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WEEK'S EVENTS IN REVIEW

SUPPLIES' AGREEMENT WITH U.K.: Prime Minister Mackenzie King made the following announcement in the House of Commons yesterday: As the House is aware, it was recently agreed with the United Kingdom Government that a Mission should come to Ottawa to discuss the trade and financial arrangements between the two countries, with special reference to the United Kingdom's purchasing programme of Canadian supplies in 1948.

The Mission, headed by Sir Percivale Liesching, Permanent Secretary of the Ministry of Food, arrived in Ottawa on the 25th November. There has since been held with them a series of most valuable and comprehensive discussions covering the whole field of our trade with the United Kingdom, and I am happy to announce that as a result of the exchanges which have taken place agreement has now been reached with the United Kingdom Government on all matters under review.

Both countries at the present time face a common difficulty, namely, a shortage of United States dollars. From the Canadian standpoint, this and other factors limit the extent to which the balance of the credit, provided for under the Financial Agreement Act of 1946, can be drawn on in order to make supplies available to the United Kingdom. Canada has made a very great effort - not exceeded by that of any other state - to assist in the restoration and reconstruction of countries damaged and destroyed by war. But she cannot continue indefinitely to export on credit, and import for cash. From the United Kingdom standpoint, her own shortage of hard currency equally limits the extent to which she can afford at this time to make payment in dollars for goods supplied from Canada.

The discussions with the United Kingdom Mission centered around (1) the necessity for Canada of maintaining a balanced agricultural programme and (2) the basic dollar difficulty in both countries. However, though there may have been a shortage of dollars on both sides, there has been also on both sides a surplus of good will and mutual understanding. Also, if there has been a common difficulty, there has been a common objective, the maintenance at this time and the extension in the future of a stable and steady market in the United Kingdom for Canadian farm produce. This means a restored and vigorous economy in the United Kingdom and a steady rise in her industrial production and exports. It means also a prosperous Canadian agriculture, the value of which has become increasingly realized in the United Kingdom during the war and post-war years. Canada wishes to continue to send to the United Kingdom all those supplies of foodstuffs and raw materials which are playing such a vital

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EMERGENCY ORDERS AMENDED

CHANGES AND CLARIFICATIONS: A number of amendments to the emergency exchange conservation orders, including relaxation on certain items, some new prohibitions, and some clarifications were announced Dec. 12 by the Minister of Finance, Mr. D.C. Abbott.

All changes became effective Dec. 13, and, in the case of new prohibitions, will apply to goods not actually in transit to Canada Dec. 12.

Meat extracts and fluid beef, (tariff item 8a) and paperboard containers, (tariff item 199b) have been removed from the prohibited list and now may be imported without any restriction.

Manufactures of feathers (tariff item 634), glass tableware and cut glassware (tariff item 326ii), have been transferred from the prohibited list to category four of the quota list. Manufactures of feathers include badminton birds and parts of fly fishing equipment and properly belong in the above category which already includes other types of sporting goods. Cut glassware is an important export from the United Kingdom, Belgium and Czechoslovakia.

The clarifications include a rewording of the sections dealing with pulp and paper (tariff items 192, 197 and 198, etc.) which in effect permits unrestricted entry of certain technical specialties used in industry such as electric insulation board and special types of containers. At the same time jumbo rolls of facial tissue, paper tags, labels and wax paper are added to the prohibited list. The section dealing with prohibition on electric light fixtures (tariff item 445) is reworded to include floor and table lamps. The prohibition on precious and semi-precious stones (tariff item 648) has been reworded to make it clear that it does not apply to diamonds or glass imitations of stones used in the manufacture of medium and low price jewelry.

The new prohibitions include plywood (tariff item 507c and 507e) nickel or electro plated cutlery, table flatware (tariff item 362, 362c) and domestic water heaters, public address and communication systems, domestic humidifiers, and chemical permanent wave preparations.

A fifth quota group to come into effect on January 1st has been announced. It includes a wide range of prepared foods of a kind for which the United Kingdom, Australia and France were normally the Canadian principal suppliers.

Included in this new group are such items as pickles and sauces, meat and fish pastes, cheese, pickled and preserved fruits, canned fruits and chocolate and confectionery products. The national quota will be 200 per cent of pre-war and the individual importer's quota from scheduled countries will be 28 per cent of his imports during the twelve months ending June 30, 1947.

Mr. Abbott said: As we gain in administrative experience it may be possible to develop further quota categories in order to meet the special problems of some of our importers and some of our supplying countries. There are, however, narrow limits to such further flexibility, at least until our basic dollar position has substantially improved.

CANNED FRUIT UNDER CONTROL: Wartime Prices and Trade Board announces that the sale in Canada of canned peaches, pears and plums imported on and after January 2, 1948 will be subject to price control.

The Emergency Exchange Conservation Act, introduced in the House of Commons by the Minister of Finance Dec. 11, would allow the importation of these canned fruits under quota beginning January 1, 1948. The importation of these canned goods had previously been prohibited on November 17, 1947.

Canned peaches, plums and pears produced in Canada, or imported prior to November 18, 1947 are now subject to price control under the provisions of the Board's Order A-2459 as amended.

Recognizing the fact that further importations of these products may be allowed, the Board today issued an order A-2463 establishing markups for importers, wholesalers and retailers in line with those previously established for similar domestic goods.

