

STATEMENTS AND SPEECHES

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CANADA'S ECONOMIC FUTURE

An address by the Minister of Trade and Commerce
Mr. C.D. Howe, delivered at the Town Hall series
of lectures, Town Hall Auditorium, New York,
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... Because we have a common language, and virtually no barriers to intercommunication, we are apt to take it for granted that Canadians and Americans understand each other as well as any two peoples ever can. I am not so sure. A friend of mine, a professor of history, once remarked that he did not agree that countries with a common language enjoy friendlier relationships than those with different languages. He was able to cite many instances from the past to prove his point. Of course, I do not for a moment doubt that Canada and the United States will always be on friendly terms. Anything else is inconceivable. But having been a citizen of both countries, I am by no means satisfied that we make the best use of the opportunities available to promote mutual confidence and fruitful co-operation.

For many years, Canadian - American relationships suffered from a lack of interest in Canada, by all but a few Americans. That situation has changed. These Town Hall talks themselves are evidence of the change. From neglect, however, the pendulum now shows signs of swinging to the other extreme. Canada is in danger of being over-dramatized. I shall feel happier when this sudden burst of enthusiasm is replaced by a glow of steady and perhaps more critical interest.

When Canada is held up as an example of political stability and financial virtue, naturally enough, Canadians are gratified. We also like to learn that Americans are impressed by the rapid development of our country in recent years. ...

Even if this kind of attention is a welcome change from the neglect of earlier years, it has its dangers. While some of your leading newspapers point with approval to the way in which Canada balances her budget, others seize upon this fact as evidence that Canada is not carrying its share of the burden of defending the free world. The truth is, of course, that the Canadian budget has been balanced by imposing sufficient taxes to pay for the ordinary costs of government plus the costs of defence. Incidentally, the Canadian defence programme bears comparison with that of any other country of comparable size and wealth. I can assure you that there are at least as many complaints about taxes from Canadians as there are from Americans.

Perhaps this is more than enough of general comment, and it is time to get into my subject. I have been preceded in these talks by an outstanding group of spokesmen

to fortune." Perhaps this is true also of nations. For one can usually mark a period in its history when each of the leading nations of the modern world seemed to gather strength and suddenly take great strides forward in wealth and power. I think it not improbable that Canada is passing through such a period.

It is as if each discovery and development leads on to others in a chain reaction. The turning point in Canada came with the discovery, after many years of disappointment, of a major oil-field on the Prairies. This discovery coincided closely with the uncovering of vast reserves of iron ore in Quebec-Labrador. Thus, almost overnight, Canada made good her two most serious deficiencies as an industrial power -- oil and iron. The development of these resources required the building of pipe-lines and railways and the provision of power. Quebec-Labrador iron provided the final and convincing reason why the building of the St. Lawrence Seaway is necessary without further delay to provide transportation for our expanding commerce.

I arrive at the conclusion, therefore, that this is not an ordinary boom, dependent upon re-armament or otherwise. Behind it lies something much more fundamental, which will persist for years to come, carried along by its own inner momentum.

I have also seen it suggested that Canadian prosperity and expansion are to a large extent dependent upon the defence preparations of the free world and that if, as the saying goes, peace were to break out, the structure would collapse. Any sudden reduction in defence expenditures, particularly here in the United States, would, of course, have a profound effect upon the course of business, not only in Canada, but throughout the world. But I do not think Canada would be any more sensitive to such a development than any other country, and probably less sensitive than many.

Let us not, however, concentrate our attention too much on what happens if economic prospects deteriorate. The fear of depression has obscured clear thinking about many economic problems and has, I believe, led on some occasions to serious errors of judgement in public policy in many countries.

My second major point in looking to the future is related to the first and yet it is distinct. It has to do with the abundance of our Canadian natural resources, which promise to give Canada an increasingly important place in world industry and trade. In Canadian-American relations, this means that the United States is becoming more important to Canada as a market. From your point of view, it means that the United States is becoming increasingly dependent upon Canada as a source of essential materials and supplies. In the Paley Report, it was said recently that, "the United States has crossed the great industrial divide and from being a nation with a surplus of raw materials has become a deficit nation". Reference was made in this connection to iron ore, copper, lead, zinc, timber and petroleum, for all of which the United States must look forward to dependence upon imports from the outside world.

Similar conditions of scarcity now exist in many parts of the world. Canada is at this same time in possession

of vast and increasing resources of many of these very materials of which other countries are short. Much is being written about potential Canadian wealth in iron, oil, nickel, uranium, silver, titanium, and a wide range of other minerals. We have impressive forest reserves and our wide Prairies produce the world's fourth largest crop of wheat. Canada is the leading supplier of newsprint, nickel and asbestos. Its reserves of base metals, coal, iron and oil have stirred the imaginations of people everywhere.

This great storehouse promises much to the future of the world, as well as to the economic future of Canada. The promise might be less if it were being dissipated wantonly and without regard for the future, but this is not the case. In our timber and pulp-and-paper industries, there is widespread and growing interest in the conservation of reserves and in complete utilization of felled timber. In agriculture, increasing attention is being given to the best uses of land. In petroleum and natural gas development, I am assured that the most modern techniques of exploration and of efficient exploitation are already in use in an industry which is still in its infancy. These great natural assets are not being thrown away or wasted. They are indeed still being increased. It is fortunate that the commodities Canada is best able to produce are ones of which the world stands in greatest need.

