

As our country grows, the interdependence of the various regions is bound to increase. The fact that there are five basic areas — Atlantic, Quebec, Ontario, the Prairie Provinces and British Columbia, plus the North — all growing in strength — can be a cohesive and enriching influence in a maturing nation, so long as there is strong co-ordination and a real desire for nationhood. A strong Canada means strength for all parts of the nation....

NATIONAL ECONOMY

The state of our national economy gives every reason for confidence as we look into 1966. We have just completed our fifth straight year of solid advance. Real output rose last year by more than 6 per cent. This exceeds the rates of growth achieved by the United States and the principal countries of Western Europe. In recent months, unemployment has been reduced to less than 3½ per cent of the labour force — the lowest level since 1956.

All the indicators point to the continuation of a strong economic trend in the year ahead. The international economic climate is reinforced by sustained advance in the United States economy and the promise of stronger growth in some important overseas markets. Generally favourable prospects in foreign markets, coupled with large wheat contracts should give new impetus to export sales. On the domestic front, a further large increase in capital spending, particularly by the business community, is in prospect. Rising incomes will contribute to sustained buoyancy of consumer demand.

PRODUCTIVITY THE KEY-NOTE

These growing demands will entail continuing pressure on productive facilities in many sectors of the economy with consequent vulnerability to inflationary strains. These growing demands will entail mounting pressure on productive facilities in many sectors of the economy. To achieve continuing growth without undue inflationary strain, we must strive for the best possible application of manpower and other productive resources. Productivity should be the key-note.

In the past year a substantial increase in imports has helped to relieve demand pressures and to avoid shortages and excessive price increases. At the same time, the much sharper rise in imports than in exports has greatly reduced our surplus on merchandise trade. This reduction in our trade balance, together with a moderate rise in net payments on invisible items, has increased the deficit on total current transactions from \$433 million in 1964 to something approximating \$1 billion in 1965. This deficit has been financed by borrowings, largely from the United States....

The state of our balance on trading account is, of course, a composite of all the export and import transactions of companies and individuals throughout our country. For some firms, purchases of foreign goods far exceed their export sales while for others the reverse is true. These differences flow, to a considerable extent, from the nature of our economy and resources. What we must aim for, however, is to reduce and reverse negative balances and increase positive balances wherever possible through greater

efficiency. Every firm and every individual can help to increase productivity and improve our competitive position, thus making a contribution to a better balance in our current account.

With such great and genuine concern by Canadians about the fact that so much of our commerce and industry is carried on by companies controlled from abroad, it is particularly important that each company enlist the co-operation of its parent in this effort. Only in this way can the collective result, that shows up as the nation's trade deficit, be improved. Many companies have performed in an exemplary way but we still have a long way to go in our national efforts to bring Canada's current account deficit within more manageable limits on a continuing basis.

BOOST FOR EXPORTS

In my new capacity, I shall do everything possible to support Canadian producers in their efforts to improve their export performance. In the near future, I plan to visit our trade commissioners in Europe and to review at first hand, with our delegation in Geneva, the prospects for lowering trade barriers in the "Kennedy round" negotiations. While in Paris, I want to call on the International Bureau for Exhibitions to tell them how pleased and honoured we are to have Expo '67 in Canada. Recently, I have spent considerable time on this project reviewing progress and visiting the site. It will be the biggest exhibition of its type ever staged anywhere in the world. In addition to stimulating our trade, it will reflect to the world the best in Canadian achievement. Money spent on Expo '67 will be a good investment for Canada. I invite your interest and participation.

I regard it as imperative that Canada, as a major trading nation, should take full advantage of this opportunity to open up new outlets for our exports. I understand that, in spite of recent uncertainties, there are grounds for being more optimistic about the prospects for the "Kennedy round" negotiations. At present, it appears that the bargaining will be actively and intensively joined in the spring, with a view to completing the negotiations before the middle of 1967.

TRADE WITH COMMUNIST COUNTRIES

Increasing attention is being given to the development of our trading relations with the Soviet Union, the Eastern European countries and Communist China. There are now bilateral trade agreements with a number of these countries which have laid the basis for a substantial increase in our sales to them. They have provided a major market for Canadian wheat. Notwithstanding the special difficulties of developing trade with the state-trading countries, there should, over a time, be a significant potential for trade with these countries on an increasingly diversified basis.

It is premature to speculate at this stage on what may lie beyond the "Kennedy round". It is clear, however, that as we move forward in the freeing of channels of trade, the issues become increasingly complex and difficult. It will take all our ingenuity and that of our trading partners to