CONTROLS CANCER PAIN

NEW DRUG AVAILABLE: Metopon hydrochloride, a new drug for the relief of cancer pain, is now available in Canada, reveals National Health and Welfare Minister Paul Martin.

Metopon is not a cancer remedy, but is used only to control pain and discomfort. It is taken in tablet form by the mouth and has a pain-relieving effectiveness double that of morphine.

Special arrangements for the distribution of metopon to Canadian physicians on a trial basis were worked out with the United States Public Health Services by K.C. Hossick, head of the narcotic division of the Department of National Health and Welfare. The drug will be carefully controlled through the narcotic division, and medical certificates will be necessary. Metopon will be released only for the relief of chronic pain in cancer cases.

The Canadian distributor is now issuing instructions to physicians on the procurement of metopon.

APPOINTED TO ICAO COUNCIL: The Department of External Affairs announces that Brigadier C.S. Booth, C.B.E., has been appointed Canadian Representative on the permanent Council of the International Civil Aviation Organization. He comes to this post from the Air Transport Board, where he has served as Secretary and Legal Adviser since January, 1946.

FOREIGN CAPITAL IN BRAZIL: The Department of External Affairs has received information from Brazil concerning Instruction No. 31 of the Bank of Brazil which requires registration by December 31, 1947, of all foreign capital that may have arrived in Brazil at any time. Foreign capital entering the country after October 7, 1947, must be registered within 30 days from the date of its entrance. Registration is to be made with the Banking Fiscalization Department.

Foreign capital already invested in Brazil, or which may be invested in the future, will lose the right of exit and profits will not be transferable abroad unless registration is completed within the stipulated periods.

SWISS VISA UNNECESSARY: The Swiss Legation in Ottawa and the Department of External Affairs announce that Canadian citizens will not now require visas in order to enter Switzerland. As from November 15, Canadian citizens entering Switzerland are required to present only a valid Canadian passport. There is one exception. Canadian citizens entering Switzerland with the intention of accepting remunerative employment there must obtain a visa in addition to a valid passport.

Identical conditions now apply to the entry of Canadian citizens to the Principality of Liechtenstein.

DISPLACED PERSONS: With the recent arrival of 856 displaced persons from Europe, the total number of displaced persons who have reached Canada is now 6,779. This number includes 1,694 close relatives, 3,564 woodsworkers, 704 domestics, 138 orphan children, and 100 textile workers.

A breakdown of the Displaced Persons picture by provinces shows that up to November 30, Ontario had received 4,458, including 3,564 woodsworkers, 670 relatives, and 223 domestics. Manitoba has accepted 610, comprising 417 close relatives and 193 domestics. Totals for the other provinces are: Quebec, 496; Alberta, 138; Saskatchewan, 110; British Columbia, 69; New Brunswick, 19; Nova Scotia, 18; Prince Edward Island, 5.

Of the 23,681 applications for the entry of Displaced Persons as close relatives of Canadian citizens, 13,674 have been approved.

P.E.I. ELECTIONS FINAL: Final party standing in Prince Edward Island elections of Dec. 11 (with standing of the 1943 elections bracketed):

Liberal	24	(20)
Prog. Con.	6	(10)
Total	30	(30)

IMMIGRATION INCREASE: Immigration to Canada during October showed an increase of 87 per cent over the influx of new citizens during the same month a year ago, according to latest statistics released by the Immigration Branch of the Department of Mines and Resources.

Total immigration for the month was 8,941, as compared with the figure of 4,760 for October, 1946. Worthy of note was a rise of 2,491 in the total of immigrants from the British Isles, this year's October total being 5,231, as against 2,740 for the corresponding month a year ago.

Apart from the British Isles, the total for European races was 2,696, an increase of 1,773 over the October, 1946, total of 923.

Indicating a marked upswing in the flow of Canadian citizens returning after having resided in the United States, the total number returned during the ten months ended October 31, was 7,774, an increase of 3,858 over the figure of 3,916 for a similar period in 1946.

FARM EQUIPMENT SALES: Domestic sales of farm implements and equipment as reported by manufacturers and importers, mainly at wholesale prices to dealers or agents, amounted to \$81,372,195 in 1946, an increase of 26 per cent over the revised figure of \$64,293,216 in 1945.

It would appear that the total sales volume of Canadian farm equipment dealers for 1946 amounted to about \$125,430,439 for new machines and equipment and for repair parts. This is based upon the mark-ups for equipment and parts as reported by the manufacturers and importers.

Apparent retail sales volume in new equipment during 1946 was \$98,050,000 and for repair parts, \$27,380,439. All parts in Canada recorded substantial increases in sales, as compared with 1946.

VALUE OF FIELD CROPS: The gross value of principal field crops produced on Canadian farms in 1947 is estimated at \$1,287.4 million, according to the first estimate of the Dominion Bureau of Statistics. This is the fifth highest gross value recorded since the series was commenced in 1908, being exceeded only in the years 1918, 1919, 1920 and 1944. High prices during the immediate post-Great War period accounted chiefly for the enhanced value of production recorded in the period 1918-20, while a relatively high level of production was largely responsible for the greater value figure of 1944. This year's figure is about three per cent above the 1946 gross value of production. While declines in production were registered in 1947 by all crops except rye, flaxseed, buckwheat and hay and clover, general price increases served to more than offset reduced production and the total value of field crops accordingly stands higher than the previous year's level.

