

One of the most important results of the Montreal Conference for Canadian exporters was that it gave an impetus to the relaxation of dollar import controls. The United Kingdom announced the elimination of restrictions on a number of items important to Canadian exporters, and at the same time invited colonial authorities to adopt similar measures. Since that time, restrictions on dollar imports have been relaxed by British Guiana, Nigeria, the West Indies and a number of other territories.

These are measures of considerable importance to Canada. As the only Commonwealth country in the dollar area, Canada has felt the impact of the sterling area's dollar shortage, and the consequent restrictions on dollar imports have in many cases cancelled out the benefits to Canada of Commonwealth tariff preferences. The recent removal of import licensing on dollar goods by the Australian Government was, therefore, most welcome, and I have also been greatly encouraged by the recent announcement at the meeting of Commonwealth finance and economic ministers that the United Kingdom has renewed its pledge to remove the remaining barriers against dollar area exports as soon as possible.

At the end of 1958 the United Kingdom and a number of major European trading countries announced that their currencies would henceforth be externally convertible. As a result, Canadian exporters are now able to sell anywhere in the world and accept payment in sterling or certain European currencies with the full assurance that they can convert such currencies freely into dollars. This is an important development and a welcome one; its implications for the future are perhaps of even greater significance. The move to external convertibility in effect removed any reason for the maintenance of import restrictions on dollar goods. Although there will no doubt be a time lag before the logic of this situation is everywhere translated into practice, I am happy to say that some European countries have already almost entirely eliminated their import restrictions on dollar goods, and I am confident that other countries will take an early opportunity to follow this example.

Canada's direct trade and investment relations with the United States are matters of immense importance to our whole economy. I cannot do more than touch on them briefly at this time. The recently published figures for the first six months of 1959 have aroused some concern at the continuing size of our deficit on merchandise account with the United States. For this period our trade deficit with the United States is \$415 million, compared with \$384 million in the first six months of 1958. The change is largely the reflection of the rapid development of our economy in 1959, and the consequent demand for United States imports. The deficit for the same period in 1957 was \$706 million, and in 1956 it was \$690 million, so that the figure I have given (\$415 million for the first six months of this year) must be compared with the earlier