowed to jeopardize specific commitments such as those made in Canada by the U.S. auto manufacturers; but Canada was not exempted from the target.

As Minister of Finance I have made it plain to the U.S. authorities and to the Canadian public on several occasions since this last measure was announced that I question both its wisdom and its likely efficacy in relation to Canada, primarily for the same reasons that would defeat any other move by the United States to reduce the outflow of U.S. capital to Canada, i.e. the immediate impact upon the U.S. current-account surplus with Canada. But I will not abuse your hospitality by arguing the point here. What is crucial to the developments that I have been outlining to you is that this measure placed a significant measure of restriction upon the only remaining substantial source of financing for Canada's current-account deficit. If, in these circumstances, the quantitative limitation of new long-term borrowings in the U.S. had indeed been applied to Canadian securities, then I'm afraid we should have had, all too soon, the chance to see demonstrated in practice the interrelation between the United States trade surplus and the outflow of U.S. capital to Canada. I think the outcome would have been at the very least discomforting to the United States; I know that it would have been savagely detrimental to the continued expansion of the Canadian economy.

Fortunately, I am able to report that the machinery of consultation and co-operation between our two countries ensured that this point was fully taken by your own authorities, and that this quantitative guide-line was not applied to Canadian long-term new issues. In return, Canada's original undertaking to stabilize its exchange reserves around the level prevailing at the time the Interest Equalization Tax was first announced was reinforced by an assurance that the Canadian Government would, as necessary, buy or sell its own securities in the U.S. market in order to achieve this.

I wish I could report that all doubts and uncertainties had finally been dispelled by this arrangement, and that the balance-of-payments relation between Canada and the United States has been clearly set upon a course of mutual understanding and support. I am afraid, however, that there have been further moments of concern and misconstruction. Views expressed by members of the U.S. Administration as to the responsibilities of United States international corporations operating abroad have been reported out of context and interpreted as suggestions that they should change their commercial and competitive practices and place the interests of the United States ahead of the interests of the countries in which they operate.(3)

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(3) One sentence, taken out of context from Secretary Fowler's speech to the U.S. Council of the International Chamber of Commerce in New York on December 8, 1965, which aroused considerable unfavourable comment in Canada was the following:

"For this nation, therefore, they (U.S. owned multi-national companies) have not only a commercial importance but a highly significant role in a U.S. foreign policy that has met with general approval by the Atlantic countries."