FARM PRICES INDEX UP: Prices received by Canadian farmers for agricultural products at October 15 averaged higher than at the corresponding date last year. The Dominion Bureau of Statistics index number of prices received for all products, on the base 1935-39=100, stood at 200.2 compared with 183.9 a year ago, an increase of 16.3 points.

The index numbers for all provinces have registered substantial increases when compared with October last year, higher prices for grains, live stock, dairy products and potatoes being chiefly responsible. Increases are shown also in the indices of prices for poultry and eggs in all provinces except Prince Edward Island.

CURTAILED IMMIGRATION'S EFFECT: Curtailment of immigration during the war years is reflected in population figures on birthplace, mother tongue and citizenship for the Province of Saskatchewan on the basis of the 1946 Census of the Prairie Provinces.

Of the 832,688 population residing in Saskatchewan on June 1, 1946, 526,849 or nearly 64 per cent were born in Saskatchewan; 110,817, or 13 per cent were born in other parts of Canada; 60,200 or seven per cent were born in the British Isles and other British countries; and 134,822 or 16 per cent were born in foreign countries.

A decade ago at the 1936 Census, corresponding birthplace percentages out of a total population of 931,547 were as follows: Saskatchewan, 55 per cent; other parts of Canada, 16 per cent; British Isles and other British countries, nine per cent; and foreign countries 20 per cent.

Principal foreign birthplaces in 1946, with corresponding figures for 1936 in brackets are as follows:- United States, 45,048 (63,872); U.S.S.R., 23,438 (28,651); Poland, 17,145 (30,760); Scandinavian countries, 12,665 (18,807); Austria, 11,959 (9,321); Germany, 5,294 (8,484); Hungary, 4,352 (5,771); Roumania, 4,052 (9,916).

RETAIL SALES UP 5 P.C.: Sales of retail merchants in Canada continued upward through October, rising five per cent above the previous month and showing a gain of 12 per cent over October last year, according to the broad sample of reports received by the Dominion Bureau of Statistics. The month's increase over a year ago was below the gain of 16 per cent recorded for September but above the average for the year, which stands at ten per cent for the ten months.

The Bureau's unadjusted general index of retail sales, on the base 1935-39=100, stood at 254.1 for October as compared with 241.2 for September and 227.2 for October last year.

MOVIES' ALL-TIME HIGH: Motion picture theatre attendance and box office receipts reached all-time highs in 1946, according to the Dominion Bureau of Statistics. Paid admissions during the year totalled 227,538,798, and receipts $74,941,966, compared with 215,573,267 admissions and receipts of $69,485,732 in 1945. Amusement taxes collected during the year amounted to $15,052,994 as against $14,055,021. The number of theatres in 1946 was 1,477, an increase of 154 during the year.

Receipts continued to fall below the level of the war years in Prince Edward Island and Nova Scotia, but the remaining provinces continued to advance. Per capita expenditure for Canada as a whole was $6.15 compared with $5.77 in 1945. Higher figures were recorded for all provinces with the exception of Prince Edward Island and Nova Scotia, and ranged from a high of $8.10 in British Columbia to a low of $3.17 in Prince Edward Island.

Fifty per cent of the 1,477 theatres were owned by individuals or firms operating only one theatre and these houses accounted for 19.2 per cent of the net receipts and 21.5 per cent of all theatre attendance. Theatres operated by firms owning from four to nineteen theatres comprised 11.7 per cent of the total number and had 11.9 per cent of total receipts and 12.8 per cent of admissions. Twenty-five per cent of all theatres were operated by firms owning 20 theatres or more and these obtained 59 per cent of the net receipts and admitted 56.3 per cent of all persons attending motion picture theatres. The balance, 13.1 per cent of the theatres, were operated by firms owning two or three theatres and these accounted for 9.5 per cent of total receipts and 9.4 per cent of total admissions.

STOCKS OF MEAT HIGHER: Stocks of meat held by packers, abattoirs, wholesale butchers and cold storage warehouses on December 1 moved up to 110,030,109 pounds, compared with 61,876,139 pounds on November 1, and 82,367,122 pounds on the corresponding date last year. Meat stocks thus showed an "into-storage" movement during November of 48,200,000 pounds compared with a similar movement last year of 15,400,000 pounds.

COURSES FOR ARMY TRADESMEN

RAISING THE ACADEMIC STANDARD: Special courses to be conducted at the Corps School of the Royal Canadian Electrical and Mechanical Engineers at Barriefield, Ont., are being organized to raise the academic standards of military tradesmen to the levels demanded by today's highly specialized army trades, announces the Minister of National Defence, Mr. Brooke Claxton.

Although recruits may be accepted in the postwar Active Force if they have a scholastic standing of junior matriculation or its equivalent, men with higher standards are required for radar and wireless technicians, engineers, instrument mechanics, electricians and other skilled army trades. Such jobs require a sound grounding in matriculation mathematics and science, and the object of the new course is to educate tradesmen and potential tradesmen, to this standard.

This training will be divided into two courses running consecutively, the first covering junior matriculation mathematics and science, and the second, senior matriculation in the same subjects. Only the subjects required by military trades will be taught, these will include geometry, algebra, trigonometry, physics and chemistry.

