

Russia and China are the principal areas now which are under tight area control.

**Mr. Macdonnell (Greenwood):** I would have understood fully what the minister said about strategic considerations and co-operation with the United States if it were not for use of the word "non-essential". Am I misunderstanding the word—

**Mr. Howe:** Non-essential to whom?

**Mr. Macdonnell (Greenwood):** That is what I am asking.

**Mr. Howe:** Non-essential to Canadians perhaps, but they may be highly essential for a country to use for warlike purposes.

**Mr. Macdonnell (Greenwood):** May I make the comment that it seems to me that this is not a very fortunate word. By the way, this is the report for 1951 to which I am referring. It presumably goes to the end of 1951; it is not, as the minister said, dated much earlier. However, I am not going to press the matter. I just make the point that it does not tell its own story. I think the minister has cleared the matter up, except that I think the word "non-essential" is just a bit misleading.

Section agreed to.

Preamble agreed to.

Title agreed to.

Bill reported, read the third time and passed.

### SUPPLY

The house in committee of supply, Mr. Beaudoin in the chair.

#### DEPARTMENT OF TRADE AND COMMERCE

General administration—

441. Departmental administration, \$617,795.

**Mr. Charlton:** Is the minister going to make a report to the committee on the trade position?

**Right Hon. C. D. Howe (Minister of Trade and Commerce):** Mr. Chairman, perhaps I might make a few introductory remarks. The activities of the Department of Trade and Commerce during the last year were largely conditioned by the changes in the economic situation we have experienced. I reviewed economic developments in Canada when I participated in the debate on the speech from the throne on March 14, 1952. I said then:

The demand for Canadian output should, in general, be well sustained by the continuing high level of capital investment, by export demand for most of our staple products and by defence preparations.

I observed that there was "no reason to anticipate either inflation or depression" in 1952.

#### Supply—Trade and Commerce

Events since then have brought further evidence supporting this view. The supply situation with respect to a number of strategic materials has improved. Inflationary pressures have subsided. The cost of living index turned down in February of this year, recording in the last three months a decline of about three points. The cost of living is now back to about where it was last August. In other words, during the last three months consumer prices have been declining at twice the rate they were rising in the preceding six months. A further substantial drop in the cost of living index is in sight for the month of May.

The latest data we have show that employment in industry is up 2 per cent.

**Mr. Macdonnell (Greenwood):** From when?

**Mr. Howe:** From a corresponding date last year.

Payrolls are running now about 15 per cent above last year. In spite of weaknesses in some sectors, retail sales have been higher by 3 per cent in the first quarter of this year as compared with the same period last year.

As to investment, we are continuing with our record program of some \$5 billion, or almost 10 per cent higher in value terms than last year's capital expenditures. Construction activity is particularly strong in the defence, industrial, public utility, and resources development sectors. Even in such fields as housing where activity was notably lower towards the end of last year, some improvement is indicated. For example, starts in cities and towns with population of 5,000 and over in March and April, 1952, reached about the same level as in corresponding months a year earlier. The best information we can obtain on the housing program suggests that starts this year may be a little lower than in the year 1951 as a whole but higher than the low level experienced towards the end of last year and at the beginning of this year.

In the trade field, recent events have also borne out my earlier remarks made to this house. Hon. members will recall that I took issue with the view expressed by opposition members that Canada was losing the British market. Trade figures for the first quarter of this year show that exports to the United Kingdom were 37 per cent higher than in the corresponding period of 1951. Exports to other sterling area countries were up 54 per cent. Our exports to Europe and Latin America have climbed even more notably. Our sales to the United States are up slightly.

One other interesting aspect of our trade picture is that for the first quarter of this year Canada has had a favourable balance