

relations with Great Britain. It means for us membership in a free association whose members are scattered over five continents.

The other main external influence on Canada comes, of course, from the United States, with which country our economic and cultural ties are growing daily stronger. There is now a very different balance of power situation to what there was during the adolescent period of Canada's growth. We now have two giants among nations - the United States and the Soviet Union. One of these has much more productive capacity than the other. In fact, taking any of the factors commonly used to test economic strength, the United States represents about one-half of the world economy. The development of the productive resources of that country is changing the very basis upon which our own economy has developed. The United States has ceased to be self-contained in respect of many raw materials. They are now looking for convenient sources of supply outside their own borders. To what country could they more conveniently turn than to Canada? What other nation would not envy our position as a country possessed of great resources alongside of the most highly developed industrial nation? Even in respect to foodstuffs North America no longer has some of the surpluses that once played an important part in international trade. We have seen that, in recent years of full employment, the meat supply of North America has been barely sufficient for continental needs.

This change in the complexity of the world economy is having one unfortunate result for Canada. A much larger proportion of our exports is now composed of raw materials and foodstuffs. This does not mean, however, that we have become hewers of wood and drawers of water, because in a period of dynamic growth the terms of trade favour those in possession of the raw materials and foodstuffs which are growing relatively scarcer. Moreover, we have a highly developed manufacturing industry of our own which obviates the need for us to import from other countries a large share of the consumer and capital goods we require. I have often compared our position to that of Sweden, a country whose exports are similar in kind to those of Canada and a country which also has a highly developed manufacturing industry. Yet the Swedish standard of living is the highest of any country in Europe.

Nevertheless, we would all feel happier if manufactured goods, such as those which are produced in abundance in your great city, were contributing a larger proportion to our export trade. We would also feel happier if so large a proportion of our total exports were not going to the United States. Therefore, we have a vital interest in co-operating with the United Kingdom, the United States and the other leading countries in bringing about more satisfactory arrangements for the exchange of goods between nations. This is something to which I am confident international attention will be directed in the very near future.

In our relations with the United States we have had the good fortune to develop day-to-day working arrangements which are quite remarkable in smoothing out the difficulties which inevitably arise between neighbours. These arrangements are represented by the International Joint Commission, which settles boundary questions, and the Permanent Joint Board on Defence, which is concerned with matters arising out of our common responsibility for continental defence. The records of achievement of these two bodies are unique in the history of international relations.

Of course, when we compliment ourselves on our close ties with the United States we should not think that our relations are completely unruffled. We occasionally have our neighbourly spats but, like all people who genuinely want to get along together and who see alike on the fundamental issues, we manage by talking