

both taking a larger share of Canada's total exports and supplying a higher proportion of this country's imports. The gain in exports has boosted Canada's favourable commodity trade balance with Britain from about \$169 million for the first ten months of 1957 to \$281 million for this period in 1960.

"The improvement in Canada's trade with the United Kingdom has taken place on a fairly broad front. A comparison of exports in the first ten months of 1957 and of 1960 shows major gains in sales of non-ferrous metals and products, up \$66 million; of wood, wood products and paper, up \$31 million; of agricultural and vegetable products, up \$27 million; and of iron and steel items, up \$26 million; smaller but important increases are indicated for sales of animal and animal products, up \$11 million; chemicals, up \$6 million; textiles and products, up \$3 million, etc.

U.S. ECONOMIC POLICY

"The problem of United States disposal of agricultural surpluses, for example, has been reduced to more manageable proportions through closer attention by the United States to the interests of Canada and other suppliers. Still greater co-operation between the United States and other principal world suppliers will be required to keep it so.

"Never before has the United States offered to negotiate significant reductions over such a broad range of tariff items, and the forward-looking policy of the United States in the reduction of barriers to international trade must be acknowledged.

"The problem of a persistent large deficit on current account in our balance of payments with the United States continues to overshadow all others and has for several years.

"The time is past when Canadians could expect the deficit to be offset by surpluses earned elsewhere. Canada must expand its exports to the United States, reduce the demand on national earnings from non-resident investment and resolve the conflict between non-resident corporate interests and the national interest.

PROBLEM OF U.S. SUBSIDIARIES

"The phenomenal growth in the past five years of European exports to the United States must be set against the more modest increase of about 29 per cent for Canadian exports. It has been contended that some manufacturing Canadian subsidiary plants have not pressed for exports in consonance with the corporate policy of their parent organizations. Whether that view is justified or not, Canadian subsidiaries should examine their policies in the light of their responsibility to the citizens of Canada and to do everything within their power to build up their export trade.

"For some years past, officials of the Department of Trade and Commerce have encouraged Canadian subsidiaries to seek greater

freedom to export directly from Canada and to develop their separate export management. In certain instances Canadian subsidiaries have succeeded in securing from their parent organizations the right to serve world markets with their own specific products. Top-level management of parent companies in the United States should recognize that export business is necessary for the success of their Canadian operations. The result would be increased employment, greater economy of operation within Canadian industry, increased stature of Canadian management within these international business organizations, and a significant contribution to the redress of our balance of payments problem.

"Regional arrangements, customs unions and free-trade areas have emerged as a feature of the post-war period in Europe and Latin America. Regionalism ought to be but a stepping-stone to a wider form of co-operation.

"A common plateau of widened opportunities for international commerce is the goal towards which all countries should move. The expansion of world trade, and through it the strengthening of the free world, must be the aim of all trading nations.

CANADA AND COMMON MARKET

"The Common Market is Canada's third most important export outlet. The six-member countries are moving rapidly towards the integration of their economies and their trade with third countries has grown substantially in the last year. Canada's exports to 'The Six' in the first nine months of 1960 were almost 37 per cent higher than in the corresponding period of 1959.

"Eighty per cent of our exports to the Common Market consist of agricultural products and industrial base materials, although sales of certain manufactured goods have increased following the gradual removal of restrictions on dollar imports. The future pattern and volume of our trade will depend to a considerable extent on the eventual level of the Common Tariff on 'The Six', on measures applied to agricultural imports and on the advantages granted to the overseas territories of the Common Market.

"As the final Common Tariff is implemented over the coming years, adjustments will have to be made and these may be serious for some particular products. On the other hand, the Common Market is one of the world's largest markets, with a population of some 170 million and with highly favourable prospects for economic growth. Access for Canadian trade in the Common Market must be improved during the general round of tariff negotiations which begin next year and, in the meantime, our sales efforts in this area must be redoubled.

MAJOR TEST

"With these developments Canada thus faces a major test in the United Kingdom and in