

control and inspection the U.S.S.R. merely contemplates occasional or periodic inspection rather than the meticulous continuous process which the other members believe to be essential for security.

There thus remains a very wide gap between the views of the U.S.S.R. supported by Poland and those of the rest of the Commission but I do not think that we should be unduly cast down on that account, and we should certainly not underestimate the value and the significance of the progress which has been made.

When the Commission began its sessions in June of 1946, now some eighteen months ago there was little to go on beyond a conviction that the dread potentialities of atomic war needed to be brought under effective international control. Since then the problem has been examined in its many intricacies and multitude of aspects. Gradually a consensus of opinion has formed and found expression until today ten nations out of twelve believe that they have found the right path forward. The circumstance that the other two nations on the Commission do not yet agree should not be regarded too seriously at this stage. As a matter of fact both these nations have made substantial contributions to the discussion. Certainly the representative of Poland has done so in a positive sense and at the least the U.S.S.R. has formed an anvil on which the rest of us have had an opportunity to forge and hammer out the conclusions we have now reached.

Up to date we have been more anxious that the U.S.S.R. should continue to be represented in the discussions and less concerned that they would at once agree to the majority proposals. I think I can claim that we have felt so convinced of the necessity for proper control and we are now so genuine in our belief as to how it must be brought about that we feel that something of this sincerity must find its way through to the people of Russia. It is a fact that no people would benefit more than they would from what we have proposed and so both on the grounds of benefit from the peaceful application as well as of security it is not too much to hope that eventually a way will be found to traverse the opposition of those who presently control the policy of the Soviet.

Meanwhile as I see the matter we and the whole world have everything to gain and nothing to lose by steadfastly pursuing the course which the Commission has mapped out for itself.

**WASHINGTON AIR ATTACHE:** Group Captain P.G. Baskerville, Ottawa has been appointed Air Attache to the Canadian Embassy in Washington, D.C. He replaces Group Captain H.M. Carscallen, DFC, of Ottawa and Hamilton, who has taken over as Director of Personnel Administration at Air Force Headquarters, Ottawa, after serving as Air Attache in Washington since last July.

## NEW TASKS FOR EXPORTERS

**OUR FOREIGN ECONOMIC POLICY:** The Minister of Finance, Mr. Douglas Abbott, addressing the Canadian Exporters Association, Montreal, Oct. 30, said that since the latter war years, Canada's foreign economic policy had been based on two fundamental propositions:

- (1) the restoration of a multilateral trading world on a sound and lasting basis.
- (2) an effective contribution to recovery and rehabilitation of the United Kingdom and Europe, without which multilateral trade could not possibly be restored.

The present dollar problem, Mr. Abbott went on later, is not a new problem for Canada. The gap between dollar exports and dollar imports has always been large but never so large as it is today. Experience has shown us that this feature in our economy makes us extremely vulnerable to international economic and political disturbances, particularly those which upset the mechanism of international payments. Moreover, the degree of vulnerability is directly related to the size of the gap that develops in our trade with individual countries.

The second factor which makes us extremely vulnerable to outside influences is our traditional dependence on exports of raw materials and foodstuffs. We all know that the demand for primary commodities as well as their prices are subject to wide fluctuations in the course of the business cycle. In spite of the rapid strides in industrialization during the past decades and particularly during the war, Canadian exports are today heavily in the vulnerable class. We must, I suggest, give more attention to the processing and fabrication in Canada of our natural products for exports. This is an essential feature of economic growth and progress towards maturity.

### IMMEDIATE OBJECTIVES

Our immediate objectives as exporters can, I think, be clearly and simply stated.

1. We must seek to narrow the gap in our trading accounts with dollar countries by exporting more goods to those countries.
2. We must seek to diversify our exports to the dollar countries by combining a greater proportion of processed and manufactured goods. In more concrete terms, because the United States has been and will remain a market for our goods which exceeds all others, these objectives can be restated more positively; "sell more goods, including processed and manufactured goods, in the U.S.A. markets".

