

community structure and future land use with auxiliary plans providing for anticipated traffic, water and utility needs and services.

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BALANCE OF PAYMENTS

High levels of exports in the third quarter contributed to an unusually large surplus from merchandise transactions. Although the deficit from non-merchandise was also larger, the current-account surplus in the quarter, usually a period of strength, rose to \$128 million compared to \$36 million a year earlier. Non-merchandise payments included greatly enlarged contributions of official aid, which also influenced the level of exports.

After adjustment for seasonal factors which are unfavourable in the second quarter but favourable in the third, the current-account deficit widened from \$233 million to \$256 million at quarterly rates. Capital movements in long-term forms produced a sizable surplus, though recurring elements tended to be smaller than usual. There were large outflows of capital in short-term forms, and official monetary assets fell. Disputes in the transportation industry in Canada and elsewhere, both in the third and preceding quarters, influenced many of these items in a variety of ways.

At \$616 million, Canada's deficit for the first three quarters of 1966 on transactions in current goods and services with other countries was \$103 million, or roughly 14 percent lower than the total of \$719 million for the same period in 1965. The nine-month total for 1966 was considerably higher than the deficits of \$278 million and \$409 million for the first three quarters of 1964 and 1963, respectively, but lower than in the years immediately preceding. The narrowing in the current-account deficit in 1966 was wholly attributable to the expansion in the merchandise trade surplus, as the deficit on non-merchandise transactions widened. The favourable development resulted from an improvement in Canada's current surplus with other countries, which was over twice the magnitude of the combined deterioration in the balances with the United States and Britain.

MERCHANDISE TRADE

The surplus on merchandise trade for the first three quarters of 1966 of \$336 million was about 3 1/2 times as large as \$95 million for the same period in 1965. Merchandise exports (adjusted for balance-of-payments use) gained \$1,203 million, or 19 per cent, from \$6,280 million to \$7,483 million. The expansion in merchandise imports was smaller: \$962 million, or 15.5 per cent, from \$6,185 million to \$7,147 million in the nine months of 1966.

Of the rise in merchandise exports of \$1,203 million, about \$215 million, or 18 per cent, was

attributable to shipments of wheat. Increases in excess of \$150 million arose from the Russian account; and shipments to Mainland China and to India (under the bilateral food-aid programme) were larger, respectively, by roughly \$64 million and \$48 million. Decreases in wheat exports to certain other Eastern European countries exceeded \$30 million.

An increase of a further \$350 million, approximately, originated in exports of motor vehicles and parts. Substantial gains of roughly \$200 million took place in shipments of non-ferrous metals (notably copper) and non-metallic minerals including crude petroleum and asbestos. Exports of pulp, newsprint and paper products were about \$100-million larger in the nine months of 1966, with newsprint accounting for almost three-quarters of this gain. Shipments, on the other hand, of iron ores, uranium, softwood lumber and aircraft were down in varying degrees.

On the basis of incomplete detailed tabulation of commodity details, in the neighbourhood of 70 per cent of the rise of \$962 million in the imports was ascribable to manufactured commodities. Of this increase, transportation and communication equipment accounted for well over \$300 million, with motor vehicles and parts accounting for a preponderant share of this rise. Imports of machinery increased well over \$150 million. The balance of the addition was distributed over a wide range of commodities; but decreases were recorded in imports of iron ores and scrap, fabricated steel materials, and crude petroleum.

The average price of commodity imports was about 1.5 percent higher in the three quarters of 1966, but the average export prices were well over 3.5 percent higher. Increases were larger in each of the quarters, with the rise exceeding 4 per cent in the September quarter.

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A WORLD-WIDE APPROACH TO FREER TRADE

(Continued from P. 2)

the degree to which our manufactures gain improved access to that market.

I have no doubt either that one of the main gains from the new approach that I have suggested will be reduction in trade barriers between North American countries and particularly between Canada and the United States.

I prefer the wider approach rather than an exclusive North American arrangement because I believe it is more compatible with Canada's continued political independence, and because I believe that in dollars-and-cents terms the results could be better...

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