

Naturally, this worries us because of the effect it might have on our political development as a separate independent state. It would worry us even more if our media of communications or our financial institutions were owned or controlled outside our borders.

While our anxiety in Canada on these matters is natural, we should not (and I assure you the present Government will not) permit this anxiety to express itself in policies that are unfair to our neighbour. We shall take steps, when required, to encourage greater Canadian control and ownership of Canadian resources and production. But we can, and must, do this not by punishing or by unfairly discriminating against foreign investors but by sensible policies to encourage our own.

Among the many things that Canadians and Americans share at the present time are difficulties in our balances of international payments.

In essence, as I understand it, the heart of your balance-of-payments problem is that American private investors have been trying to invest abroad rather more than your country can currently afford, and this has resulted in a drain of your gold reserves. Accordingly, in his Message to Congress of February 10, your President launched a campaign designed to moderate the outward flow of your private foreign investment.

The Canadian Government will always wish to co-operate, to the maximum possible extent, in measures designed to strengthen your economic and financial position, for our fortunes depend heavily on yours. Thus, when the President, shortly before delivering his message, sought assurance from us that our policies were being and would be directed towards limiting any excessive capital inflows from your country to ours, the Canadian Government was glad to give such assurance promptly. Our Minister of Finance then held talks with certain Canadian institutions that had been accumulating funds in your market. And, earlier this week, officials of our Government were in Washington discussing the effects of your programme on financial movements between our two countries.

In this connection, the basic nature of Canada-U.S. economic and financial relationships bears repetition and re-emphasis. It is sometimes suggested that, because Canadian borrowings in New York are often large, Canada must, therefore, be a source of financial weakness to your country. This is, in fact, very far from the truth.

The underlying strength of your dollar - and this is true of any currency - comes from your sales abroad of your goods and services. There is no country in which you make larger sales than in Canada. Indeed, in each of the past ten years your sales of goods and services to us have exceeded your purchases from us by more than a billion Canadian dollars. Canadians run an enormous annual current-account deficit with you.

And how do we finance this deficit? In part, by raising capital in your financial markets. But our net borrowings in this country have never, in recent years, been enough to pay our outstanding bills here. So we pay the rest from the net proceeds of our earnings and borrowings in markets overseas.