Under the present Army system, a recruit is first given basic training, which includes general military training and instruction appropriate to the corps to which he belongs. If a potential tradesman, he is then given his initial trades training, the duration of which is dependent upon the trade being learned and the amount of instruction the recruit can absorb when undergoing the training for the first time. After a period of employment at his trade, he may then be selected either for additional trades training that requires no educational advancement or for academic training at the Barriefield school. When this is complete, he is then ready for his final trades training course.

Men already qualified in trades upon joining the army will be selected immediately for training that requires no educational advancement, or for one or both of the academic courses.

RETURNS FROM STAFF COLLEGE: Having completed the one year's course at the Staff College, Camberley, England, Lieut.-Col. C.A. Peck, of Aylmer, Que., returns to Ottawa shortly to assume his new duties as general staff officer, grade one, in the Army's Directorate of Military Training. Lieut.-Col. Peck is an officer in the Royal Canadian Corps of Signals, and in the war was officer commanding 2nd Canadian Infantry Division Signals.

TRANSFERRED TO OTTAWA: Lieut.-Col. J.L. Sparling, Royal Canadian Army Service Corps, of Vancouver, has been transferred to duty in the Directorate of Supply and Transport at Army Headquarters, Ottawa, it was announced at AHQ today. He has been Supply and Transport Officer at HQ British Columbia Area in the West Coast city.

TRIBUTES TO LORD BALDWIN: When the House of Commons opened on Monday, leaders of all parties joined in tribute to the memory of Earl Baldwin, former Prime Minister of the United Kingdom.

In the course of a statement to the Press, Prime Minister Mackenzie King said:

In Lord Baldwin's death, at the advanced age of eighty years, there passes from the scene of world politics one who in his day was foremost as an Empire statesman. Throughout his public life, he had an understanding of Commonwealth relations second to none, and guided the development of the Commonwealth along lines which made possible the close co-operation which prevailed in the testing time of war.

Canadians, regardless of party affiliations, retain many cherished memories of Lord Baldwin's visits to Canada during his years of office. They will always remember that he was the first Prime Minister of Great Britain to visit this country while in office. His visits to Canada were symbolic of his attitude in Commonwealth affairs. It was while Baldwin was Prime Minister of the United Kingdom that the Imperial Conference of 1926, over which he presided, gave formal recognition to equality of status of the nations of the Commonwealth, and it was a Government over which he presided which sent the first United Kingdom High Commissioner to Ottawa. His contributions to the development of Commonwealth relations will prove enduring.

MORE DISPLACED PERSONS ARRIVE: Allocation of 856 men and women from the Displaced Persons Camps of Germany, who arrived in Halifax Dec. 12 is announced by Minister of Labour Mitchell.

The occupational breakdown, subject to last minute changes, is as follows: Domestic, 109; garment workers (mostly for employment in Toronto and Montreal), 82; miners (for Northern Ontario and Quebec mines), 230; railroad maintenance workers, 175; heavy labour Ontario Hydro developments (Chalk River, Ont.), 92; near relatives, 168.

(Under the movement of Displaced Persons to Canada, provision is made for residents of Canada who have relatives in many parts of Europe to arrange through the Immigration Authorities for them to come to Canada, provided they are in good health and of good character.)

WILDLIFE SERVICE ESTABLISHED: The establishment of a Dominion Wildlife Service as part of the current reorganization of the Department of Mines and Resources, Ottawa, emphasizes the growing importance of the conservation and management of Canada's wildlife resources.

The new unit will be in charge of Dr. Harrison F. Lewis, who will deal with questions of policy and method with reference to wildlife resources under control of the Dominion Government. He will be responsible for the administration of the Migratory Birds Convention Act, the Northwest Game Act, and the Fur Export Ordinance of the Northwest Territories.

The new Wildlife Service will attend to conservation of the game and fur resources and other wild creatures in the Northwest Territories, the management of wild animals, birds, and fish in the National Parks of Canada and the handling of national and international problems relating to wildlife resources as a national asset, and will co-operate with other agencies having similar interests and problems.

The Dominion Wildlife Service will also carry on certain lines of research in connection with wild mammals and birds, including furbearers, game of all kinds, and insect-eating birds.

PLANS TO MEET U.S. DOLLAR SHORTAGE

FINANCE MINISTER'S SURVEY: In the House of Commons, Dec. 16, Finance Minister Abbott gave a detailed exposition of Government plans to meet the shortage in United States dollars. Mr. Abbott was moving second reading of Bill No. 3, an Act respecting emergency measures for the Conservation of Canadian Foreign Exchange Resources.

He described the U.S. dollar problem as serious and urgent. In determining its policy, the Government had the following objectives and considerations in view:

1. The measures taken had to be sufficient to bring our U.S. dollar problem under control. At the recent rate of depletion, our remaining exchange reserves would have lasted only a limited period and their disappearance would have clearly involved extreme difficulty and drastic restrictions.
2. It was essential to find a lasting solution to the U.S. dollar problem through a constructive approach designed to increase and re-direct our trade and production.
3. It is much in Canada's interests to assist and facilitate recovery in Western Europe.
4. The measures to correct our exchange difficulties should be designed with a view to minimizing dislocation to our economy.

