

which we have given in recent years to market potentialities in mainland China has now paid off in large new orders for wheat and barley. The development of advanced types of aircraft by the Canadian industry should pay off this year in substantially higher aircraft exports. A new national oil policy calls for more rapid growth in this highly productive industry, and is expected to infuse fresh initiative into the development of export markets. The orderly development of new outlets, has provided the basis for a continuing growth in exports of natural gas. A substantial addition to iron-ore producing capacity brings with it new export outlets, which should help to offset the temporary ill effects of economic adjustments in the United States and overseas....

"There have been growing expressions of anxiety in recent months that Canada is being forced steadily but surely into unwilling isolation from a large and dynamic sector of the world trading community. The rapid progress of the European trading communities and Japan, and the depth to which some of them have penetrated our domestic market, at the expense of Canadian suppliers, have stimulated these fears. Moreover, the development in Africa and South America of alternative sources of supply for raw materials, which will be available at lower prices has prompted uneasiness regarding the future expansion of our exports of these commodities.

**NO CAUSE FOR ANXIETY**

"I do not share these anxieties. Last year, our export shipments to the EEC countries reached \$436 million, as compared to \$315 million in 1959, a gain of almost 40 per cent. Likewise, in the same period, our exports to the United Kingdom increased by 16 per cent, and to Japan by 27 per cent. It would appear, therefore, that the stimulus to trade and economic activity which the arrangements in Europe have brought about is opening up new and important opportunities for Canadian exports. Moreover, West Germany has just revalued her currency upward by 5 per cent. This will tend to increase her export prices while providing our exports with a greater advantage in the German market.

"As you know, Parliament has just ratified an international agreement confirming our participation in the Organization for Economic Co-operation and Development, in which we will share full membership along with the countries of Western Europe and the United States. We have thus taken an important step toward more active economic partnership with Europe. Nothing could be further from a trend toward economic isolation!

"For some time, wages and prices in Europe and Japan have been rising at a more rapid pace than those in North America. What is more, this trend is likely to continue while these countries enjoy record economic expansion, followed by sharp improvements in living

standards. These factors should progressively improve our competitive position in export markets relative to these overseas competitors. When they are combined with our own spontaneous export trade offensive, our future trading opportunities appear much more optimistic.

"Nor do I foresee any immediate threat to our exports of raw material from lower-cost producers. Recent political unrest in Africa, for example, makes investment in new sources of supply for raw materials in that area appear much less attractive in comparison with the stable and uninterrupted source which we in Canada can offer...."

**TO REAP THE REWARDS OF THE FUTURE**

Observing that the country's post-war investment programme has provided "a greatly expanded productive base" and that Canada possessed "great wealth in natural resources and a large and growing labour force," Mr. Roberts said that it would be necessary "to harness these forces efficiently if we are to grasp the rewards which the future holds out to us":

"...One promising avenue for increased use of domestic labour and capital lies in the field of international trade. By generating a more complete utilization of our available resources, an expansion of our exports can accelerate our rate of domestic growth. At the same time it will help to reduce our balance of payments deficit. Moreover, by expanding our trade, and particularly our exports, we can regain the impetus to our economy which capital investment provided earlier. Here then, is an outlet for, and a pay-off from, our great post-war capital expansion programme.

"A trend in this direction is already apparent as our exports begin to show greater strength than our imports. From mid-1956 to mid-1957 our merchandise trade deficit was just under \$900 million. In the calendar year 1959 it had fallen to less than \$400 million. Last year it was just over \$100 million. This striking reduction in our trade deficit reflects two situations which are conducive to greater confidence, first, a high rate of world economic activity, and second, the disappearance of the earlier domestic inflationary pressures and unsustainable capital expansion in Canada. The recent downward trend in the value of our dollar to a more realistic level can be expected to support further our exports while containing imports.

**ADVANTAGE OF TRADE SURPLUS**

"We have every right to expect a continued movement in the direction of a trade surplus, particularly once the current mild recession in the United States has been reversed. Its welcome appearance will help to finance our growing deficit on the non-merchandise items in our balance of payments, which was the condition that generally prevailed in Canada from