

*Supply—Trade and Commerce*

expansion and compares what he calls international expansion with what has happened in the years prior to 1958. He refers then to the world recession from which we are nationally recovering and expanding. In his statement he has made it quite clear that in this recovery which we must all hope will be the foundation for expansion, nevertheless our dependence on international developments is as great as it ever has been. We cannot escape that particular hostage which we in this country have given to fortune. In that dependence on international conditions it is clearer than ever that our economic and trade relationship with the United States plays a most vital part. If this country has ever been economically dependent on the United States and United States conditions—and of course it has always been dependent to some extent—I suggest that dependence now—and I think the figures will show this, notwithstanding the varied nature of our international trade—is perhaps greater than it has been at any other time.

I do not know how we will escape this. I am not asking at this stage whether it is desirable or not to escape it, but I know that the minister and his colleagues in former years pointed out in no uncertain terms and with great vehemence the danger to Canada because of this economic dependence. It was a danger to Canada's political and national development generally because of the undue importance of our commercial and trade relationships with one country, a country so close to us in every way as is the United States.

We now have all the detailed information concerning the Canadian balance of international payments for the first quarter of 1959, and the minister has made reference to it in his statement. That information reveals that while there are forces of recovery at work, as I have mentioned, there are also weak points in the economy. There are some dangers and difficulties ahead, and just as the minister has emphasized the bright side of the picture, it is our right and our duty to point out some of the difficulties and dangers which, if they are not met and dealt with in so far as any national government can do so, will impede and hinder these forces of recovery which are at work.

A dominion bureau of statistics publication of June 18, 1959, the *Daily Bulletin* of that date, gives some indication of the nature of these difficulties and dangers, and what I mean when I talk about the serious side of the economic situation. Here are some of the headlines from that particular bulletin for the first quarter of 1959. We had during that quarter a current deficit of \$450 million in

goods and services with other countries, compared with \$282 million and \$427 million, respectively, for the first quarters of 1958 and 1957. Indeed, Mr. Chairman, the current deficit is the highest in our history for this particular period of the year. I recall what my hon. friends opposite used to say about deficits of this kind and the threat that they involved to our economy and stability.

During this period there was a rise of nine per cent in the value of merchandise imports, to which the minister has given his own interpretation, which along with a slight drop, a very slight drop, in the export total had the effect of producing a trade deficit of \$188 million in the first quarter of 1959, compared with \$63 million deficit in 1958. It is just about three times the deficit for the same period last year. The deficit from non-merchandise transactions continued to rise and reached \$262 million, compared with \$219 million in 1958, \$201 million in 1957, and \$176 million in 1956.

The current account deficit with the United States—and we used to hear so much about the danger to this country from increasing deficits with the United States—rose from \$320 million in 1958 to \$428 million in 1959; but at the same time the surplus with the United Kingdom continued at about \$12 million. This deficit was compensated, as indeed it had been compensated in the past when it occurred, by a net movement of foreign capital into Canada, the main supplier being the United States of America. We have been informed more than once in the past of the difficulties which involve our country in this type of influx of capital to such a great extent from one source, the United States of America.

Mr. Chairman, last year I recall the minister making quite a virtue out of the fact that the deficit with the United States had been reduced. We pointed out to the minister at that time that indeed that was the case, but it was the case because the imports had gone down faster than the exports, and that was not the right way to reduce a deficit. Nevertheless the minister felt that was an encouraging feature in the situation, the reduction of the deficit. This year the minister admits, of course, that the deficit with the United States has increased, but he gets a different kind of encouragement out of that. The minister says that it is due to the fact that business expansion has developed and we are importing more than we used to from the United States, and if the deficit has increased it is encouraging because of the nature of the increase. In other words, it is impossible to make the minister anything but