

**HIGHEST PEACETIME PRODUCTION IN 1948**

(BY THE MINISTER OF TRADE AND COMMERCE, MR. HOWE)

**CONDITIONS ARE GOOD:** The year 1948 has been marked by the highest levels of production and external trade in our peacetime history, and by levels of income and employment which have never been exceeded at any time. Conditions are good in Canada from every point of view. At the same time, the dependence of our domestic prosperity upon our foreign trade was never more apparent than during the past year.

In the world at large, the year has been marked by the efforts of numerous countries to adjust to the changed circumstances of the postwar world. Courageous and effective measures toward reconstruction have been particularly notable in the United Kingdom and in Western Europe and yet production in many fields still lags below the levels that are needed. Our most serious problems are those that we face abroad, in a narrow sense in the inability of some of our customers to pay us hard currency for our exports, in a broader sense in the changes wrought in recent years on the very structure of world trade and world finance.

**INVESTMENT BOOM**

The investment boom in Canada has continued at a high level during 1948. Twenty per cent of our entire national output is being devoted to capital expenditures on plant, equipment, housing and construction - a phenomenal figure. Capacity has been expanded in long-established industries such as motor vehicles, farm machinery and textiles. New industries have been successfully established and consolidated as in the case of synthetic rubber. Industries which used to be small have increased their capacity in recent years to the point where they are now of first-rate importance: for example, in aluminum, plastics, chemicals and machine tools.

The discovery and development of new raw materials and natural resources goes on apace. Canada can look forward with optimism even into the next century, with the impressive array of developments that are now in their infancy. Examples are abundantly at hand in the vast iron ore resources of Quebec and Labrador, the potential picture of metallic titanium, the uranium in our Northwest and the new oil fields in Alberta.

Canada has new products to offer to world markets. Our industry is efficient and its costs are low. With our high standard of living and the increased complexity of our industry, we wish also to be able to buy more freely in world markets. In view of Canada's vital interest in a large and expanding world trade it is not surprising that this country has played an important part in various international conferences dedicated to the reduction of trade barriers throughout the world and the formulation of a code of rules by which the

nations could agree to be guided in their commercial policy. Canada was among the countries represented at the conference on World Trade and Employment at Havana which early this year drew up the charter for an International Trade Organization.

This charter has not yet been ratified by governments but the General Agreement on Tariffs and Trade concluded at Geneva in 1947 has been in provisional effect since the first of this year. This agreement incorporates many of the provisions of the charter regulating the conduct of the nations in international trade and provides for the reduction of tariffs by all participating countries. Each country negotiated tariff reductions with each other country; in all some 100 separate agreements were concluded. These were consolidated in the schedules attached to the General Agreement on Tariffs and Trade and apply to all the countries.

Study of these schedules will indicate that this agreement is the most far reaching and comprehensive multilateral trade agreement ever attempted. The participating countries accounted before the war for about three-quarters of the international trade of the whole world and the concessions enumerated in the schedules apply to products representing about two-thirds of their import trade or, in other words, to about one-half of the world's trade. Of particular importance to Canada are concessions extended by the United States.

**UNITED STATES TARIFF LEVELS**

On the basis of prewar trade some 70 per cent of the dutiable imports into the United States from Canada have been subject to tariff reduction and it is reported that the United States tariff levels are now lower than they have been for twenty-five years. In spite of these steps, Canadian trade relationships with the United States have by no means approached a satisfactory equilibrium even yet.

Rapid growth of industry has led Canada to a position of increased importance in the world in recent years. Along with this has come an unavoidably increased measure of responsibility. When we take note of what the prewar system of multilateral world trade and finance meant to the development of this country it is clear why it has been in our national interest to contribute in every possible way to the reconstruction of a viable world trading community. On a per capita basis Canada takes second place to no other country in the amount of financial and material support we have extended to the war-torn countries.

At the present time, our exports to Britain and Western Europe are being maintained at a high level through the medium of the European Recovery Program, in which we are cooperating with the United States. Of the total authori-

zations for exports under this program, which exceeded \$4 billion by the middle of December, 15 per cent have been for purchases of Canadian goods. These have accounted for 40 per cent of all authorizations outside the United States.

