

U.S. economy (one-fifth of U.S. requirements for industrial raw materials and manufactured goods). It might be possible to document statistically how much we depend on each other in purely economic terms and, generally speaking, how advantageous for both countries these connections are. Yet the differences of population and industrial power between us and the intimacy of our trade and economic links have created severe problems. Our accumulated deficits over the last ten years amount to \$10 billion, or an average of \$1 billion annually. In terms of the respective wealth-creating capabilities of our two countries, this would be comparable to an annual current deficit of about \$15 billion for the United States. Clearly, we cannot continue to go into debt at this rate, and we are seeking in various ways to bring our accounts into better balance.

Recently we have developed a plan with regard to the automobile industry which we believe will be a positive and constructive answer to one of our major economic problems, the solution to which will be in United States as well as Canadian interests. I would emphasize that the measures which have been introduced have been aimed at the reduction of tariff barriers and look towards the expansion and not the restriction of the two-way trade between our countries. I am sure, therefore, that you will appreciate the importance of this step over the long term for both Canadian and United States interests.

Recent and Pending Agreements

We have recently concluded agreements between our two nations for the joint development of the Columbia River basin. This achievement is an excellent example of the constructive use of the resources of a great river for the benefit of both our peoples.

This month we are beginning discussions towards the achievement of a new air agreement between Canada and the United States. Professor J.K. Galbraith, a Canadian-American, has, after extensive discussions in Ottawa and Washington, prepared a study which provides a good basis for a new agreement. We expect that the result of the discussions soon to open in Washington will be more convenience for the travelling public and more economic operations for the airlines of the two countries.

Study of Principles

One of the most recent developments has been the decision to consider preparing a statement of principles which might provide practical guide lines for the relations between Canada and the United States. The communiqué issued following President Johnson's and Prime Minister Pearson's meeting of January this year said:

".... the Prime Minister and the President discussed at some length the practicability and desirability of working out acceptable principles which would make it easier to avoid divergences in economic and other policies of interest to each other. They appreciated that any such principles would have to take full account of the interests of other countries and of existing international agreements. The President and the Prime Minister considered that it would be worthwhile