

Projects of this magnitude, on top of those which are already under way will do much to maintain activity in the months and years ahead....

"During the past fiscal year, defence procurement has amounted to nearly six per cent of the gross national product, and the present level is likely to be maintained for the immediate future. Four programmes - aircraft, shipbuilding, electronics and construction - make up about three-quarters of the total activity in this field....

"When the Government, at the beginning of 1953, made a survey for its own internal use of trade prospects, the conclusion was reached that there would probably be some decline in exports below the levels of 1952 and quite a considerable increase in imports....

#### CONFIDENCE IN CANADA

"On the whole, things have turned out pretty well as was expected. The surplus in our balance of payments on current account in 1952 has been converted into a deficit, without, I might add, any weakening in the Canadian dollar, which now stands at a premium of well over two per cent. The fact that the exchange rate has remained strong is, I suggest evidence that confidence in Canada has not been at all impaired by the change in the current account position from a surplus to a deficit. It is not unusual for a country in Canada's position - prosperous and building up its productive capacity at a rapid rate - to experience a moderate deficit on current account, financed by a net import of capital.

"Exports during the first nine months of 1953 were about 3 per cent lower in value than in 1952 but when allowance is made for the lower average prices being realized for Canadian exports, the actual volume of exports is very little, if any, short of the record established in 1952. Exports during the months of May, June and July were in fact greater in both volume and value than the corresponding months of 1952.

"The renewed efforts by dollar-short countries to achieve balance in dollar trade had the expected effects. As examples: Canadian exports to Commonwealth countries during the first nine months of 1953 were 13 per cent below the same months of 1952; exports to Brazil, which is in the midst of an acute exchange crisis, fell by 50 per cent.

"On the other hand, our exports were pretty well maintained or continued to rise to overseas countries in which Canadian goods were less subject to discriminatory restrictions, or which are largely dependent upon imports of food and basic raw materials. I refer to such countries as Germany and Japan which have become two of our best customers; Venezuela, one of the richest of the Latin American markets; the Netherlands, to which in the first nine months of this year we exported goods valued at \$32 million compared with \$26 million in

the same period of 1952; and Belgium and Luxembourg, which ranks fifth among Canada's export markets.

"In 1952 there was a shift in Canada's export trade towards overseas countries. This year there has been a shift in the opposite direction. During the first nine months of 1953 the United States took 59 per cent of our exports, as against 53 per cent in the same period of 1952. It is the policy of the Government to sell Canadian goods throughout the free world. That is why we are always working towards the removal of trade restrictions. But if we cannot sell our goods in one place we must try to sell them in another. I am not concerned by the very substantial increase in exports to the United States. On the contrary, I have instructed my Department and Canadian Trade Commissioners in the United States to do everything possible to promote sales of Canadian goods in that market....

#### IMPENDING DEVELOPMENTS

"The next several months may bring important developments in the field of international economic relations. Basic questions of policy are now being re-examined in the United States, in the United Kingdom and in other major trading countries. We are hopeful that the conclusions and decisions to be reached will make possible some real and effective progress towards the goals of convertibility of currencies and freer trade.

"In the United States, an important commission has been appointed to study all aspects of foreign economic policy. I am sure that the purposes and objectives of the United States in the broad field of world trade are fundamentally akin to our own and that the constructive leadership that the United States has provided since the end of the war will be strengthened and re-affirmed. The decisions of the United States Government in this matter are bound to be of crucial importance to the future of world trade. They will be of particularly vital and direct concern to Canada, as the United States' major and closest trading partner.

"In the meantime, there have been encouraging signs that many other countries are prepared in their own interests to move ahead as far as possible with policies that will bring freedom of trade and convertibility of currencies nearer.

"These are all signs pointing to the kind of trading world we have been striving and working for these last several years. I wish to express the Canadian Government's gratification at the courageous and foresighted moves taken thus far by several countries in the face of many uncertainties. It is becoming increasingly clear to many countries that import restrictions in themselves are no solution to the exchange difficulties that have so hampered trade in the postwar world. Indeed, I think that a cause and effect relationship is