

## RESERVES OF GOLD, DOLLAR HOLDINGS, RISE

**TRADE WITH UNITED STATES:** An increase of \$450 million in the value of Canada's exports to the United States and a reduction of \$150 million in the value of imports from that country were major factors in the improvement of Canada's reserves of gold and U.S. dollars in 1948. This information was disclosed on March 11 in the Annual Report of the Foreign Exchange Control Board for 1948 submitted to the Minister of Finance by Chairman Graham Towers.

The Report showed Canada's holdings of gold and U.S. dollars at the end of 1948 to be \$997.8 million. Whereas in 1947 Canada's official holdings of gold and U.S. dollars fell by \$743 million, in 1948 they rose by \$496 million. The change is accounted for mainly by the reduction of \$734 million in Canada's current account deficit with the United States. This in turn was due mainly to the increase in exports and the decrease in imports noted above and to an increase of nearly \$70 million in Canada's net receipts from the tourist trade. \$150 million of the increase in Canada's official reserves is directly attributable to Government of Canada borrowing in the United States during the year.

## CURRENT ACCOUNT SURPLUS

These increases were offset in part by a reduction in our current account surplus with countries other than the United States. In this connection the Report makes specific reference to "the important and helpful part played by the European Recovery Program, in preventing a severe contraction in the level of our exports to countries participating in this Program". Our current account balance with all countries was \$472 million in 1948. This compares with \$85 million in 1947 and is higher than the comparable figure for any previous peacetime year.

The Report calls attention to the marked change in Canada's trading pattern during 1948. Most important was the change in the geographical distribution of our exports. 50% of Canada's commodity exports went to the United States in 1948 compared with 39% in 1947, and 33% went to the sterling area compared with 41% in 1947. At the same time there was an opposite but smaller change in the source of imports. Imports from the United States decreased from 77% to 69% of the total and from the sterling area increased from 13% to 18% of the total.

The Report calls attention to developments in the trading policies of the United Kingdom and other Western European countries participating in the European Recovery Program. Referring to the magnitude of the task before these countries if they are to achieve a balance in their dollar receipts and expenditures by 1952 the Report states that the most

desirable solution of the problem would be an increase in the exports of these countries to the Western Hemisphere. It is evident however that heavy reliance is being placed on a diversion of imports from dollar to non-dollar countries. One of the techniques being used to accomplish this result is that of bilateral trade deals in which the countries concerned agree to exchange specific quantities of certain commodities on a basis which will produce a balance in trade. According to the Report the prices at which commodities are exchanged in such bilateral deals are frequently considerably higher than those prevailing for similar goods outside the areas covered by the deals. This tends to make it more profitable for individual producers inside the protected area to sell within that area than in dollar countries. There is, says the Report, a risk that such measures may reduce the capacity of the countries using them to earn dollars and thus to balance their accounts with the Western Hemisphere at a high level.

## PROTECTED CURRENCY

"Canadian trade" says Mr. Towers, "has already been adversely affected by the creation of this protected currency and trading area and it is not possible at this moment to foresee how serious these developments will be from our point of view during the next few years." There is a possibility that countries such as Canada will be confronted with the choice of finding some alternative market at home or abroad for goods previously exported to the dollar short countries or of making special arrangements in an effort to retain these markets. These arrangements could involve further credits or special deals in which we agreed to take more goods from dollar short countries even though these goods were higher in price than had to be paid elsewhere.

The Report emphasizes the large increase in recent years in the inflow of funds from the United States for direct investment in Canadian industry. In 1945 this inflow was \$17 million. It increased in each of the succeeding years to \$68 million in 1948. It is pointed out in the Report that these figures do not include large amounts of earnings ploughed back into expansion and development by Canadian subsidiaries of United States parent companies. During 1947 the book value of United States direct investment in Canada increased by \$117 million. The comparable figure for 1948 is not yet available. "It is apparent" says the Report "that the factors which operated to reduce the purchase of publicly issued Canadian securities by United States investors in recent years have not acted as a deterrent to the provision of very large amounts of risk capital for direct investment in Canadian business."

**ROME CONFERENCE DELEGATES:** The Minister of Labour, Mr. Mitchell, on March 12, announced the names of Canada's delegates to the second session of the Building, Civil Engineering and Public Works Committee of the International Labour Organization. The Committee meets in Rome from March 15 to March 26 to consider measures to stabilize the construction industry.