Before the war the United Kingdom and the other countries of Western Europe handled nearly half of the World's total trade. Their relationships to one another were of central importance to the international mechanism of multilateral payments. It is clear that Europe's prewar ability to buy from us was predicated on a high level of multilateral world trade. Much of the prewar world trade will not be reconstructed for a long time if ever, and it has become necessary to seek new channels of trade and new commodities of trade in many instances.

If Western Europe can do no better in future than to balance its trade with North America, then our exports in that direction will be restricted by comparison with prewar when the countries of Western Europe, including the United Kingdom, were in a position to purchase more from us than they sold to us. When this point is thoroughly understood, it becomes clear why Canada has as great an interest as any country in the world today in the eventual reconstitution of a system of multilateral trade.

**MERELY A BEGINNING**

All that we have done to reestablish our external trade on a sound basis is merely a beginning. Much still remains. Canada is by far the most important customer the United States has amongst all the countries of the world. There is a fundamental lack of balance between our two great North American countries, however, which reached the point where Canada was buying twice as much from the United States as she sold there. This discrepancy is matched by an American tariff which is much more effective in excluding Canadian goods than our tariff is in excluding American goods. If Canadian-American trade is to continue at its present high level, it is of fundamental importance to Canada and also, I believe, to the United States, to establish lower tariffs and a more flexible administration of tariffs. These obstacles are at present cutting at the very foundation of trade between our two countries.

For a time after the war it was possible to finance our imports of goods from the United States by using our accumulated reserves of gold and U.S. dollars to supplement our current U.S. dollar earnings from exports. The magnitude of this drain can be readily gauged from the fact that during 1947 our reserves of gold and U.S. dollars were reduced to a low level of about \$500 million. In these circumstances, the Government's emergency import control program was announced about a year ago. What have we been able to achieve thus far?

By these means, our commodity trade with the United States has been brought for the present to an approximate balance. In the first ten months of 1948 our imports from the United States have been reduced by about \$173 millions in comparison with the same period of 1947. Much more important, our exports to the United States have been increased by more than \$350 millions during the same period, and the situation will be even more improved by the end of the year. This program has a restrictive side, as we all know, in prohibiting the importation of certain goods from the United States which are much in demand in Canada. The Government was able in December to announce an encouraging increase in our gold and U.S. dollar reserves and the removal of some of the restrictions. It is to be hoped that the remaining restrictions may be dispensed with before too long in a satisfactory trade equilibrium with the United States....

**EXPORT TRADE BOOMING:** Canada's export trade is booming, due to greatly enlarged shipments to the United States, its value during 1948 being far in excess of any previously recorded except in wartime. The value of merchandise shipped abroad in November was \$293,900,000, only slightly under the peacetime high total of \$307,000,000 registered in October, and \$40,800,000 higher than in November, 1947, reports the Bureau of Statistics.

With gains over 1947 in all months except June, the aggregate for the 11 months ending November rose to \$2,759,000,000, an increase of \$250,300,000 over the same period of 1947 and only \$15,900,000 under the total for the full year 1947.

The growth in Canada's exports to the United States has been the outstanding feature of the year's trade. In November shipments to that country reached an all-time record value of \$163,893,000, almost 77 per cent higher than in the corresponding month of 1947. This brought the cumulative total for the 11 months ending November to a new high figure of \$1,353,740,000 as compared with \$928,255,000 in the same period of 1947.

Exports to the United Kingdom were again lower in November, being valued at \$56,670,000 as compared with \$69,254,000 in the same month of 1947, while the aggregate for the 11 months of 1948 was \$638,400,000 compared with \$678,657,000 in the same period of 1947.

Shipments to Latin American countries were also lower both in the month and cumulative period. The month's total fell from \$14,390,000 to \$8,056,000, and that for the 11-month period from \$117,585,000 to \$107,354,000. Exports to Cuba, Mexico, Panama, and Venezuela were higher in both periods.

Exports to the Union of South Africa rose in the month to \$10,221,000 from \$5,121,000,