

(C.W.B. October 20, 1948)

MR. M.W. MACKENZIES' TORONTO SPEECH

TO EXPORTERS' ASSOCIATION: Following are excerpts from the speech delivered by M.W. Mackenzie, Deputy Minister of Trade and Commerce, at the Fifth Annual Meeting and Convention of The Canadian Exporters' Association, in Toronto, October 22:

.... "Whether we like it or not, and irrespective of the particular technique that is used in any country, the trade of a large number of our traditional customers is going to be regulated for as far ahead as one cares to look these days....

"The volume of Canadian domestic investment since the war has been as impressive as the volume of Canadian foreign trade.... In the four years 1945-48 we have made a larger investment in manufacturing enterprises and utilities, and for that matter in all forms of business, than we made in the four boom years 1926-29 and the four pre-war years 1936-39 added together. The wartime elimination of the trade of Germany and Japan... is one of the factors that has forced Canadian industrial development. The necessary post-war relief and reconstruction is another. Our total new capital investment this year is, as I have said, of the order of \$3 billion. About half of this total is in manufacturing plants and utilities, with manufacturing plants accounting for about \$600 million. Here we have a serious dilemma developing. On the one hand, we are engaged in the greatest capital investment boom that this country has ever known and yet, while our domestic industry is expanding and improving its competitive position, our traditional foreign markets for manufactured products are closing.

"While the fundamental reasons for the loss of these markets is deep-seated, the problems are brought into focus and to some extent sharpened by the Marshall Plan or, as it is now known, the European Recovery Program. I do not wish to be misunderstood on this point. We are all deeply appreciative of the magnificent measures which the United States has taken to assist European recovery. Canada will derive great benefits from these measures and we are co-operating with the United States in the European Recovery Program to the maximum of our ability. Nevertheless, we must recognize that the European Recovery Program will not solve our problems -- that, even when it has run its course and the recipient countries are able to stand on their own feet, that is, without direct outside assistance, they will still be a long way from being open for 'business as usual'; and, furthermore, that the program itself has some unfavourable implications for us.

"In the first place, the program contemplates a four-year period, during which it is recognized that the European recipient countries will not be able to make both ends meet and will be dependent on some form of outside

assistance -- the direct aid reducing as the period progresses and as recovery proceeds. European countries are, therefore, under strong pressure to provide for themselves and for each other. Furthermore, by reason of the financial and trading relationships between certain of the recipient countries and other parts of the world, particularly the relationship between the United Kingdom and the sterling area, the necessary dollar conservation program will probably extend in increasing measure to even more of our traditional markets.

"Still another aspect is that the E.C.A., which, in this age of using initials rather than names is the designation of the United States organization in charge of the program, naturally favours purchases of United States rather than Canadian manufactured products, where manufactured products are judged essential to the program of any of the recipient countries. In the same way, when any product of the United States is in surplus supply, which surplus is judged by the American authorities to be burdensome, it follows, with some justification, that United States supplies only may be financed under the plan.

"The impact of all this has fallen to some extent on our agricultural products, but in particular it is hitting our export manufacturing industries. The net effect is to increase the importance of many of our raw material supplies from Canada, but to weaken our competitive position in the more profitable field of manufactured exports.

"We are thus concerned with the possible need of re-orientating an important portion of our foreign trade....

"It is equally important to consider what basic redirection of our trade may be necessary. A comforting development in this connection is the strides we have already made in expanding our markets in the United States and improving our balance of trade with that country. In this connection it is interesting to note that, on a most conservative basis of estimate, between 40 and 50 per cent of the \$600 million invested in manufacturing enterprises in 1948 will effect immediate and direct gains in our U.S. dollar sales, or reductions of our U.S. dollar imports.

"In the first nine months of 1948 we have whittled our adverse merchandise trade balance with the United States down from \$720 million to \$267 million. This is an improvement averaging \$50 million a month. We have done this in spite of some deterioration in the terms of trade resulting from the higher prices for American coal, steel and oil. It is the most tangible evidence possible that Canadian industry has now come of age and can, in an increasing number of lines, compete with any company in any country. The Geneva Trade Agreements were one important step in making it

possible for Canadian industry to compete on equal terms and it has been frequently stated that the Government will continue to press for the expansion of these agreements and further relaxation of trade barriers, with particular reference to the American market....