J. Lorne MacDougall, Industrial Relations Officer of the Department of Labour, has been named as Government Representative, with J. McLeod of Toronto as his adviser. John N. Flood, President of John Flood and Sons, Ltd., Saint John, N.B., and Harold G. Macdonald, President of H.G. Macdonald and Company, Ltd., Edmonton, Alberta, will represent employers, while J. Woolsey, international representative, International Union of Elevator Constructors, of Toronto, and Joseph Dorion, Vice-President of the Building Federation, Canadian Confederation of Catholic Workers, of Quebec City, are the Workers' Delegates.

The Committee will discuss recruitment and training, industrial relations and instability of employment in the construction industries. Also on the agenda are discussions of mass production of housing parts, new techniques and materials, standardization and modular design, improved collective bargaining methods, the establishment of government public works reserves and labour-management co-operation.

Mr. Mitchell said that the International Labour Organization has emphasized the importance of stabilization in the construction industry, since no other industry is more important to world prosperity and full employment. No other industry soars more quickly to boom heights during good times, or slumps more rapidly when demand slackens.

Studies undertaken by the I.L.O. reveal that the manpower shortage in the construction industry is less acute than when the Committee first met in 1946, but that scarcities of materials continue.

They show that, at the end of 1947, the cost of dwelling houses in Canada, had increased 110 to 125 per cent since 1939. In other countries the costs had advanced as follows: United States, 106.7 per cent; Australia, 80 to 85 per cent; Great Britain, 130 per cent; The Netherlands, 350 per cent; Sweden, 153.2 per cent.

The Minister stated that the studies show that these costs must be brought down through stabilization and modernization in the industry, if people are to get the homes they need, and if building tradesmen are to enjoy full employment.

**ALUMINUM PRODUCTS:** The aluminum products industry of Canada had a gross factory value of production of \$39,849,000 in 1947 as compared with \$33,575,000 in the preceding year, an increase of 19 per cent, according to the Bureau of Statistics.

**REDUCE FUR ROYALTIES:** Royalties under the Northwest Territories Fur Export Ordinance have been reduced by approximately 30 per cent, as from March 1, 1949, according to an announcement by the Minister of Mines and Resources, Mr. MacKinnon. Prices of fur have been falling and consequently it was considered desirable to revise the royalty, which, while calculated on a basis of 5 per cent, is in the form of a fixed amount for each type of pelt.

The revenue collected under the Fur Export Ordinance for the year ended June 30, 1948 amounted to \$147,887. Under the revised tax rate this would have been \$102,145 or a reduction of \$45,742. In that year 607,376 pelts were exported from the Northwest Territories. The bulk of this fur is harvested by native Indians and Eskimos.

**PROCESSED FOODS:** Canadian food processors last year manufactured increased quantities of sweet biscuits, chocolate and sugar confectionery, jellies, foods for infants, pickles and relishes, but turned out fewer soda biscuits, canned meat, and vinegar, according to preliminary figures for the year by the Bureau of Statistics. There was more coffee ground, but less tea was blended and packaged. Greater quantities of tomato products -- soup and catsup -- were canned, but less of other kinds of soup.

Production of canned beans, ready-to-serve cereals and processed cheese was lower. More dry macaroni was produced but less was canned. Mince meat, mustard, salted and roasted peanuts and peanut butter were also among the decreases, but ice cream powders, jelly powders, and pie filling powders were all increased. Salad dressing and sandwich spreads were also produced in substantial higher amounts.

**ICING CAUSED AIR CRASH:** Findings of the Board of Enquiry investigating the aircraft accident involving Beechcraft Bonanza CF-FYC in which seven persons were killed when the plane crashed near Maxville, Ontario, February 13, 1949, were released on March 11 by the Minister of Transport, Mr. Chevrier.

In its report, the Board was of the opinion that the blameworthy cause of the accident was accumulation of ice on the aircraft while flying through an area of freezing drizzle.

**"JOINT AIR TRAINING CENTRE":** The armed forces' Joint Air School at Rivers, Man., has been re-organized under the name "Canadian Joint Air Training Centre", it was announced in Ottawa this week. The change-over is effective April 1.

Personnel of all three Services will continue to be trained at the centre. At the present time, members of the PPCLI are undergoing parachute training there.