

policies, there is reason to hope that the worst of the sterling restrictions on Canadian trade will soon be over. Canada's trade today is in a strong and healthy position, with growing world demand for the goods this country produces.

On the domestic front, investment is continuing to boom and is expected to reach an all-time high of \$3.7 billion this year. If realized, this programme will be eight per cent greater than last year. In production, too, new peacetime records are being made in such important industrial fields as steel, cement, lumber, construction, and electric power. The development of Canada's newly discovered resources is continuing to make history. I have just come here from Edmonton where I was present at the opening of the inter-provincial pipe line which, when completed and in use, will make it possible to supply half of Canada's oil requirements from domestic sources. Already the use of Canadian oil is having a favourable effect on our balance of payments position. But we have only made a beginning in the oil picture and more can be achieved, particularly when Alberta oil reaches the West Coast.

As a result of all these favourable forces and with an increased defence programme, national production should be around \$17 billion, or \$1 billion more than last year. Canada has never been more prosperous. We now have a larger supply of goods and services than ever before and the capacity to produce still more.

Against such a background, I feel there is every reason to believe that we can manage our increased preparedness programme and still leave substantial resources free for civilian use. Although the programme as now envisaged means a doubling in our defence expenditures, it will involve only a relatively small proportion of Canada's total capacity and output. Allowing for some increase in requirements from abroad, our preparedness efforts, including foreign demand, are likely to be less than ten per-cent of our national production in the next year.

In saying this, I do not wish to give the impression that we have no problems on our hands. While there is no immediate need for overall controls, the armament programme is already affecting the supply of certain strategic defence materials. Export controls on non-ferrous metals, nylon, and certain chemicals, have recently been added to such critical items as steel, which, of course, is of prime importance. Although few in number, these basic materials, because of their strategic implications, must receive our closest attention. There will also be some stresses and strains on individual sectors of the economy which will require government intervention in the interests of national security and welfare. These will be dealt with as they appear and the Government has the standby legislation to issue directives should the need for such action arise.

The record, of which I have given but a brief outline, speaks for itself. It does not include panic measures; it does not propose an overall programme of economic controls. We are getting ahead with the job and, as the situation stands at present, we have the machinery