

imports; to her we sell approximately 18 per cent of our exports. The Canadian economy has to a dangerous degree been made vulnerable to sudden changes in the economic climate of the United States and trading policy at Washington.

Another serious weakness in Canada's trading position is our heavy imbalance in commodity trade. Last year Canada incurred a deficit of \$848 million in her commodity trade with the world. This was due entirely to a huge imbalance in our commodity trade with the United States. Last year Canada purchased \$4,167 million worth of goods from the United States but the United States purchased from Canada only \$2,819 million worth of goods. Thus, on commodity trade with the United States, Canada incurred a deficit of \$1,348 million. It is true that part of this amount represented the import of capital goods into Canada and that these will swell Canadian production. This fact, however, cannot hide a chronic condition of imbalance of trading between these two countries with the selling advantage resting always with the United States.

I have spoken of commodity trade. If one looks at the entire current account the situation is even worse. In 1956, on current account transactions, Canada incurred a deficit of \$1,640 million with the United States. The prospect for 1957 is for an even larger deficit for Canada. In the first six months of 1957, Canada's current account deficit with the United States amounted to \$1,003 million.

Canada is by far the best customer of the United States. Last year the United States sold to Canada approximately the same amount as it sold to all Western Continental Europe; more than it sold to all Latin America combined; nearly double what it sold to the whole sterling area, including the United Kingdom. I would not argue that trade could or should be balanced bilaterally; indeed, Canada itself has always had substantial surpluses in its trade with some countries and deficits in its trade with others. I do contend, however, that, in the face of the large advantages which the United States derives from its trade with Canada, the United States has a special responsibility not to damage Canadian export opportunities and to adopt an understanding attitude in cases where Canadian policies touch particular United States interests adversely.

I would argue, furthermore, that the United States ought to modify policies which impede Canadian sales to the United States. Canada's purchases from the United States to a considerable measure comprise finished manufactured goods. The nature of the United States tariff, however, not unlike others, is such as to discourage the importation of finished products. Much of the total of Canada's sales to the United States consists of raw industrial materials. While we Canadians are glad to have a market in the United States for much of our surplus production of industrial raw materials, we are not content merely to dig these materials out of our soil for export to other countries to be fabricated there