



CANADA

STATEMENTS AND SPEECHES

INFORMATION DIVISION

DEPARTMENT OF EXTERNAL AFFAIRS

OTTAWA - CANADA

No. 66/4

CANADA-U.S. FINANCIAL RELATIONS

Statement to the House of Commons on
January 27, 1966, by the Honourable
Mitchell Sharp, Minister of Finance.

Honourable members will recall that for more than a decade Canada has been spending more abroad than it has been earning abroad. The deficit has been as high as \$1.5 billion in 1959. In 1963 and 1964 it was down to about half a billion dollars. In 1965 it got up to about \$1 billion and during the present year it will probably be a little more.

At times of prosperity like the present, when our own resources are almost fully employed, this current-account deficit and the import of capital which accompanies it enables us to grow and develop more rapidly than would otherwise have been the case. We are, of course, able to have these continuing substantial deficits only because we are able to finance them.

Where is this capital to come from? Only from the United States can we expect to raise private long-term capital in the quantities that are required to finance this substantial and continuing excess of current international payments over current international receipts. Neither the volume of saving disposed toward foreign investment nor the organization of the capital markets is great enough in Europe or elsewhere to supply more than a modest fraction of our requirements. We are fortunate that, for a variety of reasons, Canada enjoys the confidence of American investors. It is that confidence which enables us to invest and to grow at the high rates that we desire, and indeed expect, while also maintaining a high standard of consumption.

There are differences of view whether it is desirable that we should incur such substantial current-account deficits year after year and import capital on the scale that we do. One point, however, is obvious - namely, that it makes more sense to incur deficits and import such large sums of capital at a time when we are working close to potential and growing rapidly, as is now the case, than it was, say, in 1959, when there was a high rate of unemployment. I have already mentioned the figure for 1959,