

PRODUCTION AND SALESMANSHIP

High levels of demand in Canada bring greater pressure toward external imbalance. As already indicated, the deficit on current transactions with other countries has risen sharply in 1965. A sustained tempo of business activity in 1966 is likely to bring a further strong rise in imports. To meet this continuing pressure on our exchange position, we must make the most of opportunities available to us in both foreign and domestic markets. Efforts to increase production and improve competitiveness must go hand-in-hand with all-out sales efforts. In these circumstances the outcome of present negotiations to improve access to foreign markets continues to be of utmost importance.

In the face of the traditional tendency for sustained and high levels of growth in Canada to bring a larger external deficit, it will require intensified efforts to improve export performance and domestic productivity if greater imbalance in our exchange of goods and services with the rest of the world is to be avoided.

In Canada's rapidly expanding economy, reliance on foreign resources is still necessary to take advantage of sound opportunities for expansion and development. At the same time, it is clear that foreign capital is not automatically available in unlimited quantities to meet all needs. Increasingly, Canadians should aim to finance their development from their own savings, and to bring their spending more closely into line with Canada's own productive capabilities. In this way, Canada's reliance on foreign borrowing can be kept within reasonable proportions.

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EMBARGO ON OIL TO RHODESIA

The Prime Minister announced on December 20 the decision of the Canadian Government to place an embargo on the export of oil and oil products from Canada to Rhodesia. This measure is pursuant to resolution of November 20 of the United Nations Security Council recommending the severance of economic ties with Rhodesia and referring specifically to an oil embargo. Canada does not usually export oil and oil products to Rhodesia. The ban is, therefore, primarily designed to prevent any future shipments that might result from oil embargo measures carried out by other countries and, in particular, from the British ban announced on December 17.

EARLIER FORMS OF EMBARGO

The new embargo follows consultations with Prime Minister Wilson on December 19 and other Canadian measures taken against the illegal régime in Salisbury since its unilateral declaration of independence of November 11, 1965, which was not recognized by the Canadian Government. These measures include an arms embargo, the withdrawal of the preferential tariff on Rhodesian imports, an embargo on over 90 per cent of Canada's imports from Rhodesia (on the basis of the 1964 figures) and the withdrawal of export credits and export-credit insurance facilities from Canadian exports to Rhodesia. These steps are

the result of the Canadian Government's strong support for economic measures recommended by the Security Council, and are designed to bring the illegal situation in Rhodesia to an early end. In the view of the Canadian Government, the present Rhodesian crisis is adversely affecting the Commonwealth, race relations and stability in Africa and Western relations with Africa. The Government considers that this situation should, in the interest of the people of Rhodesia, be swiftly brought to an end by economic means.

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CANADA-U.S. TARIFFS

An agreement was signed in Washington on December 17 regarding United States tariff concessions on Canadian goods under the revised U.S. tariff schedules that became effective August 31, 1963. The agreement provides for the rebinding of U.S. concessions previously negotiated with Canada under the General Agreement on Tariffs and Trade and also for reductions in U.S. tariffs on a range of products that accounted for Canadian exports worth approximately \$32 million to the United States in 1964.

EXPORTS AFFECTED

On items covering over \$20-million worth of Canadian exports in 1964, the agreement provides for reductions of up to 50 per cent in the present rates of the U.S. tariff. These reductions are to be implemented over a four-year period beginning January 1, 1966. Canadian exports to the U.S. in 1964 of the main items benefiting from these cuts were aircraft and parts, \$3.2 million (non-military); building boards, \$2.7 million; vehicles such as house trailers and utility trailers, \$2.5 million; metal structures e.g. buildings and transmission towers, \$1.8 million; air conditioners and parts, \$1.7 million; certain machinery parts e.g. pulleys, blocks, clutches, universal joints, chain sprockets, \$1.5 million; tape, cocks, valves, \$0.9 million; radio, television and phonograph combinations, \$0.9 million; game machines e.g. hockey games, \$0.8 million. Further concessions of interest to Canada may result from similar negotiations between the United States and other GATT countries.

MACHINERY AND VEHICLE PARTS

The agreement also covers reductions in the U.S. tariff on a further estimated \$12-million worth of Canadian exports. These concessions have already been implemented as a result of U.S. legislation enacted in October 1965. These include the restoration of free entry for a number of agricultural machinery parts and of the 8.5 per cent rate for certain motor vehicle replacement parts. Original motor vehicle equipment already enters duty free under the automotive programme. Most of the reductions resulting from this legislation were made retroactive to August 31, 1963. Refund claims must be filed with the U.S. collector of customs before February 5, 1966.

It was indicated in the announcement of this agreement that these concessions should significantly ease the difficulties created for Canadian export