Since the Korean war there has been an apparently insatiable demand with generally high prices for nickel and aluminium and more recently copper. Nor is this all; when agricultural markets began to sag off a few years ago we began to enjoy the first fruits of some of our long-period resource development. From a few million dollars a year, iron ore exports have grown to over $100 million. In spite of the exceptional rise in oil consumption in Canada, the prairie discoveries have enabled us to hold fuel imports at a level only a little over 1950 levels, and at the same time provide exports -- which were negligible before 1955 -- at a current rate of over $100 million per annum. And uranium production is only on the verge of assuming important proportions.

Our rising current account deficits are therefore wholly due to a greater rise in imports than in exports. Our imports are running 70 per cent higher than in 1950, with practically all the increase due to increased volume rather than price. The basic cause of the rise in imports is the intensity of demand for investment and other purposes. The physical limits of productive capacity are quickly reached in a small and relatively new economy, and when this happens the whole weight of demand is thrown on external sources.

The principal increases in our imports can be directly traced to the investment boom. A commodity classification of imports by purpose which has recently become available shows that between the first half of 1955 and the first half of 1956, when our total imports went up by almost 30 per cent, imports of investment goods rose by as much as 43 per cent while consumer goods were up only 18 per cent. This distribution of imports is gratifying, of course, because it means that the bulk of the large increase in imports has gone to broaden the structure of the Canadian economy and provide for increased output in the future.

I would now like to comment briefly on the other side of the medal, i.e. the financial counterpart to these deficits, our net capital imports. There is an unavoidable tendency to think of the balance of payments in personal terms. If a person runs a deficit and goes into debt presumably he has arranged for this in advance or has to scrounge up cash along the route. At all events, he has to make some formal provision for his indebtedness. The balance of payments in a free economy like the Canadian has no such planned programme. It is the aggregate of individual decisions independently arrived at day by day. The net capital borrowings which accompany a current account deficit occur side by side with the current transactions.

In the case of Canada a very large share of the capital inflow takes the form of direct investment. Since 1950 this has amounted to over $2,300 million or about two thirds of the total net long-term inflow. Direct investment is not a debt settling operation, but a dynamic independent development. The initiative is taken abroad rather than in Canada, and it often carries with it skill, technical know-how, market connections and access to the very large pools of money required to finance major projects under modern conditions. Capital investment of this type frequently takes the form of imports of capital equipment, machinery, etc., to be used in a Canadian project. Direct investment should therefore be regarded, in a sense, as a cause of the current account deficit rather than as a means of covering it.