I notice that your programme has provided for a discussion of this problem of costs and that your Association recognizes that there can be no sharp division between the management side and the labour side in this matter. There should be a clear understanding that our fortunes hinge upon keeping our economy competitive for, with one out of every five Canadians dependent for livelihood on our export trade, we are all concerned.

In foreign markets, opportunities open to Canadian manufacturers have been limited during the entire postwar period by a variety of factors beyond the control of our exporters. Continuing exchange difficulties have required foreign countries to restrict the import of dollar goods in an effort to conserve their exchange holdings and to protect the value of their currencies. Other factors that have placed Canadians at a disadvantage in world trade have been the arrangements by various nations of barter deals by state-trading agencies, more liberal export financing facilities, the extensive use of subsidies for exports, along with lower labour rates and increased manufacturing activity.

Foreign competition has been felt not only in the export field. The home market has also been affected. New modern plants built since the war, the use of the latest techniques resulting from intensive research, lower labour rates and large volume runs have enabled manufacturers in West Germany, the United Kingdom, The Netherlands and Japan to invade successfully the domestic markets of both Canada and the United States. This challenge of foreign competition has been met by a response by Canadian industry and government.

The Canadian manufacturing industry has a well-merited reputation for being far sighted in its outlook. In addition to the creation of new capacity, plants have been improved, new equipment - much of it automatic - has been introduced and research has received increasing emphasis. These activities have caused a significant rise in productivity with a corresponding fall in unit costs of production. Very heavy capital expenditures over the last decade have equipped the Canadian manufacturing industry to compete effectively in world markets. That expenditure is estimated to have been $10 billion, half of which has been spent in the last four years. Heavy electrical machinery and equipment is being sold abroad in substantial quantities and our trade continues to reach well over one hundred foreign countries.

<u>Export Trade</u>

The evidence is to be seen in the volume and the nature of our export trade. In 1958 fully or partially manufactured articles were sold abroad to the amount of $3.2 billion. Recent sales of Canadian transport aircraft to the United States indicate success in that highly competitive field.