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we have shipped to you more goods than we have purchased from you, and, considering the nature of our exports as compared with yours, it is unlikely that a balance could ever be struck. Not that we seek a bilateral balance as such, but, in endeavouring to reduce the gap, it seems to us that we must both think of our mutual trade, not so much in terms of direct trade between Canada and the United Kingdom, but rather as between the Western Hemisphere, on the one hand, and the United Kingdom, your colonial empire, and other Commonwealth countries on the other hand.

"In the period from 1935 to 1939, Canada drew from the sterling area, including the United Kingdom, some 29% of our total import requirements. In 1947, this figure had dropped to 14%, rising in 1948 to 19%. The overall improvement that I have mentioned came about through an increase of 4% in goods from the United Kingdom, and only an increase of 1% in goods from the rest of the sterling area. In other words, the increase in the volume of goods we received from the sterling area, outside the United Kingdom, was disappointingly small.

"Our problem is to narrow the gap of some £75 million to £100 million in our trade with the sterling area; a gap that is today covered by the temporary expedient of special grants and loans. As the great bulk of the world's trade is still in primary foodstuffs and raw materials, and as this class of goods represents the major part of our exports to you, I think you will agree that it is unrealistic to hope that you can make up the difference by the expansion of our sales to us of manufactured goods alone. The Canadian market holds no less potential for primary materials from your colonial areas, than from manufactured products from the United Kingdom itself. I suggest that it can only be by an expansion of such trade with the Western Hemisphere that there can be any real hope of the sterling area being able to balance its accounts with the dollar area, except by continuing a policy of restriction.

"Therefore, I hope that this same drive for exports to Canada, and to the dollar area, from colonial and other Commonwealth areas, will be made comparable with the drive for exports of the United Kingdom itself. I realize that supply shortages, and divergent price levels, are obstacles in this field, but should the Canadian market be left to other suppliers until the period of shortages has passed, present opportunities may be lost for all time....

"At present, we find in every civilized country an endeavour to work out some modification of the free price system by which peaks and valleys may be ironed out--some plan by which level of employment may be maintained, coupled with a measure of stability to the primary producer. This objective is a development in the process of democracy in an increasingly complex world, and as such has much to

commend it. However, great care must be taken in the use of whatever device is employed, be it bulk contract, floor price programs, pool arrangements, protection from outside competition by direct licence, or otherwise, to ensure that there is no undue influence on prices that may prejudice established and sound international trading relationships.

"There is an inevitable tendency, for countries that, through circumstances, cannot for the present permit unlimited imports from dollar countries, to trade among themselves, thereby building up a high cost area with which others can trade only with difficulty, or in the extreme, not at all. It must be acknowledged that there are situations in which goods must be supplied without much regard to what is received in exchange. In these circumstances, anything received in payment is of value, irrespective of the apparent price. The danger is that these justifiable cases may set a pattern of international trade by which little or no consideration is given to the matter of cost, or economic efficiency....

"It is perhaps useful to remind ourselves that the exchange of goods across the Atlantic takes on a new and deeper significance now that the North Atlantic Pact has been signed. In that Pact, we, and the other North Atlantic powers, have given each other a pledge--a pledge in which prosperity and peace are linked together...."

TIGHTEN NARCOTIC CONTROL: Cultivation of the opium poppy is prohibited in Canada, and anyone found guilty of an offence of this nature will be subjected to severe penalties.

This warning was issued here on May 4 by officers of the narcotic control division of the Department of National Health and Welfare who said that Canadian-grown opium poppies represent a possible source of supply of this dangerous drug. "The dangers of drug addiction are so great and the results so disastrous that every possible source of illegal supply will be sought out and eliminated," they stated.

Cultivation of the opium poppy is not uncommon in certain parts of southwestern Ontario and on the prairies, it was pointed out, as the poppy seeds are used as a flavoring or spice in certain central European foods.

Cultivation or production of any type of opium poppy has been against the law in Canada since 1938.

Officials of the National Health Department pointed out that the Opium and Narcotic Drug Act provides for the strict control of narcotics of all kinds imported and used in Canada and that Canada has responsibilities under international agreements to curb the illegal production and use of drugs. The Opium and Narcotic Drug Act provides for both prison terms and fines for violations of it, up to a maximum of seven years in prison, \$1,000 in fines and, at the judge's discretion, whipping.