

follow a course that would tend to discourage those things that would make the cake bigger. We all hope that a high level of demand will continue for all those materials--though we trust it will stem from more constructive use than many of those to which the present output of necessity is devoted--and if demand does remain high, increased supply is the only way of avoiding the need for international allocation. Canadian policy has recognized this need to encourage the development of resources, and so, fortunately, has United States policy. Charles E. Wilson, the U.S. Director of Defense Mobilization has said in one of his early public policy statements that military production is not the only criterion on which a country's requirements should be based. The production of materials essential to the strengthening of the free world, the maintenance and expansion of essential services and productive facilities, as well as minimum essential civilian requirements, must also be considered.

The Canadian situation illustrates the force of these principles. We have a rapidly expanding economy. Something like 22 per cent of our national effort was devoted last year to capital investment, and a large part of this will result in increased production of materials that are in critically short supply. Steps can and have been taken to assist and facilitate investment in the fields of direct defence and defence-supporting industries and to discourage less essential investment. But I suggest that the development that we have seen in the last few years in direct defence and defence-supporting industries could not have been accomplished to the complete exclusion of any expansion in industries not so directly related to defence but still necessary for a balanced economy.

How can all these factors be evaluated in an international forum attempting to make an equitable division of materials in short supply? It is not possible to lay down any hard and fast principles either to measure necessary use of existing supplies or to assess the benefits of various types of incentives to increase production. Most countries want materials in primary form so that they can do their own processing. Their natural inclination in thinking of international allocation is to consider only the export and import of materials in primary form. But increased production of primary materials is likely to be discouraged unless the producing country can keep its processing plants fully occupied, and under certain circumstances even allow some modest increase in processing capacity. All these conflicting claims and counter-claims have to be reconciled if international agreement is to be reached, so it is clear that standard patterns are not likely to produce satisfactory results. The important point, however, is that the need for incentives should be recognized and, in dealing with each commodity, all the factors that will increase supply of that particular commodity to be considered.

The other aspect of the international allocation of strategic materials--that of getting equitable distribution of what is currently available--must, of course, take into account the question of conservation and the effective control of supplies to ensure that such materials