The emphasis of the programme Mr. Abbott continued is on constructive measures which we hope and believe will bring about a solution to our U.S. dollar difficulties in the reasonably near future, and bring it about in a manner that will enable us to maintain a high standard of living and a high degree of freedom in our economic life. We cannot, however, expect to achieve a sufficient expansion and readjustment in our production and trade to correct overnight a U.S. dollar deficiency of the present magnitude. The constructive side of the programme must therefore be supplemented by restrictive measures. We are in a serious situation and we must make some prompt adjustments in our consumption and in our investment programmes.

The restrictions will save substantial amounts of U.S. dollars. While it is difficult to make precise estimates, the prohibitions and quotas if they had been in effect during the twelve months ended June 1947, would have excluded imports from U.S. dollar countries to the value of something like $300 million. The travel restrictions would have reduced our U.S. dollar expenditures by from $30 to 40 million. A substantial saving will result from the control of imports of capital goods but it is hard to say how much and in this case the saving will increase as arrangements are worked out in particular industries, and as capital expansion plans are reviewed. As time goes on the constructive measures will steadily bring about a better balance in our U.S. dollar transactions, and meanwhile as an extra margin of safety we have at our disposal a U.S. credit of $300 million.

LONGER-RANGE CONSTRUCTIVE POLICY

I have heard it suggested that the constructive part of the programme lacks content, that it is too general and too vague. That is a mistaken view. There is nothing vague about the reductions in the United States tariff which resulted from the negotiations at Geneva. And if the statement that the governments of Canada and the United States are consulting on measures designed to achieve the maximum degree of economic co-operation between the two countries is a general one, let me assure the house that it is far more than a mere statement of good intentions. If the United States Congress decides to authorize the use of Marshall Plan funds in making purchases outside the United States, as we hope and expect it will, that will be a decision of great importance to Canada. It is true that the programme to develop and re-direct our resources and industry in a manner that will permanently reduce the undue lack of balance in our trade with the United States is just beginning. But as the Minister of Reconstruction will confirm, it is a serious programme which the government will pursue with determination and vigour.

Referring for a moment to the Geneva trade agreements which are now before the House, I would direct particular attention to the reduction in the United States tariff as it affects this country. Substantially better terms of entry have been accorded to farm products, lumber and wood products, and base metals, to mention some of the more important categories. Note should be taken of the fact that tariffs have been reduced on articles processed from our primary production as well as on the primary products themselves. This enlarges the opportunities for further development of fabrication and processing of our primary output and for increasing the proportion of our exports to the United States in the more valuable processed and manufactured forms.

U.S. TRADE AGREEMENT PROPOSED

Important as these new tariff reductions are, the Government believes that steps should be taken to reduce further trade barriers and to promote closer and more advantageous economic co-operation between the two countries. It is the desire of the Government to reach a further trade agreement with the United States. This proposal has been made informally to United States officials who are studying this and other methods of promoting mutually beneficial economic co-operation.

The government has been investigating the possibilities of shipping additional supplies to the United States and there is a good deal that can be done in the near future. While it will take time to increase to desired levels our production of the sort of goods which have a ready market in the United States, output of some such commodities is still expanding and new capacity is coming into operation. Considerable further expansion in our U.S. dollar exports can be achieved by diverting exports away from other countries and by reducing Canadian consumption. Action along these lines is necessary and practicable to a substantial extent. It is expected that deferment of some capital projects and reduced consumption of some goods in this country will make available larger supplies for export. It is well to remember that expansion projects and production of durable goods involve the use of large quantities of Canadian-produced goods, such as base metals and wood, which might otherwise be exported, as well as the use of very substantial imports.

So far as diverting exports to the United States is concerned, the exchange difficulties of Britain and other countries have led them to restrict their imports from Canada with increasing severity and to confine their purchases to only the most essential items. Fortunately, there is a market in the United States for many of the exports which are being restricted by these countries and to that extent diversion will take place rapidly. Canada naturally does not wish to divert supplies which are urgently needed overseas.

EFFECT OF MARSHALL PLAN

The extent to which we can continue to assist Britain and other countries will depend in large measure on the implementation of the Marshall Plan. The prospects for the approval of this plan by the United States Congress are I believe encouraging. Such a constructive and imaginative step by the United States could make the difference between a healthy world recovery and the indefinite continuance of economic dislocation and distress over much of the world.

The form in which the Marshall Plan is implemented is also very important to us. We have pointed out to the United States how our difficulties in buying from that country arise very largely from our inability to sell to Europe for cash, and we have expressed our concern that dollars made available by Congress for aid to Europe will be used in part to purchase supplies in Canada and elsewhere that are not readily available in the United States. The United States Government has recommended to Congress that it should authorize the use of funds voted for aid to Europe in making purchases outside the United States, and this principle has already been accepted by the U.S. Senate in regard to the interim aid programme. We expect that this policy will be implemented in regard to Marshall Plan funds and if it is we shall be better able to continue our own programme of aid to Europe. If it is not, we shall have no alternative but to divert further exports from overseas to the United States.

It will be appreciated that our ability to contribute to world recovery depends very largely on overcoming our exchange difficulties in a manner that will not restrict our total production. A greater integration of the efforts of the United States and Canada to assist world recovery would add considerably to the capacity of this continent to provide urgently needed assistance just as it did during the war. We are making every effort to achieve the needed integration and we have encountered a most co-operative and helpful reception in our discussions with the United States Government.

