

increased more than twice as much as exports to that country, leaving a merchandise deficit for 1956 of about 1.2 billion dollars. Adding to this amount net payments for interest, dividends and other invisible items gives an overall negative balance on current transactions of close to 1 1/3 billion dollars.

Much of this deficit has been incurred to purchase investment goods needed for expansion in industries destined to produce for the United States market or for new capacity which will replace imports from that country. Fulfilment of these expansion plans should therefore help to close the trade gap. Nevertheless, insofar as the Canadian economy is likely to go on expanding, import requirements will remain heavy and may continue to out-run exports for a long time to come.

The purchase of a larger share of these expanding import requirements from overseas sources would help to strengthen the external positions of overseas countries and, in so doing, would buttress Canada's overseas markets. Since the United States does not suffer from balance of payments difficulties a reduction in Canada's surplus with overseas countries at the expense of a deficit with the United States should have no adverse effects on markets in the United States. Moreover, such a course of action, by strengthening the weaker partners in the Western trading orbit, would lend firmness to the trading structure of the whole Western World to the advantage of all members of this partnership.

In earlier post-war years the purchase of more goods from overseas sources was sometimes hindered because of supply difficulties. The Brief of your Association, submitted prior to the Mont Tremblant meetings, drew attention to the shortcomings of some British suppliers with respect to both delivery and follow-up servicing. These, admittedly, are serious limitations but might reasonably be expected to diminish over time. In fact since 1952 the rise in overall output in the United Kingdom is roughly comparable to that in both the United States and Canada. This rise in U.K. production levels, which has been most pronounced in export industries, may well remove the major obstacle to greater participation in the North American import market.

The improved supply position of British export commodities has already been reflected in sales to Canada. Since the beginning of 1956 imports from the United Kingdom have been increasing at about the same rate as total imports. In other words Britain's share in Canada's import market is no longer declining. It is important that the maximum effort be made to achieve further progress in this direction.

It is with these general considerations in mind that arrangements have been made in recent talks between Canadian and United Kingdom Ministers to have a Canadian trade delegation visit the United Kingdom later this year. This mission will have as its fundamental and ultimate purpose the promotion of two-way trade between the two countries. However, since any significant increase in British purchases from Canada is dependent to such a degree upon the strengthening of Britain's external financial position,