

to the particular circumstances of our economic and trade structure. We have made it clear to our trading partners that Canada is an active and full participant in these negotiations and that we propose to give full value in return for all concessions received. Our objective is to obtain improved access to foreign markets so as to benefit all sectors of the Canadian economy and therefore to encourage economic growth. We shall be bargaining hard but not reluctantly.

...The "Kennedy round" is concerned mainly with the reduction of trade barriers between the countries of the free world. The time is also ripe, it seems to me, for seeking means of facilitating trade in peaceful goods between Communist countries and countries of the free world.

EAST-WEST TRADE RELATIONS

My second suggestion, therefore, is that Canada should be working for better trade relations between East and West. We are already large exporters of grain not only behind the Iron Curtain but also behind the Bamboo Curtain in Communist China. During the crop year just ended, the Soviet Union was in fact Canada's largest wheat market. We also have most-favoured-nation treaties with all the Communist countries we recognize except Roumania and Albania.

I do not underestimate the difficulties and problems of working out better trading relations between Communist countries and market economies like our own but I believe that it is in the political as well as the economic interest of the free world to make a serious effort in that direction.

AID TO DEVELOPING COUNTRIES

My third suggestion is that Canada should be active in its support of the developing countries of the world, both by aid and by trade.

During the last decade, many new nations have come into existence. Few things are of greater long-term importance than the ferment of change that is at work in Asia, Africa and Latin America. In those vast areas, nations both ancient and new are conscious of their potential and determined to see it fulfilled. The development of their economies depends not only on foreign aid and investment but, even more, on the expansion of world markets and the freeing of channels of trade, both for their primary commodities and for the products of their newly-established industries.

This year Canada is stepping up its external aid — by about 50 per cent. I believe that the quality of our aid is also improving as we and the recipient countries gain experience. Personally, I hope that we shall do even better in the future in both quantity and quality of our aid to the under-developed world. It is our responsibility as well as our privilege to do what we can to reduce the growing gap in living standards between them and us.

FAIR CHANCE FOR NEW COUNTRIES

In respect of trade, too, we have our responsibilities towards the developing countries. I believe that our chief responsibility and the chief responsibility of other industrialized countries like ourselves is not to give developing countries a trade preference, as has been suggested at the recent United Nations Conference, but to give them a fair break in our

markets so that they can dispose of the products our assistance is helping them to produce. To do otherwise doesn't make sense.

And my final suggestion...is that, if we are to take advantage of the increasing opportunities presented to us as a nation, we must constantly strive to improve our productive capacity on a competitive basis.

At one time we considered ourselves essentially as exporters of staple commodities, and seven products — wheat, newsprint, lumber, woodpulp, nickel, aluminum and iron ore — still account for almost 50 per cent of our merchandise exports.

And yet, in recent years, I am happy to say, we have made considerable progress in broadening this traditional range by developing export orders for increasing quantities of manufactured goods, including such sophisticated and complex manufactures as electronic equipment, transport aircraft and nuclear-power stations. It is in this direction that we must continue to move. And the experience of our manufacturers in the markets of the world to date is evidence that we can still do much better than we have yet done.

BALANCE-OF-PAYMENTS PROBLEM

Our trade has been growing at a quite remarkable rate, the proportion of our manufactured exports has been steadily rising, and our markets have been broadening. Yet there still remains a serious problem. In recent years Canada has experienced chronic balance-of-payment difficulties. This problem has arisen from an imbalance in our current account — a failure to earn enough abroad to meet our current spending and debt-servicing obligations. The shortfall has been, over the past decade, about a billion dollars a year.

Last year, I am pleased to say, our current-account deficit was reduced considerably — to a level of slightly over half a billion dollars, compared to \$848 million in 1962. The principal reason for this achievement was the sharp rise in merchandise exports, which reached an all-time peak of \$7 billion last year, ten percent higher than in 1962.

Export gains were widespread over many commodity areas. Exports of most of our major industrial materials, as well as agricultural and primary products, continued to expand — in particular, lumber, woodpulp, iron ore, aluminum, and, of course, wheat. Primary products such as these have always bulked large in Canada's external trade, and even now primary and processed resource products account for five-sixths of our exports.

CONTRIBUTION OF MANUFACTURERS

What was particularly encouraging to my Department, however, was the performance of our manufacturers in contributing to our export earnings. Manufactured exports have always been a vital part of Canada's foreign trade, although at times they have made up less than ten per cent of total exports. In recent years, however, our manufacturing industries have become much more export conscious and manufactured exports have increased significantly. Last year they rose by 16 per cent and embraced a wide range of products such as industrial machinery, electronic

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