

by the last quarter of 1953. From then until October 1954, exports to the United States have remained below the levels of a year before. Much of the decrease was accounted for by lower sales of base metals. Although construction activity in the United States continued unabated, Canadian lumber exports to that country also declined for a while, reflecting lower prices. On the other hand, the trend of pulp and paper sales in the United States market has remained firm. With the current firming in the general economic situation and the recent improvement in the base metal market, it is quite possible that the retarding effect of the United States recession on Canadian trade has about run its course.

Intensified international competition among manufacturers is a third factor which has tended to reduce certain types of Canadian exports. As recently as 1952, defence requirements were absorbing much of the industrial capacity of western nations, and in these circumstances Canadian manufacturers were obtaining sizeable orders from abroad. The release from defence orders of industrial capacity in the United States, together with continued expansion in overseas countries, have greatly increased the world supply of secondary manufactured goods. The resulting competitive pressure has increased the difficulties of Canadian exporters of manufactured goods, such as automobiles and industrial equipment.

Meanwhile a more favourable influence has entered the Canadian trade picture in the form of a substantial increase in the overseas demand for raw and processed materials from Canada. During much of 1954, larger Canadian exports of materials were offset in the trade figures by lower sales of wheat. With wheat orders recently improving, the effects of this increased demand for materials should soon become more apparent. This strengthening in overseas demand for Canadian products is the result of several related developments.

Most basic, perhaps, is the marked increase during the past two years in production levels in Europe and Asia, which has been accompanied by a continuing rise in the hard currency reserves of the non-dollar area. These circumstances have permitted a general relaxation of restrictions against imports of dollar goods. The United Kingdom has removed discriminatory restrictions against nearly all bulk materials, such as grains, wood products, and metals, which are of primary importance to Canada. There has been some expansion in the United Kingdom market for such Canadian agricultural and food products as tobacco, salmon, and apples. This move towards relaxation of import controls has been accompanied by similar developments in both European and overseas Commonwealth countries. South Africa and Belgium have been added to the list of countries which have effectively ceased to discriminate against dollar imports. Following last year's Commonwealth meetings, both Australia and New Zealand have increased their allocations for the purchase of goods from the dollar area. The increased exports resulting from these developments cover a fairly wide range of Canadian products, including limited quantities of manufactured goods.