I do not propose to deal at length with that part of the policy which is the particular responsibility of the Minister of Reconstruction, since he will shortly be outlining his plans to the House. The aim is to achieve a better balance in branch plant operations, to encourage expansion of production for export to dollar markets, and to facilitate the development of production and resources in a manner that will ease our U.S. dollar deficiency. The government has no intention of embarking on a programme of building up uneconomic production in this country. It is convinced, however, that there are great possibilities for expanding and re-directing our production in an efficient manner so as to improve permanently our exchange position.

The government will endeavour to centre the attention of industry on this question and in some cases it may be necessary to take specific action to facilitate the kind of readjustment and increases in production which are required. We expect that Canadian industry will realize its interest in and responsibility for the success of this programme and there has already been an encouraging response. We want to maintain and expand our industrial structure, but we must find methods of doing so which will not involve the present excessive drain of U.S. dollars.

RESTRICTION OF IMPORTS

Some concern, Mr. Abbott said, had been expressed as to the severity of the specific restrictions imposed on imports. In the spheres where it was feasible to impose specific restrictions, they were admittedly quite severe. They had to be if we were to save any substantial amount of U.S. dollars.

Mr. Abbott proceeded: There is one further general point about the restrictions that I wish to emphasize. It is that we have imposed them in a manner broadly consistent with the principle of non-discrimination. That is to say, the same restrictions calculated on the same basis have generally been applied to all countries. When the import of an article had been prohibited, the prohibition applies to all countries. Similarly, the import quotas are based on pre-war trade and are applied in the same manner to the two groups of countries which have been listed. This principle of non-discrimination has caused some confusion and misunderstanding. Why, we have been asked, when it is generally desirable to increase our imports from Great Britain do you prohibit the import of any goods from that country? Why, when the whole programme of restrictions is frankly designed to save U.S. dollars do you not confine them entirely to dollar countries? There is a very strong reason for applying this non-discriminatory principle. It checks the possible abuse of restrictive practices in that it does not permit the country concerned to treat the import of a particular product in differing ways for different countries. It is a sound principle of international trade which it is most important to us to have generally accepted and which is included in the draft charter for the International Trade Organization. It is a principle which our neighbours in the United States also regard as very important. The restrictive programme is of course designed to cut our imports from that country and is anything but welcome to many of their exporters. The longer-term constructive programme depends greatly on the co-operation with the United States. Knowing their views and subscribing to the same principle ourselves, it was only reasonable that we should make a special effort to avoid direct discriminatory practices.

THE IMPORT PROHIBITIONS

The prohibited list - Schedule I of the Bill - covers a wide variety of consumer goods and certain other articles which the government has decided can no longer be permitted to draw on Canada's reserves of foreign exchange. The list includes a number of items of a luxury on non-essential character. It also includes a good many things which are important in themselves but which are produced in Canada in substantial quantities and which are frequently of such a nature that their purchase may be postponed.

All the items on the list have been selected with a view to saving U.S. dollar exchange - in other words they are goods which are imported entirely or largely from the United States. Since the principle of non-discrimination involved application of the prohibitions to all countries, the list naturally does not include items which are of considerable importance to countries to which we have been extending credits. Thus there are no restrictions on the import of some luxury goods, as for example, sterling silverware and certain classes of perfumes.

NON-ESSENTIAL ITEMS

There are a large number of non-essential and luxury items on the prohibited list. These include such things as cut flowers, some fancy foods, novelties, comic and "pulp" periodicals, pleasure boats, fur coats, jewellery, paintings, and various amusement devices.

The greater part of the list, however, is comprised of items that could not be described as luxuries. These are largely goods which are produced in substantial quantities in Canada or for which adequate Canadian substitutes are available. In respect to foods, for example, the import of meat, poultry and eggs is prohibited. Imports of fresh fruits, except citrus fruits, bananas, and apples, of fresh vegetables, except potatoes and onions, and of dried fruits, except pitted dates, figs, prunes and raisins, are no longer permitted. Hon. members will note that the exceptions are very important. The prohibitions mean, however, that we shall have to go without the usual supplies of out of season vegetables and put up with a less varied but still adequate vegetable diet. The fact is that we cannot now afford to spend scarce U.S. dollars on these additional amenities. Cigars, cigarettes, toilet soaps, and comestics are also prohibited because we produce a sufficient supply of these things in Canada.

The prohibitions also extend to most household electrical appliances, including refrigerators, washing machines, stoves, sewing machines and toasters. Canadian production of these articles is large and has been increasing sharply. For example, our production of domestic electrical refrigerators was more than three times as great as our imports in the twelve months ended in June of this year. Our output of electric washing machines at 133,000 was four times our imports, and in the case of stoves the domestic production accounted for 95% or more of the total supply. The ban on imports of radios would have kept out less than 50,000 sets in the twelve months ending in June when our domestic production was 720,000 sets.

The other significant items on the prohibited list include a number of paper products, furniture, certain building materials and household supplies, passenger automobile tires, cameras, typewriters and certain other business machines. In most of these cases there is a large Canadian production. Imports of automobiles have been temporarily banned, but a restrictive quota is being worked out and its detailed provisions will be announced as soon as possible.