My third point is that the problems we can see ahead for Canada have mostly to do with the external situation, with world trade and with international finance. They are really world economic problems in which Canada is involved, rather than specifically Canadian problems. We have, in fact, very few worries about the internal structure of the Canadian economy. It is in good balance; its rate of growth in recent years has been prodigious; the productivity of the Canadian people is high. ...

These are my three major points about the Canadian economic future, that our development is well founded, that our resources are great and growing, and that we look hopefully to co-operation with other countries to solve the problems that we can see ahead.

Before concluding my comments on Canada's internal economy, I should like to touch on a subject that we in Canada regard as most urgent, namely, the further improvement of the St. Lawrence Seaway. The apparent unwillingness of your Government to extend the small degree of co-operation required to enable Canada to proceed with this project puzzles us completely. Perhaps I can explain in a few words the Canadian viewpoint.

The Seaway from Lake Erie to the Atlantic Ocean lies wholly within Canada, except for some one hundred and fifteen miles where the river forms the boundary between the Province of Ontario and the State of New York. Within this common boundary there is a stretch of forty-seven miles of river known as the International Rapids Section, providing a major obstacle to navigation. Since some form of joint action between our two countries is required for the economical development of this forty-seven miles of river, Canada's desire to further improve its outlet to the ocean can be, has been, and is being frustrated by lack of co-operative action by your Congress.

The importance of the St. Lawrence Seaway to the Canadian economy has been recognized by Canadians throughout the last century. The grain crops of our Western Prairies move to market by that route, just as raw and finished materials from the lower St. Lawrence and from abroad move into Central and Western Canada in the other direction.

The first improvements to the Seaway date back over a full century. The first canal system provided for nine-foot navigation. This was followed by canals and locks allowing fourteen-foot draft. Later the waterway above the International Section was improved for twenty-seven foot draft by the construction of the new Welland Canal below Lake Erie. The river below Montreal has been improved to provide a channel to the ocean having a minimum width of 600 feet and a depth of thirty-five feet. The bottle-neck in the Seaway -- fourteen-foot navigation in the International Rapids Section -- would have been removed by Canada long since had your Government extended the necessary co-operation.

It should be noted at this point that the St. Lawrence Seaway is, and always has been, a Canadian Seaway. Every important improvement has been built and paid for by Canada, from Lake Erie down. The cost of operating and maintaining the Seaway is paid wholly by Canada. Nevertheless, ships of every nation may use the Seaway without payment of tolls. An international treaty provides that, if and when tolls on shipping are imposed, they will bear equally on Canadian and foreign flag ships. Canada proposes to pay, on a self-liquidating basis, for improvements in the International Rapids Section. Why then, should your country withhold its co-operation and thus delay completion of this vital Canadian transportation outlet? I must confess that I do not know the answer.

The drop of the river in the International Rapids Section makes possible the development of a large block of low cost hydro-electric power, to be shared equally by our two countries. Economy dictates that this hydro power be developed either prior to, or as part of, the Seaway development. Canada is ready and anxious to develop its share. It is known that the State of New York would like to develop your share, but necessary Federal permission has not been granted either to New York State or to some other competent agency. Canada can and will proceed to remove the bottle-neck in her twenty-seven foot navigation channel from Lake Erie to the ocean as soon as competent authorities are authorized to build the power developments.

Proposals are now being advanced that the United States should build the new canal in the International Rapids Section. It seems to me that such a proposal can only complicate the present situation. Ownership by the United States of a short section of a very long Seaway would not only add to the overall construction cost but would complicate problems of maintenance and operation of the canal system. It seem obvious to me that continued ownership by one national authority of the entire Seaway represents the most efficient procedure. There are critical channels between the Upper Lakes that will require deepening to twenty-seven feet at some stage. By assuming responsibility for such deepening, your country can assume a much more logical and valuable role by making twenty-seven-foot navigation

possible throughout the Upper Lakes, to conform with depths provided in the all-Canadian St. Lawrence Seaway.

Perhaps you may feel that my reference to the Seaway is hardly appropriate to the subject of these talks. My answer is that Canada can hardly march if it is to be handicapped by a serious lack of internal transportation. I regard an adequate St. Lawrence waterway as essential to Canada's further economic progress.

It is not very practical to speculate about the economic future of Canada in any more concrete terms than those I have outlined. What interests me much more about the economic future is what we are doing about it today. We are confronted with large scale economic problems, to be considered and dealt with. Future economic trends are in our hands now to be shaped, for better or for worse. These constitute our relationship to the future, because we are deciding now in what direction we are going to go. If we can successfully resolve our present problems, I think the future will take care of itself.

This concludes my attempt to assess the future economic prospects of Canada. The surest guide and the only guide to the future is the past. I suggest to you that Canada has demonstrated an ability to deal with her day to day problems with some success. That thought leads me to view the future prospects of Canada with great confidence.

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