

**A VITAL NORTH AMERICAN RELATION**  
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for the maintenance of a viable and independent Canada on the northern half of the continent. We should expect also that, in coming to a view about Canadian actions that might touch upon particular U.S. interests, America would not wish to apply to Canada standards of behaviour more severe than are applied to other developed countries or are applied within the U.S. itself....

**CANADA'S TRADE IMBALANCE**

The possibility of conflict between Canada's desire for further advance industrially and our heavy reliance upon foreign manufacturing has become more acute with the emergence in the last decade of a seemingly chronic imbalance in our exchange of goods and services with the rest of the world.

Canada's heavy deficit on goods and services with the United States, which in recent years has fluctuated from \$1 to \$1.5 billion annually, seems to lie at the core of our overall imbalance with the world at large. In striving to meet this problem, it is our policy to develop new markets wherever they can be found. It would be improvident on our part, however, to expect to achieve surpluses with overseas areas sufficient to offset this heavy imbalance with the United States. It would appear, therefore, that the only lasting solution to our external-payments dilemma lies in the direction of expanding our disproportionately small share of the North American market for manufactured products. To realize this objective in a constructive manner will mean that the traditional exchange of resource materials for manufactured products must give way to a larger two-way trade within the area of manufacturing itself - at least to the extent necessary to give financial viability to the Canadian economy and at the same time satisfy our legitimate aspirations toward industrial maturity.

I do not ignore the fact that Canada has been able to finance its current-account deficit through capital inflows, most of which in recent years have come from the United States. This investment we value highly. Canada will continue to be a hospitable home for foreign investment. But we wish to reduce the undue exposure of the economy to reliance on such financing. This is both because of what can happen (as it has happened) if, for one reason or another, the flow is interrupted, and because excessive increases in foreign debt may pile up too heavy a claim on the future earnings of the economy. To put it more simply, we are determined to keep our current-account deficit and its financing within sound limits. This means that, amongst other things, we must try to improve our trade position with the United States.

I hope that, as we move forward, there will be a greater willingness of American manufacturers to allow Canadians a real chance to compete in their market. This will mean not only a disposition to see U.S. trade barriers effectively reduced but also a disposition on the part of U.S. parent companies to encourage their Canadian subsidiaries to develop markets in the United States. We recognize that, in return, the impact of our own barriers to trade must be diminished. Our two governments will be

working together in this direction in support of a successful "Kennedy round", to which we in Canada attach the highest importance...

**MULTIPLE CANADA - U.S. CONTACTS**

Given the peculiarly intimate links and contacts between our two countries and their peoples in almost every form of activity, it is natural that the way in which we conduct our relations should be unique. At the governmental level, the diplomatic contacts are, of course, highly important and the volume of day-to-day exchanges between our respective embassies is enormous. But these exchanges are supplemented by a whole series of other arrangements, ranging from meetings of officials on particular subjects through joint boards and commissions up to summit meetings of the President and Prime Minister.

A few years ago our countries took the unprecedented step of forming a joint Ministerial Committee on Trade and Economic Affairs. Its more or less regular meetings have constituted an invaluable forum for high-level consultation between the two countries. There is a Joint Parliamentary Committee composed of members of the U.S. Senate and Houses and Canadian Senators and Members of the House of Commons. These bodies do not take binding decisions or enact laws. They exchange views. They seek to improve understanding and encourage the two governments to do those things that are in the interest of both countries.

We are now jointly examining the adequacy of the arrangements that have been developed for consultation. When President Johnson and Prime Minister Pearson met last January, they discussed the practicability and desirability of working out acceptable principles which would make it easier to avoid divergencies in economic and other policies of interest to each other. Since then a distinguished American, Mr. Livingston Merchant, and a distinguished Canadian, Mr. Arnold Heeney, have been appointed to study our relationships and to fulfill this mandate....

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**CREATING NEW CULTURAL BONDS**

Next month, 30 senior French-speaking students, scholars, researchers, lecturers and artists from France, Belgium and Switzerland become the first recipients of new Canadian Government scholarships and fellowships designed to do for French-speaking countries what the Commonwealth Scholarship Scheme has done for English-speaking ones.

A total of \$250,000 has been earmarked for the fiscal year 1964-65 by the Canadian Government for the new exchange programme, which was initiated by the Department of External Affairs and for which the Canada Council has agreed to serve as the administrative agency.

Canada hopes in time to extend the programme to other countries that are entirely or partly of French expression when they can provide some measure of reciprocity.

In addition to the scholarships, the plan also includes a programme of cultural relations seeking to promote Canada's performing and visual arts in French-language countries.

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