

efficient industries, which can compete effectively in both the domestic and export markets. Now is the time for us to take stock of our position and to prepare for the challenges of the future.

THE FUNDAMENTAL PROBLEM

“Reduced to its simplest terms, our basic problem is that Canadian producers do not have a large enough share of the North American market. This is very evident from an examination of our trade. In 1960, we realized a sizeable surplus on merchandise trade for the first time in nearly a decade. Last year we had an 8 percent increase in exports and, on the basis of the latest estimates, we achieved a surplus on merchandise trade for the second year in succession.

“Nevertheless, as a result of our sizeable deficit on non-merchandise transactions, the deficit on total current account is still running close to \$1 billion annually. It is highly desirable that this deficit be reduced if Canada is to develop to its full potential as an industrial nation.

“For many years, Canada has had a large adverse balance on current account with the United States. In 1961, this amounted to almost \$1.4 billion, of which \$650 million represented a deficit on merchandise trade. Last year our merchandise deficit with the United States was reduced, but it still amounted to \$565 million. On the other hand, Canada enjoys a surplus on current account with other countries, and this has helped to cover our deficit with the United States. We should do everything possible to increase Canadian exports to overseas countries and thereby further offset the imbalance with the United States. It would not be realistic, however, to assume that Canadian exports to these countries could be increased sufficiently to offset the total deficit with the United States. The real solution to this problem is for Canadian producers to capture a larger share of the Canadian and United States markets.

“For much of Canada’s history, economic growth has been closely related to the expansion of our resource industries, whose major markets have been found abroad. Even now, about five-sixths of Canadian merchandise exports are raw and semi-processed materials and most of Canada’s exports to the United States are in these categories. The long-term future of our trade in these commodities should be favourable. Nevertheless, we should realize that new sources of supply of basic industrial materials are being developed in other countries, and, in the years ahead, Canadian resource products will be meeting even stiffer competition. Such being the case, our traditional resource industries cannot be expected to provide the same proportion of the stimulus for economic expansion as they have provided in the past.

NO SOLUTION IN RESTRICTIONS

“Canadian secondary industry must, therefore, assume a very large share of the burden of providing economic growth and increased levels of employment. I do not believe, however, that our objectives can be reached by implementing restrictive measures.

This would be going against the trend of events in the world trading community and would not be in our own interest. Such measures as our import surcharges were essential in overcoming the immediate exchange emergency of last summer, but they cannot form part of any long-term programme for economic improvement. Such measures, if retained too long, would defeat our purpose by making Canadian industry less competitive at a time when the need is for greater competitiveness.

“If secondary industry is to play its full role in the realization of our economic objectives, we must delineate those areas of commodity production where we can be competitive and then proceed to use all our resources to produce such goods as effectively as possible. Our aim should be to encourage the growth of efficient secondary industries that can exploit our existing and potential economic advantages. In doing this, we must be outward-looking as well as inward. Economies of scale, necessary for competitive production, will only be obtained from greater export markets as well as a larger share of the domestic market. This means Canadian secondary industry must successfully meet the hard challenges of international competition.

“I do not need to remind you of the consequences of failure. They are lower standards of living and unemployment with its terrible consequences of personal frustration, family hardship and widespread social distress.

NEED FOR NATIONAL EFFORT

“It is within the general context of changing international trade competition and rapid technological development that...we are discussing the ways and means of expanding Canadian industrial production. There is no easy way of attaining this objective. Greater economic growth will only be achieved by pursuing a variety of courses, each of them requiring careful and methodical effort. Not is the attainment of industrial expansion the sole responsibility of any one sector of the economy. It will require a national effort, wherein management, labour and government willingly accept and carry out their responsibilities.

“In this regard, I believe that there are three broad areas with which every Canadian should be concerned.

PROVIDING SUITABLE CLIMATE

“First, an economic climate conducive to industrial growth must be maintained. This is, of course, primarily the responsibility of governments. Nevertheless, all sectors and groups within the economy should be fully aware of the economic issues involved and assume responsible attitudes and develop and implement policies which are, in the longer term, in the best interests of themselves and the country. Short-term expediencies, which may appear attractive at the moment, are likely to prove very damaging in the long run.

“Over the past year, the Federal Government has taken a number of steps which are of importance to our long-term industrial growth. I refer to such measures as: the establishment of a fixed exchange