FIVE QUOTA GROUPS

The imports subject to quota are listed in Schedule II of the Bill and are classified into five quota groups. A description of each of these quota groups will give a much better idea of what the system is and how it works than any explanation in general terms. The first group includes the following fruits and vegetables -- oranges, grapefruit, lemons, limes, fruit juices, apples, potatoes and onions. As I noted earlier, most other fruits and vegetables are on the prohibited list except for bananas, raisins, figs, prunes and pitted dates which are left unrestricted. Imports of the fruits and vegetables listed in this group amounted to $10 million per year for scheduled countries and $1½ million for non-scheduled countries in the pre-war period of 1937-39. The quota which has been set for this group is 200% of pre-war which means that about $20 million of these goods can be

imported from scheduled countries in the next twelve months, and about $2½ million from non-scheduled countries. During the twelve months ended June 30th, 1947, such imports from scheduled countries were not far from $40 million while those from non-scheduled countries were less than $700,000. This means that such imports from the United States and other scheduled countries will be cut to about 50% of the actual imports in the twelve months ended last June. On the other hand, imports from non-scheduled countries could be increased three and a half times without exceeding the quota.

Any individual importer shares in the group quota in accordance with his share of the trade during the twelve months from July 1946, to June 1947 inclusive. In other words, an importer simply reports to the government the total of his actual imports of the goods in the particular quota group from the scheduled countries for this period and his permitted imports for the next twelve months are calculated by applying the appropriate percentage. In the case of the fruit and vegetable quota, this percentage, as noted above, is 50% of the actual imports from scheduled countries in the twelve months ended June 1947. For the time being, open permits are being issued for imports from non-scheduled countries since actual imports are so far below the amounts permitted under the quota system. The annual quotas will normally be administered on a quarterly basis.

The quota on fruits and vegetables will mean some reduction in our imports of citrus fruits. I am advised, however, that prices for oranges in the United States are considerably below those prevailing a year ago and the total quantity that may be imported with half last year's dollar expenditure is likely to be very much more than half last year's physical volume, and certainly more than before the war.

LARGEST QUOTA GROUP

The second, and largest quota group, relates to textiles. It includes almost all textile products advanced beyond the yarn stage - fabrics, knitted goods, clothing and other finished goods. It does not include textile fibres and yarns on which no restrictions have been placed. Because of the shift in sources of supply, our heavy dependence on imports of cotton goods, and the much increased level of textile prices, it was necessary to set the quota at 400% of pre-war. Even at this figure the quota system will sharply restrict imports from scheduled countries though it will give wide latitude for increasing our purchases from non-scheduled countries.

In the pre-war period, imports from scheduled countries of the textile products now subject to quota averaged only about $10 million. However, during the twelve months ended June 1947, imports from these same countries were nearly $130 million. With the total quota at $40 million, i.e. 400% of pre-war, this means that importers are now only permitted to purchase up to 32% of the amounts which they imported from scheduled countries in the period from July 1946 to June 1947.

The position in regard to non-scheduled countries is almost the complete reverse. In the pre-war period, imports of the textiles now under this quota from Britain and the other non-scheduled countries amounted to $30 million. The quota is thus $120 million. Actual imports during the twelve months ended June, 1947 were only $52 million and the result is that we could more than double our purchases from non-scheduled countries before reaching the quota limit.

IMPORTS OF WOOLLEN GOODS

Since most of our imports of woollen goods come from the United Kingdom and since we have a large and generally adequate rayon production of our own, hon. members will appreciate that the main effects of this textile quota will be felt in the sphere of cotton goods. There will be a sharp reduction in our purchases of cotton fabrics from the United States and we hope a substantial and continuing increase in our purchases from Great Britain. In 1946 we imported more than 200 million yards of broad-woven cotton fabrics from the United States and only 5 million yards from the United Kingdom. This is a complete reversal of the pre-war trade pattern, when our average imports from the United States were less than 25 million yards and those from the United Kingdom were 70 million yards. Since the quota from scheduled countries is only 32% of the recent rate of import, our imports of cotton fabrics from the United States are likely to be reduced by from 125 to 150 million yards during the next twelve months.

The adequacy of the total supply of cotton fabrics will therefore depend on obtaining much larger supplies from the United Kingdom and to a lesser degree on increasing our domestic production. From the discussions we have had recently with British Government officials, we are confident that a pronounced increase in imports from that source can be expected. If actual shipments approach expectations, our total supply of cotton fabrics will be quite sufficient for our needs. Taking our estimated domestic production, the much expanded imports from the United Kingdom which we expect, and the sharply reduced imports from the United States, our total supply in 1948 should work out to somewhere in the neighbourhood of 450 million yards. This is somewhat less than the very high figure of 1946 - about 490 million yards - but much more than our average pre-war supply which was around 350 million yards. While there will be difficulties in this readjustment of sources of supply and while the total supply will be somewhat less plentiful than in the last year or two, the Canadian people are still going to have a sufficient supply of cotton goods.

The third quota group includes leather, footwear, gloves and mitts, leather garments, luggage and purses. The quota is 200% of pre-war and as in the other quotas this restricts imports from scheduled countries and leaves considerable room for expansion in regard to non-scheduled countries. The quota works out to slightly less than $7 million for scheduled countries which is 70% of the actual imports in the twelve months ended June, 1947.

The fourth quota group included clocks and watches, cutlery, sporting goods, toys, smokers' supplies and certain types of glassware. The quota in this case also is 200% and this involves a cut of nearly 70% in the recent rate of imports from scheduled countries.

