

*Supply—Trade and Commerce*

Despite the somewhat mixed trends now evident among different categories of exports, underlying influences are encouraging. Rising production levels in the principal industrial nations should lead to a general upswing in world trade. While existing surpluses and restrictive measures affecting individual commodities may, for a time, limit the movement of certain goods, Canadian export industries generally are in a favourable position to benefit from further general strengthening in world markets.

Meanwhile steady expansion in the Canadian economy has resulted in increased imports which so far this year have been running eight per cent higher than a year ago. More imports, coupled with slightly less exports, have resulted in a deficit on merchandise trade larger than a year ago although still below that of 1957. This growth in the trade deficit is a natural consequence of Canada being in the forefront of the world economic advance and in these circumstances is not a reflection of weakness.

Looking at shifts in the geographic pattern of Canada's trade so far this year, it is noteworthy that sales to the United States have been increasing. On the other hand, the increase in Canada's imports has been shared by all major trading areas. This means that the regional balances in Canada's trade have continued to move in such a way as to benefit overseas trading areas.

This broad look at conditions in both foreign and domestic markets suggests generally bright prospects for the Canadian economy. As the year goes on the expansion in business activity now under way should be supplemented by strengthening demands from abroad and rising investment domestically. We have as yet to experience the full force of the current economic expansion.

I wish now to report on the main developments that have taken place since the beginning of the year in the field of commercial policy and in Canada's trade relations with other countries. As indicated in the annual report of the department the broad initiatives that were taken at the commonwealth trade and economic conference at Montreal, looking toward freer trade and payments, are being actively followed up in other international forums. Reference is made in the report to the decisions taken at the end of the year establishing the external convertibility of sterling and of other major trading currencies. These steps are of particular significance and create a new situation in world trade.

Canada, in concert with many other countries, is giving high priority to ensuring that the full logic of convertibility is translated as soon as possible into concrete trade

results through the removal of discrimination and through further progress in the dismantling of import restrictions generally. There now exists a unique opportunity for the restoration of a truly multilateral system of trade and payments which would be of direct benefit to Canada and to the world trading community as a whole.

In reviewing our trade relations with commonwealth countries, the steps taken in recent months by the United Kingdom, Australia and other countries to dismantle import restrictions are of particular interest. We warmly welcome these measures. We have reason to expect that, in line with policy objectives pursued by the commonwealth, there will be further substantial progress made in this direction in the course of the year, and these moves will provide increased opportunities for Canadian exporters in commonwealth markets. The new trade agreement between Canada and Australia, which has been the subject of negotiations in recent months, should provide a framework for expanded trade between our two countries. Arrangements are now being made for the formal conclusion of this trade agreement and I hope soon to be in a position to report to the house on this matter. Preparations are now under way for a review of our trade relations with the West Indies Federation and it is our intention to proceed at the earliest opportunity with trade discussions looking toward further strengthening our traditionally close association with that area.

I turn now to the United States. The meetings of the joint Canada-United States cabinet committee on trade and economic affairs, which took place in January of this year, provided us with a valuable opportunity to review with our United States colleagues many matters of mutual concern and interest. I feel sure that as a result of these discussions closer understanding and good will have been developed between Canada and the United States. The subsequent decision of the United States to exempt Canadian oil from restrictions is a recognition of the importance of Canada's economic and industrial development to the well being and security of both our countries. No solution has, however, as yet been found for the problems created for Canada by the maintenance of United States restrictions on imports of lead and zinc. We continue to be seriously concerned about these restrictions, which place an unfair burden on Canadian producers. We have made our views on this matter perfectly clear to the United States on various occasions and have urged them to remove these unjustified restrictions.