The supply of essential materials in the free world improved so much during 1953 that it was possible to abandon all Canadian domestic controls on their use. The International Materials Conference, of which Canada was a member, disbanded all its commodity committees by the end of September. This meant that Canada no longer needed to control any materials in order to ensure adequate supplies. On the domestic front, defence industries were able to obtain all their requirements. It was, however, necessary to maintain a small group in the Department of Defence Production to deal with controls, partly to assist Canadian defence contractors to meet difficulties over supply from domestic sources, and partly because controls were still in effect in the United States at the end of the year. Canadian firms, which require materials from the United States under the Defense Materials System, are still assisted by the Department in obtaining their requirements. The arrangements are similar to those which operated formerly with regard to Canada's requirements under the U.S. Controlled Materials Plan.

Procurement between Canada and the United States continued to be an important factor in purchasing by the Department of Defence Production, although the Department was less dependent on U.S. sources than before. Mutual procurement was carried out under the joint "Statement of Principles for Economic Co-operation", which was signed by Canada and the United States on October 26, 1950. In October 1953, joint discussions were held in Washington with the Secretary of the Treasury, the Secretary of Commerce, the Director of Defense Mobilization, and the Deputy Secretary for Defense. At that time, various aspects of defence production problems were discussed, and the Statement of Principles was reaffirmed.

Foreign Trade

A number of developments in the world market situation have had an important bearing on Canada's trade position in 1953. World supplies of basic materials have eased somewhat and prices for some items have been lower than in 1952. International markets have, on the whole, become more competitive. At the same time a further expansion of employment and income levels in the United States has provided a growing market in that country for foreign goods. Output trends in the greater part of the non-dollar trading world have been fairly stable but with some notable exceptions, such as Germany and Japan, where significant increases have occurred. While discriminatory import regulations have continued in effect in most of these countries, important steps have been taken in some countries toward a lessening of these restrictions and in the case of South Africa they have been completely removed. Hard currency reserves of non-dollar countries, taken as a whole, have shown a further increase during the year but this has been accompanied by a continuing shift to non-dollar sources of supply. Some Latin-American countries have experienced intensified exchange difficulties which have had an adverse effect on Canada's exports.

Our exports in 1953 have been running very moderately below those of the previous year. With prices slightly lower, export volume is relatively unchanged.

The value of exports to the United States is up by about six per cent on the basis of figures for the first 10 months. Commodities showing increases include aluminum, copper, lumber, newsprint, barley and pork products. Even