With the increase in conventional rates of interest over the last two years, the situation has changed drastically. Conventional rates have increased considerably, while most governments held their export-financing rates at about their original levels, thus creating a rather wide discrepancy. The problem arose when some governments extended their export-financing facilities to developed countries. Canadian manufacturers have complained that they are sometimes denied the opportunity to bid on projects in Canada controlled or financed from abroad because financing arrangements require that all equipment be purchased in the financing country.

Britain has been the principal source of such export financing in Canada. Should the British practice be allowed to continue, other countries will be drawn into a credit race and this would have a serious adverse impact on Canadian interests.

Canada is the largest single importer of industrial machinery in the world. In 1968, our imports reached $24 billion, about 45 per cent of our domestic consumption. While our machinery-manufacturing industry has demonstrated some definite competitive strength in foreign markets, the domestic market is, nonetheless, very important to its future development.

Being a net importer of capital, Canada is hardly in a position to retaliate by itself embarking in a competitive credit race. On the other hand, we greatly depend on export markets of capital equipment to attain the scale of output necessary for an internationally-viable operation. It is also pointed out that a number of the projects which benefit from this low rate of financing, especially those in the slower growth areas of this country, would not be economically viable without such aid. That, then, is the predicament in which we find ourselves at the moment.

Textiles

...Textiles have been one of the most notable exceptions to the postwar pattern of trade liberalization on a multinational basis. For the past ten years, an International Textile Agreement provided a framework for the negotiation of export restraints on cotton products. While this approach has been adequate until now, it is no longer sufficient to deal with current Canadian problems.

The difficulty is mainly created by imports from low-cost countries. Most developed countries maintain strict restraints on textile imports from low-cost nations. Canada, however, has had a more liberal policy and the closing-off of major industrial markets resulted in significantly increased pressures on us. The system of negotiated restraints is becoming increasingly difficult to administer because many low-cost countries are reluctant to limit themselves. The delays needed to negotiate restraint agreements, the lack of suitable means in Canada to prevent overshipments and the problems associated with unilateral action further complicate the problem. Add also the important export interests we have in some of the textile-exporting countries -- e.g. Japan and Mexico -- and the favourable trade balances we have with them, include in your analysis the particular interests of our own textile workers and those of the domestic textile companies and you will begin to have a better idea of the tremendous complexities involved.