

Our adverse trade balance with the United States represents a drain on our dollar resources that must be kept to manageable proportions. Either we must export more to the United States, or alternatively, buy less in that country. Of course we prefer an expansionist policy to a restrictive policy, in both cases.

Traditionally, Canada buys more from the United States than it sells to the United States, with the adverse balance widening in periods of our industrial activity. During 1947, our imports from the United States were running at a level of about 2 billion dollars per annum, while our exports to that country were running at about only one billion dollars per annum. By November of that year, our reserves of American dollars had been depleted to a point that required emergency action. Our Government found it necessary to institute an import control programme, as a means of avoiding American dollar bankruptcy. This programme had two general objectives: the first, to reduce imports, and the second, to direct the activities of Canadian business into channels that would provide increasing dollar exports. An Emergency Exchange Conservation Act was placed on the statutes, which provided three classes of import controls: Schedule I of the Act lists certain consumer goods which are classed as unessential and the importation of which is prohibited. Schedule II lists other consumer goods importation of which is restricted to a quota basis. Schedule III lists a wide range of capital goods and production material which can be imported only under general or special permits. I am happy to say that administration of the Emergency Exchange Conservation Act is bringing our export trade into better balance, without restricting the activities of Canadian industry. That industry has continued to expand as indicated by the fact that 1949 capital investment will reach three billion 200 million dollars, compared with three billion dollars in 1948 and 2.4 billion dollars in 1947. Canada's 1949 level of capital investment represents the highest rate of new investment in proportion to income in any country of which we have a record. Our unfavourable balance of trade with the United States was reduced by some 600 million dollars in 1948, as compared with 1947, and although some of the ground gained in our balance of payment struggle has been lost this year, the situation has been brought into manageable proportions.

American industry has a very considerable stake in Canada in the form of branch plants. By the end of 1948, the value of United States direct investments in Canada totalled 2 billion 700 million dollars, of which one billion 600 million dollars were invested in Canadian manufacturing concerns, controlled in the United States. Total United States investments in Canada are about 5 billion dollars, and it may be of interest that this investment pays a bigger cash return to American investors than all other American investments abroad put together. Some 2,000 American companies and branches are now established in this country, of which over 1,000 are engaged in manufacturing.

We hope that more American companies will avail themselves of the favourable conditions for investment in Canada that follow the recent exchange devaluation. Such a move would be welcomed here, if only as a means of correcting our unbalanced U.S. dollar position.

Another exchange between our two countries which we both can welcome, is the exchange of brains, - technicians, engineers, and economists. I am not one of those who has been alarmed by rumours that Canadian brains are being drained off to other countries. True, many Canadians go to the United States to do post-graduate work, or to find employment in industry. However, only one out of ten engineers, graduated from the largest Canadian Universities, is now living outside Canada. This loss of one in ten of Canadian trained personnel is more than compensated for by the American and British talent that we have imported. Approximately two of every ten of our technical personnel has been recruited from abroad.