"It would, I think, be difficult to over-emphasize the importance of the American market, but there are also other markets which should not be overlooked. Here again, I have in mind not so much our balance of payments problem as the position of, say, a small Canadian manufacturer who finds himself losing his traditional markets in the British West Indies or other parts of the sterling area. What I have said about the potentialities of the United States market is, I believe, true, but obviously it will not be open to all our exporters who may lose markets elsewhere. Some there will be who, despite their best endeavours, just can't get into that market under present circumstances. To them I suggest a study of trade statistics of some of the markets that have not been traditional outlets for Canadian products. Don't just study Canadian trade statistics, but look at the total imports of those countries and see the sources from which they are now drawing their supplies. Try the Belgian Congo, Burma, Madagascar, Portuguese Africa and others....

DR. LOCKE MONUMENT: A bronze tablet commemorating the life and achievements of the late Dr. George Herbert Locke, educator and author, was unveiled at the Municipal Building, Beamsville, Ontario, on Tuesday October 26. The tablet has been erected by the Department of Mines and Resources, Ottawa, on the recommendation of the Historic Sites and Monuments Board of Canada.

SECURITIES TRANSACTIONS: Sales and purchases of securities between Canada and other countries in August dropped to the lowest level in 12 months, total volume of transactions amounting to \$25,200,000 compared with \$34,900,000 in July and \$60,000,000 in June, according to the Bureau of Statistics. A purchase balance of \$3,400,000 replaced the sales balance of \$1,700,000 which occurred in July. Transactions in the first eight months of this year resulted in a purchase balance of \$17,500,000, almost twice as large as the corresponding figure for 1947.

In the trade with the United States in August, both sales and purchases were lower than in the preceding month. Net purchases at \$3,100,000 were the highest in the current year with the exception of the month of May when a purchase balance of \$5,100,000 was recorded. Sales of common and preference stocks were almost equal to purchases, but sales of bonds and debentures were considerably lower than purchases due to fairly heavy repurchases of Dominion bonds.

Transactions with the United Kingdom in the month amounted to only \$400,000, the lowest monthly total in six years. Sales barely exceeded \$100,000, resulting in a purchase balance of \$200,000. Trade with other countries totalled about half the volume of the preceding month and resulted in a purchase balance of \$100,000.

COAST ARTILLERY TRAINING: As part of the normal development of the defence forces program, coastal artillery units of the Reserve Force are to be expanded and more emphasis is to be placed on coast artillery training in the future, it was indicated at Army Headquarters here October 25.

Reserve Force coast artillery units are to be formed on both the Pacific and Atlantic coasts. At the same time training will be stepped up, using the facilities of the new Anti-Aircraft and Coast Artillery School at Esquimalt, B.C., and by retaining at the east coast an Active Force coast artillery unit for the continued training of both Active and Reserve Force personnel.

The training requirement and operation of coast artillery units is of a highly specialized nature. It is therefore hoped that present training plans and the formation of new Reserve Force units will serve to meet the deficiency in this field.

Active Force artillery personnel are also to be available as a highly trained nucleus to assist in the maintenance and operations of the coast batteries.

ASSISTANCE FOR PILOTS: It was announced on October 25 by the Right Hon. C.D. Howe, Acting Minister of Transport, that next year the Government will participate in a program for the training of air pilots by financially assisting approved flying clubs or schools for pupils receiving training from these organizations.

The proposal will be submitted to Parliament for approval at the next session. In general the program to be administered by the Department of Transport will provide for a grant of one hundred dollars to each approved flying club or school for each qualified pilot turned out, and one hundred dollars to each trainee when he qualifies for Department of Transport private pilot's licence. In addition each trainee, meeting R.C.A.F. service qualifications and joining either the R.C.A.F. reserve or the R.C.A.F. auxiliary, will receive an additional grant of one hundred dollars.

"Training of a large number of pilots will do more to foster and develop interest in civil aviation in Canada than any other comparable measure," said Mr. Howe. The program would, in his opinion, result in greater use by the public of Government airports and aerodromes, development of airports and aerodromes by private enterprise, the growth of a healthy