

Can destrolly to they her way in the world without in ACANAPade position in sucomotive products has all nine further into debt, a commodity rade sufficient from a near before in certain interwar years CANADIAN WEEKLY BULLETIN A formidable task by any standard over time, and beyond our tame, and beyond our tame,

INFORMATION DIVISION . DEPARTMENT OF EXTERNAL AFFAIRS . OTTAWA, CANADA

(C.W. B. September 18, 1963)

Of the work specialized kinds, and the control of	Because of the limited size of the demostre market; 1.8963, 18 redmetgel on of Canada's ample natural resources has involved the production of a secure of the following secure of the full of resource products have always comprised the full of Canada's expens and even today account for five-
Balancing Canada's Trade Budget	Security Transactions 4 Dr. Roller Joins Forestry 5 Duder to ICAO 5 Wheat for U.S.S.R. 5 June Labour Income 5
Has has not tent pace with our growing requirements for many types of warm estured goods. It seems claim therefore, that any premanent solution to Canada's foreign belancerof payments problems must lie in the direction sol a further substantial broadening and	broadched. A considerable proportion of Canada's one sent export total represents items such as iron one, retrologin, natural ras and granium, which have come into prominence only during the last 10 or 15 years it was development of these major new times of production, along with large or major new times of production, along with large or major new times.

ole, patroleum, natural gas and eranium, which Lave come into prominence only during the last 10 or 15 years it was development of these major new lines of production, along with large TRART TRANK BALANCING CANADA'S TRADE BUDGET

"Canadians tend to take for granted the im-portance of trade in their lives", the Minister of Trade and Commerce, Mr. Mitchell Sharp, told the Fifth Annual Meeting of the International Claim Association in Montreal on September 9.

While the proportion of the U.S. national product tepresented by exports was only about five per cent, Mr. Sharp pointed out, the Canadian proportion was 20 per cent. The economy of Canada, except for the "industrial heartland" (the Great Lakes and the St. Lawrence valley), was based on industries producing largely for export. In such a country as Canada a far higher level of production was required than the domestic market alone would justify. "For these reasons", he observed, "foreign trade has a deeper and more personal significance for most Canadians than for Americans".

IMBALANCE OF PAYMENTS

The Minister turned next to the Canadian trade deficit. This imbalance, he explained, was not, like the U.S. deficit, caused by the "outflow of funds reflected in the loss of gold" but by the failure of Canada's earnings abroad to keep pace with its foreign spending. The "external-earnings gap" had come about, however, less from overspending than from under-use of the country's productive resources. The solution posed lay, therefore, Mr. Sharp suggested, "in the direction of expansion rather than containment". He went on to describe as follows the kind of expansion he had in mind:

"... Canada's present run of current-account deficits began in the mid Fifties - when the rapid pace of development then under way brought about an unusually sharp upsurge in imports. This adverse balance rose to an all-time high of more than 11/2 billion in 1959 and it was in the neighbourhood of \$850 million in 1962. Following several years of adverse balances, Canada's merchandise-trade account with the world as a whole showed surpluses in 1961 and 1962 and there is evidence of further significant, even striking, improvement this year.

DEFICIT OUTSTRIPS RESOURCE DE VEHOEMENTS

"The hard core of the problem, therefore, lies in the area of non-merchandise transactions, where the position has shifted from a near balance in the late 1940's to a deficit now running at about \$1 billion. Of the major areas encompassed in the non-merchandise account, tourism is the only one which appears to offer scope for any early and significant improvement. The deficit on tourism has already declined from its recent high and the achievement of no worse - and I hope better - than an even balance appears as a reasonable prospect for the years ahead. On the other hand, net payments for interest and dividends and for business services, which together account for four-fifths of the \$1-billion non-merchandise deficit, give every indication of further increases and are not, in fact, susceptible to reduction except in the long run. It seems evident, therefore, that for some considerable time Canada's non-merchandise deficit, even in the most favourable circumstances, is not apt to fall much below the \$1-billion mark.

(Over)