

REPORTING PARLIAMENT BRIEFLY

(C. W. B. April 23, 1948)

INDUSTRIAL DEFENCE ADVISORY BOARD: The Minister of National Defence, Mr. Claxton announced in the House of Commons Tuesday the establishment of the Industrial Defence Advisory Board. In tabling the Order creating the Board the Minister explained as follows:

"As set out in the terms of reference, the primary purpose of the Board is--

To advise the Government of Canada and the Minister of National Defence on all matters relating to the industrial war potential of Canada.

"The members of the Board representing industry are all men who gave notable service in connection with industrial organization during the second world war. One of the objects of our setting up the Board is to ensure that the experience they gained will not be lost and will be the basis for future developments.

"Their names are Messrs. H. J. Carmichael, C.M.G., Chairman; J. Edouard Simard, Vice-Chairman; G.R. Donald, O.B.E., William Knoll; J.G. Notman; Clarence Wallace and William A. Wecker.

OTHER OFFICERS

"In addition the members of the Board will include the Chairman of the Defence Research Board; the President of Canadian Arsenals Limited; the three principal supply officers of the armed forces of Canada; the Deputy Minister of National Defence and the Deputy Minister of Trade and Commerce.

"In a letter to Mr. Carmichael this morning I set out some of the matters which I thought should be given immediate attention. I table a copy of this letter. These matters include;

Examination of the various agencies concerned in planning and initiating procurement and production of war equipment in Canada so as to recommend a division of responsibilities which will ensure that these responsibilities are effectively met without overlapping.

Consideration of requirements in the light of plans and possible programs of the armed forces and the assessment of the capacity to make available the materials, manpower and manufacturing facilities that may be required, with special recommendations regarding materials, industry or plants which are regarded as essential and for which some special provision should be made.

"To assist in the work of organization, I have designated Colonel W.G. Denny, O.B.E., as acting Executive Secretary. Colonel Denny has held positions in connection with ordnance work during the war in Europe, as well as at home and in the United States.

"It will be seen that one of the major jobs of the Board will be to ensure effective co-operation between the armed forces and the various agencies operating in this field. I

refer particularly to the newly organized Canadian Ordnance Association, representing industry.

"In the last war Canada became a great arsenal of democracy. Should an emergency ever arise again our expectation is that this Board will assist us in being prepared to ensure that Canada will play its full and necessary part in the preservation of freedom and in the defence of our country."

PRIME MINISTER CONGRATULATED: Prime Minister Mackenzie King was congratulated on all sides in the Commons on having, as of that day, held the office of Prime Minister longer than anyone has held the office of Prime Minister in any country of the British Empire.

ANNUITY PRICES RAISED: In the House of Commons Monday, the Minister of Labour, Mr. Mitchell, made the following explanation of Orders in Council which he tabled affecting the Government Annuities Act:

"The Orders have changed the rate of interest to be used in computing the purchase price of annuities from four per cent per annum to three per cent per annum, compounded yearly. In other words, it is a reduction in the rate allowed on money paid for purchase from four to three per cent.

"Changes have been made in the mortality table to be used in computing the purchase price of annuities and direction given as to the interest rate and mortality table to be used in calculating the liability for any annuity. Provision has also been made for necessary alterations resulting from these changes in the forms of application for annuities.

"The change in the interest rate has been made in order to make it the same as the rate paid on long term Government bonds...."

DR. SYROVATKA APPOINTMENT: The Secretary of State for External Affairs, Mr. St. Laurent, in the House Monday, replied to Mr. Diefenbaker on the subject of the appointment of Dr. Evzon Syrovatka, Consul for Czechoslovakia in Montreal, as follows:

"On Thursday the hon. member referred to the appointment of Doctor Evzon Syrovatka, Consul for Czechoslovakia in Montreal, and the question was in this form:

"Is this the same man who was declared persona non grata to the United States Government for alleged subversive activities, and if so, was the Government of Canada consulted before the appointment was made?"

"The answer I wish to make is this. Doctor Evzon Syrovatka was formerly an officer of the Czechoslovak embassy in Washington. The United States Government recently informed the Czech-

oslovak embassy in Washington that he was persona non grata but it is not the fact that the United States Government alleged that he had taken part in subversive activities. We have made careful inquiries and have received no information which would lead me to conclude that Doctor Syrovatka would in any sense be an undesirable or unreliable Czechoslovak consular representative in Montreal.

