

APPENDIX "E"

THE IMPORT PROBLEM

1. It is recommended that a more realistic course of action be taken by the Canadian Government at this time in the field of tariffs in order to cope with the present serious unemployment situation caused by excessive imports into Canada. The Association believes that a sound tariff policy for Canada is of vital importance to the prosperity and welfare of every Canadian citizen.

In 1959 Canada had a record deficit in its international payments with other countries amounting to some \$1,460 million. Of this amount our deficit on merchandise trade totalled \$386 million. The balance represented, in the main, interest and dividend payments, tourist expenditures and freight and shipping charges. For the first nine months of 1960, this imbalance amounted to \$894 million, the deficit on merchandise trade being \$130 million.

These figures suggest that Canada is living beyond its means. It is realized that this foreign debt must eventually be paid off. It is our belief that the best way to accomplish this objective is through the increased export of goods from Canada and the replacement of imports with goods manufactured here in Canada. It is perhaps not generally known that more than 75% of Canada's imports are in the form of fully or chiefly manufactured goods and that, in each of the past five years, these imports of fully manufactured goods have been in excess of \$4 billion.

The importation into Canada at this time of vast quantities and a wide variety of manufactured goods from other countries which are directly competitive with goods manufactured in Canada poses a problem which must be solved if Canada is to find work for its unemployed and continue its industrial progress and development.

Factors Contributing to the Imbalance of Trade:

While the Association has repeatedly endorsed the Government's policy of supporting GATT as being the best instrument yet devised for international trade discussions and negotiations leading to an orderly structure of world trade, we believe that Canada has gone much too far in reducing its customs duties on imported goods. Since 1936, Canada has, under two trade agreements with the United States and under four international tariff conferences under the GATT, made substantial tariff reductions which have had the effect of making Canada a low tariff country which, because of its geographical characteristics, small population and high wage rates, it simply cannot afford to be.

The effect of these substantial tariff reductions on the Canadian economy, however, was not immediately felt for the following reasons:

- (i) Europe and Asia had not recovered from the devastation caused by World War II, and consequently were in no position to compete for export trade markets until quite recently.
- (ii) World-wide shortages of all types of goods persisted for many years after the conclusion of World War II in 1945 and again as a result of the massive defence programmes required for the Korean conflict. During this same period there was a tremendous growth in consumption everywhere.
- (iii) The Canadian Government found it necessary in November 1947, to restrict the importation of many lines of consumer and capital goods because of balance of payment difficulties.