I have indicated the broad objectives in skeleton form. You must add the details, the flesh, muscle and spirit to convert these objectives into reality. The tasks are not easy; there are many very real obstacles in the

way, some of which are almost entirely outside our control. But no one expects that a task of this kind would be simple. Of course there are difficulties, mainly in terms of the tariff structures of the countries to whom we must export. Ways and means must be found to overcome these difficulties. The present Canadian dollar problem is as much a danger to the stability of the U.S.A. economy as it is to ours. It is in the interest of both countries that measures to facilitate the further development of exports including manufactured goods be adopted, particularly where the raw material essential for such production is indigenous to our country and can be processed here to the mutual advantage of all concerned. I assure you no effort will be spared on the part of the government to work out mutually advantageous accords to encourage and facilitate this type of development which must and will come.

### EFFECT OF U.S. BRANCH PLANTS

A salient feature of the present-day manufacturing industry in Canada is the existence of several thousand branch plants and subsidiaries directly related to large parent firms in the United States. This development occurred mainly in those industries associated with the spectacular growth of modern mass production methods, concentrated in the last two or three decades. Their development occurred largely to take advantage of markets protected by substantial tariffs and perhaps even more so to penetrate the commonwealth markets made available by the system of Imperial Preferences. We are all familiar with the great benefits reaped by our country in terms of employment, income and living standards which accompanied this tremendous inflow of capital. What is not so well known, however, is that the branch plant system and the resultant heavy demand for imports from the United States, is intimately connected with the wide gap in our trade with that country. What I mean is this, there is a continual, heavy, one-way flow of parts, materials, machine tools, etc., to feed and service these branch plants, the products of which form a significant part of our exports not to the United States but to non-dollar countries. This uniformly one-way flow of trade was understandable and unavoidable in the early stages of development. These plants today however are lusty, strong and modern giants capable of competing anywhere in the world. By a process of specialization and by the application of right kind of initiative and salesmanship, these goods can be made to flow and must be made to flow both ways. This can be an important new source of exchange which will permit us to continue to buy the supplies we must have from the United States. In addition to providing dollars there are tremendous economies to be reaped from an extension of integration, and specialization which this process entails. To a large extent these arrangements will have to be worked out by individual firms within the framework of their special

circumstances and requirements. Too often when the question of exporting manufactured goods to the U.S.A. and other hard currency markets is put forward, the familiar objections and difficulties are raised. Large domestic markets, mass production techniques, U.S. customs procedure, the tariff structure of our own dollar countries are pointed to as insurmountable obstacles. I maintain that the basic competitive position of Canadian plants is sound. Our techniques of production, managerial skill, and skilled labour force compare favourably with the finest anywhere in the world. In isolated cases where this is not true, they must be made competitive. Where the obstacles consist of artificial barriers, such as tariffs, and customs practices, they must be modified. Where the obstacles are created by marketing practices and conventions within particular industries, they must be adapted to our present needs.

### CANADA'S DYNAMIC ECONOMY

Every Canadian is proud of the rapid growth and dynamic expansion which occurred in our country in the last several decades. But no Canadian would ever admit that we have shot our economic bolt; that we are now fully mature and developed. Canada's development is still in its early stages. We have grown some inches in height -- but there is substantial growing still to be done. Sir Wilfred Laurier once said that if the 19th century belonged to the U.S.A., the 20th century belonged to Canada. These are difficult times and no one can predict the future. But one thing is certain; Canada's economic strength will continue to grow. Nor is Canada alone in this field. There are vast areas of the world, in South America, in the Far East where the process of industrialization is only now commencing. Canada can participate in that growth. We have been spared the devastation of war and are richly endowed with resources. The world is looking to Canada to help in that growth.

**SUGAR RATIONING ENDS:** All rationing of sugar and edible molasses, in effect in Canada since July 1942, ended Nov. 3.

Price ceilings, states the Minister of Finance, Mr. Douglas Abbott, will be retained on both items but at the same time an increase of one cent per pound in the lawful maximum price of sugar has been authorized.

**HEADS ARMY MEDICAL SERVICES:** Col. W.L. Coke, Royal Canadian Army Medical Corps, has been appointed Director-General of Medical Services, Canadian Army, and promoted to the rank of brigadier.

**DISPOSAL OF ITALIAN COLONIES:** The Secretary of State for External Affairs announced Nov. 1 that in a letter dated October 20, 1947, the Canadian Government had been invited to express