"In accordance with normal diplomatic practice, the Charge d'Affaires of the Czechoslovak legation in Ottawa has requested the Canadian Government to give provisional recognition of Doctor Syrovatka as Consul in charge of the Czechoslovak Consulate General in Montreal, pending the arrival of his commission of appointment, when a request will be made for an exequatur for him.

"I might add that we are informing the Czechoslovak Charge d'Affaires that his request for provisional recognition of Doctor Syrovatka has been granted."

FOREIGN EXCHANGE BOARD REPORT: Three outstanding developments in Canada's economic relations with the rest of the world were largely responsible for Canada's \$743 million loss of foreign exchange reserves in 1947, it was disclosed Thursday in the Annual Report of the Foreign Exchange Control Board for 1947. The Report, submitted to the Minister of Finance by Chairman Graham Towers, traced the loss to a reduction in Canada's over-all surplus from her international trade in goods and services, to the continued extension of large-scale credits to the United Kingdom and other countries and to an increase in the "geographical unbalance" of Canadian trade, as illustrated by the fact that nearly 77 per cent of Canada's imports in 1947 came from the United States as compared to about 61 per cent in pre-war years.

EFFECT OF E. R. P.

Mr. Towers said that the European Recovery Programme undertaken by the United States would "almost certainly afford an opportunity for Canada to earn more convertible exchange from shipments to Europe than would otherwise be the case," but added that "it is important for us to realize that even a European reconstruction programme providing for very large 'off-shore purchases' in Canada would not by itself solve our immediate foreign exchange problem."

He pointed out that Canadian loans to Europe showed that Canada recognized that the economic recovery of Europe was necessary for the re-establishment of a world economy within which Canada could trade satisfactorily but added that, in the absence of a sufficiently large current surplus in our over-all international transactions, these loans had resulted in a serious depletion of our exchange reserves.

Mr. Towers held that it was "not realistic" to expect a complete halt to the extension of

credit by Canada to Europe and stated that, if we are to make further loans and, at the same time, to increase our foreign exchange reserves, we must have a current account surplus larger than our loans. The size of Canada's over-all current surplus is thus the core of the exchange problem.

The decline in Canada's current surplus from \$357 million in 1946 to \$47 million in 1947 Mr. Towers attributed mainly to Canadian prosperity. The demand for imported goods and services was increased by the great expansion in Canada of industrial plant, equipment, housing and inventories and by the high levels of Canadian incomes supplemented by war-time accumulations of savings. Since exports did not rise proportionately, Canada's current surplus virtually disappeared. Had remedial action not been taken, no surplus could have been counted on in 1948. The fact that Canada did not experience an over-all current deficit in 1947 as it had in previous periods of investment boom was seen as evidence of the increased and more diversified productive capacity of the country.

The Report revealed that Canada's current surplus with the United Kingdom and the rest of the sterling area rose from \$664 million in 1946, to \$872 million in 1947, while our deficit with United States increased from \$613 million to the extraordinarily high figure of \$1,138 million. With the rest of the world our surpluses, after deducting contributions of official relief of \$92 million in 1946 and \$38 million in 1947, were \$306 million and \$313 million respectively.

UNBALANCE IN ACCOUNTS

Several factors contributing to the increased geographical unbalance in Canada's international accounts were reviewed in the Report. The slowness of the recovery of production in European countries resulted in Canadians turning to the United States for goods which they would normally have bought in those countries. The high level of investment in Canada led to heavy imports of durable materials and goods of which the United States was the natural source. In addition to the increase in quantity of imports from the United States the rise in prices in that country may, it was estimated, have added nearly \$300 million to the cost of our imports.

The Report discussed the serious financing problem resulting from Canada's large export surplus with the United Kingdom and other overseas countries. In part these countries paid Canada with convertible exchange, \$638 million having been received from all countries other than the United States, of which \$505 million was from the United Kingdom. In part, however, the export surplus was financed by Canadian government loans of \$423 million to the United Kingdom and \$140 million to other countries, mainly western European. In the case of both the sterling area and the other countries these Canadian credits financed about half of their Canadian dollar deficits.