

foreign competition faced by many secondary manufacturers and other producers operating on relatively narrow profit margins.

On balance, a further moderate increase in Canada's exports can be expected in 1971. At the same time, there is likely to be renewed growth in Canadian imports given the recovery anticipated for domestic demand in the period ahead. While continuation of the unprecedented Canadian merchandise-trade balance of 1970 cannot be expected, the export surplus will probably remain large by historical standards.

The total impact of these demand factors will give new momentum to the Canadian economy in 1971, which in turn should provide a substantial boost to employment opportunities.

A major aim of Government programs and policies is to achieve a sound and sustainable rate of economic growth for Canada with all Canadians sharing in the benefits so derived. It is important that this objective should not be frustrated or denied as a result of our failure to check inflationary trends in costs and prices. While the rate of rise in prices has been substantially reduced, it is clear that our overall cost performance is still far from satisfactory. It is essential to persist in our efforts to meet one of the major economic challenges of our times -- namely, how to achieve and sustain our full growth potential without inflationary strain.

S/A