

trade of Germany and Japan that I mentioned a minute ago is one of the factors that has forced Canadian industrial development. The necessary post-war relief and reconstruction is another. Our total new capital investment this year is, as I have said, of the order of \$3 billion. About half of this total is in manufacturing plants and utilities, with manufacturing plants accounting for about \$600 million. Here we have a serious dilemma developing. On the one hand, we are engaged in the greatest capital investment boom that this country has ever known and yet, while our domestic industry is expanding and improving its competitive position, our traditional foreign markets for manufactured products are closing.

While the fundamental reasons for the loss of these markets is deep-seated, the problems are brought into focus and to some extent sharpened by the Marshall Plan or, as it is now known, the European Recovery Programme. I do not wish to be misunderstood on this point. We are all deeply appreciative of the magnificent measures which the United States has taken to assist European recovery. Canada will derive great benefits from these measures and we are co-operating with the United States in the European Recovery Programme to the maximum of our ability. Nevertheless, we must recognize that the European Recovery Programme will not solve our problems -- that, even when it has run its course and the recipient countries are able to stand on their own feet, that is, without direct outside assistance, they will still be a long way from being open for 'business as usual'; and, furthermore, that the programme itself has some unfavourable implications for us.

In the first place, the programme contemplates a four-year period, during which it is recognized that the European recipient countries will not be able to make both ends meet and will be dependent on some form of outside assistance -- the direct aid reducing as the period progresses and as recovery proceeds. European countries are, therefore, under strong pressure to provide for themselves and for each other. Furthermore, by reason of the financial and trading relationships between certain of the recipient countries and other parts of the world, particularly the relationship between the United Kingdom and the sterling area, the necessary dollar conservation programme will probably extend in increasing measure to even more of our traditional markets.

Still another aspect is that the E.C.A., which, in this age of using initials rather than names is the designation of the United States organization in charge of the programme, naturally favours purchases of United States rather than Canadian manufactured products, where manufactured products are judged essential to the programme of any of the recipient countries. In the same way, when any product of the United States is in surplus supply, which surplus is judged by the American authorities to be burdensome, it follows, with some justification, that United States supplies only may be financed under the plan.

The impact of all this has fallen to some extent on our agricultural products, but in particular it is hitting our export manufacturing industries. The net effect is to increase the importance of many of our raw material supplies from Canada, but to weaken our competitive position in the more profitable field of manufactured exports.

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