

Canadian manufactured goods are competitive in quality with those of most countries and where we can sell in reasonable volume many Canadian industries find that they can produce at competitive costs. It is a fundamental element of our commercial policy to continue to press for the right to compete in every part of the world.

The redirection which has taken place in exports is not matched on the whole by an equivalent redirection of imports. At present we are buying about 67 per cent of our imports from the United States as compared with 62 per cent just before the war. The reverse is, of course, also true. We are now buying about 33 per cent from the United Kingdom and other overseas countries as compared with 38 per cent before the war. We should gladly accept a larger proportion of our needed imports from overseas countries whenever they can be made available for us in larger quantities and in types suitable to our markets.

These shifts in the direction of Canadian exports and imports have helped solve the general balance of payments problem which faced Canada in the years immediately after the Second World War. We all remember the conditions with which we were confronted in those days. We had an urgent need of goods. We were unable to obtain them in sufficient quantity from any other country than the United States. Large proportions of our exports were going overseas. In these circumstances, we were forced to establish heavy deficits with the United States and draw down the large reserves which had been built up earlier. In the face of the non-convertibility of dollars and sterling it was apparent that Canada was required to achieve approximate balances in its accounts with its main trading partners. Otherwise we should have had recurrent excessive trade deficits with the United States. We sought to achieve a closer balance in our individual accounts with the help of import controls and the encouraging of imports from overseas. This policy of the Canadian Government was successful. Last year our trade deficit with the United States was only \$47 million, reduced from \$378 million in 1949. Similarly we had a surplus with the whole sterling area of only \$27 million last year, reduced from \$514 million in 1949. However, as we all know, this year we are running a much increased deficit with the United States and I will make reference to this in a few moments.

The Canadian Government is not satisfied with the present trade balance with the sterling area. We want to achieve balances at a high level of trade, and not to continue at the low levels which presently prevail with the sterling area. The balance which has been obtained with the sterling area is due much more to their restricting of imports from Canada than to their increasing of exports to this country. We have stressed with the British authorities, just as we have stressed with all other overseas countries, that we want to increase our imports from them. In recent months the difficulties surrounding the increasing of these imports have been intensified by the conflicting demands of rearmament, particularly in Britain. Even in these circumstances, however, we believe that the sterling countries can strengthen their own position in many ways be increased trade with Canada in both directions.