

own Prime Minister only two days ago referred to as terrifying. However much of anything we have to sell in the markets of the world, Russia has that much more—of some things perhaps three times as much—and, as evidenced by the congress which has been taking place over the last day or two, she is making a determined effort to develop her economy with a view to matching that of the United States of America.

European countries, in which there is likely to be the fastest growing portion of the Western world, are collectively developing their dependencies in northern and central Africa as a means for providing them with natural resources. The United States is having to take more and more raw materials from Latin America, for political reasons, if for no other.

Our costs are rapidly rising, and by reason of inflation they may rise more rapidly in Canada than elsewhere. A favourable factor, of course, is that so much United States capital has been used in the development of our natural resources up to the present time that there will be an incentive to see that a ready market is provided for Canadian products in the United States. However, I venture the opinion that it is in the realm of secondary manufacturing industry that the most serious competition will develop. Of recent years economic thinking in this respect has completely changed. For many years countries of varying size in Western Europe, ranging from such a small community as Luxembourg, with 500,000 people, to France, Germany, Italy and Britain, each with populations of around 50 million, tried to build up their industries by maintaining national tariffs. Today one finds a complete change. The driving force to combine western Europe in one single free-trade area comes, not from agriculturalists, but from manufacturers who believe that without mass production it will be impossible to operate successfully in the world of the future. Western Europe has an eye on the manufacturing advantages of the United States, with a population of 170 million, and even Russia is looking at the United States as well. Today one sees in Europe a combination of six countries collectively about as populous as the United States.

We in Canada do not seem to have been so much impressed by this development as are the people of the United States. I was recently in that country and had an opportunity of reading a number of American publications. I found expressed there serious doubts whether developments in western Europe will not effectively challenge United States business in the export markets of the world, because of the economies which this

combined production can bring into effect. I want to make this first point, that it is the manufacturers who in western Europe are leading the movement for larger markets. They are convinced that for this purpose a unit of 50 million people is too small. It is the agriculturalists, who over recent years have been brought up to depend on price supports, who are either indifferent to a common European market or, perhaps, openly antagonistic to it.

I think these conditions are significant in the light of the situation which faces secondary industry in this country. I would remind the house that considerable changes have occurred since the time when the honourable senator from Churchill (Hon. Mr. Crerar) came down to Parliament with 60 Progressive members behind him whose main complaint was that eastern Canada was not anxious to negotiate trade agreements to reduce the tariff. I suggest the time is rapidly approaching when the only salvation for the secondary manufacturing industry in eastern Canada is to get into a large market, as Britain is doing. Let me point out one or two circumstances which, I think, will bring this about. It is my belief that, instead of Winnipeg being the centre of the free-trade area and Toronto the stronghold of protectionists, it will be Toronto that will lead the advance to lower tariffs and wider markets, and it will be the west that will pin its hopes to deficiency payments and the like.

Secondary industry in this country is in a difficult position. To begin with, it has a high-cost production. I am not speaking of the output of newsprint or base metals, but about secondary production. Manufacturers are not producing for export, they depend entirely upon the domestic market, and only recently I have seen statements that they are feeling the pinch of terrific competition from outside; but in my opinion, if I may be pardoned for using a slang phrase, "they ain't seen nuttin' yet."

I want to point out to the house that Canadian subsidiaries of United States firms have never had any real competition from the United States. There may be major industries in the United States without subsidiaries in this country, but there are very few. The real competition which is about to face Canadian secondary industry, however, will come from western Europe, which possesses all the advantages of cheaper production, modern machinery and plants, and a lower basic wage level. I repeat that it is from this source that the most severe competition will come in every branch of our industry, just as it is affecting the automobile industry at the present moment. I used to be in that business, and I know something