

It is not necessary to tell this audience that Canadians have in recent years been buying from the United States a good deal more than they have been selling. In 1956 and 1957, our commodity trade deficit with the United States was running at over \$1 billion a year. Last year this deficit declined to \$750 million, a figure which still gives us much cause for concern. The reduced trading deficit last year resulted from a lower rate of Canadian imports from the United States, and not from a higher rate of exports. Thus it does not bring us much closer to a genuine and lasting solution of the problem. I am sure that Americans, like ourselves, would prefer to see their trade balanced at a higher level rather than a lower one. The existence of this trade deficit is a challenge to Canadian exporters, but their success in responding to it depends largely on obtaining freer access to the American market.

Colleagues and Competitors in World Trade

Canadians and Americans are competitors, not only in their domestic markets, but also in the markets of the world. As major trading nations, Canada and the United States frequently have similar interests and objectives. We would both like to see the European Common Market and the proposed Free Trade Area developed in an outward-looking rather than a restrictive way. We both have a big stake in the maintenance of the multilateral trading system and the progress of efforts to reduce trade barriers. We in Canada are particularly conscious of the crucial importance of U.S. leadership and initiative in this field. However, there are some matters on which as competitors in the world market, we do not always see eye to eye. In spite of the diversification of our trade in recent years, wheat still provides about 8 per cent of our total export earnings. It is not surprising therefore that we have taken exception to the use of the huge financial resources of the U.S. treasury to find markets for and to subsidize exports of American wheat and flour in markets where we are a traditional supplier. We are not financially strong enough to use the selling methods employed by the United States. Besides, we feel that exporting a large part of one's output on concessional terms for a considerable period of time is bound to undermine the market. Over the long run it is of little advantage to the U.S. to reduce its own wheat surplus, if the net effect is simply to add to ours. The ultimate success of U.S. surplus disposal policies therefore depends partly on the avoidance of any disruptive effects on the traditional markets of Canada and other producing nations.

U.S. Subsidiaries

There is another situation where Canadians feel the cards are sometimes stacked against them in their competition with U.S. producers for world markets. Some of our strongest