A fifth quota group to come into effect on January 1st is being announced today. It includes a wide range of prepared foods of a kind for which the United Kingdom, Australia and France were normally our principal suppliers. Included in this new group are such items as pickles and sauces, meat and fish pastes, cheese, pickled and preserved fruits, canned fruits and chocolate and confectionery products. The national quota will be 200 per cent of pre-war and the individual importer's quota from scheduled countries will be about 30% of his imports during the twelve months ending June 30, 1947.

The whole quota system has been made as flexible as possible. Importers are not tied down to particular items or particular countries but are permitted to use their quotas to purchase any goods in a given quota category from any of the countries in the applicable schedule. The government believed it desirable to permit freedom of action to the largest feasible degree and wished to avoid undue administrative complications which might have retarded the efficient working of the system.

IMPORT CONTROLS ON CAPITAL GOODS

As I mentioned earlier, prohibitions and quota restrictions are applicable only to a limited portion of our total imports. These methods would not be suitable to check the heavy flow of imports of capital equipment, and materials and parts for use in construction and in the manufacture of durable goods. The significance of such imports depends mainly on the use to which they are put. The same imported material or machine may be highly essential when used for one purpose and much less essential when used for another. The control of such imports must therefore be flexible and related to the use of the imports concerned.

The system adopted therefore is to make imports of the kinds of capital goods, components and materials listed in Schedule III of the bill subject to control, and the Minister of Reconstruction and Supply has been charged with the administration of this phase of the programme. He will be in a position to review with industry proposed expenditures involving the import of such goods with the aim of reducing the drain on our dollar resources. Industries with capital expansion programmes should check their import requirements with him and where feasible postpone such projects, as a number of firms have already done. This control also involves examination of methods to reduce the net dollar deficiency resulting from many of our industrial operations. Hon. members will appreciate that it is closely related to the plans for developing and re-directing Canadian production which are also the particular responsibility of the Minister of Reconstruction and Supply.

DOLLAR DEPRECIATION UNDESIRABLE

Mr. Abbott also spoke of other parts of the programme: the special excise taxes on durable consumer goods; restrictions on travel in the United States; the loan of $300 million from the U.S. Export-Import Bank. He repeated that currency depreciation was considered neither a desirable nor effective alternative to the measures adopted.

He concluded: The programme is designed to overcome a national problem and it depends on a national response. The more that businessmen and the public generally support it and adopt it in their individual thinking, the quicker and the better will the programme achieve the desired results. We must make a national effort to increase our dollar exports and to readjust our industry so as to reduce our dollar deficit. We must make a national effort to curtail our spending, particularly on durable goods, and to postpone new capital investment of a less essential nature. It is a programme which calls for intelligent understanding and co-operation. It is the sort of programme which Canadians can take in their stride and make work. We live in very troubled and uncertain times. But the Canadian people have shown a remarkable capacity to adapt themselves within the framework of their democratic institutions and traditions to changing conditions. We faced and met the challenge of the war in a manner which surprised even ourselves. We can meet this present challenge with less difficulty if we will only recognize and accept it.

OPPOSITION CRITICISM: J.M. Macdonnell (Progressive-Conservative Muskoka-Ontario) said the Bill gave powers which had never before been given in peacetime, perhaps never even approached in wartime. It gave arbitrary power to one man to control the industry of the country to an extent that Mr. Macdonnell would never have believed any party, and still less any party led by the Prime Minister, would have come to.

We, who have been free moderately, Mr. Macdonnell added, are asked to put shackles on ourselves. We who have struggled for generations to achieve the position of living under the rule of law are now to live, so far as business is concerned, to a very large extent under the arbitrary rule of one man. This is control -- complete final absolute. . . .

It may well be asked how people who call themselves Liberals -- and I think there are some real Liberals across the way -- were

ever brought to agree to this. The only way I can imagine is that they were told it would not last long. There has been added to Liberal principles, the new Liberal principle of arbitrary powers, the application of arbitrary powers. . . .

You may say, What do we want? We want law, known to all, the same for all and fair for all, such as the Tariff Act, which will have provisions written into it and which will not be left to the discretion of one man and we want the law to be subject to the interpretation of the courts.

I suggest to the House that this Bill is an offspring of the order-in-council mind and legislative bankruptcy or lethargy -- I do not know which it is -- of the government. In any event, it is a refusal to try to write a law which will be the same for all, known to all and fair for all.

DOLLAR DEVALUATION URGED

We had reached a king of impasse, Mr. Macdonnell proceeded, and we had now three courses open to us in the matter of currency. The first was to stay as we are. The second was to let the dollar go free. That, Mr. Macdonnell was sure, was the objective of most people in the House. But he did not think it an immediate objective. He felt we had to go by degrees. Nevertheless it was the only objective we could have.

I hate controls, Mr. Macdonnell added, but if I thought they would work I would stomach my dislike of them. The reason I am against them is that all history shows that in the end they bring their own retribution. There is another reason for not letting the dollar go free and that is that we have obligations under Bretton Woods. I will say quite frankly that I think the world is too unsettled at the present time for us to take that risk.

Then I come to the third suggestion, which has already been made by my leader and which I repeat, of the dollar at ninety cents. Of course there are a great many unpleasant things about it. I do not suggest it because it is nice. I suggest it because it may help us to avoid worse things. When the Minister says it would do no good, that does not convince me at all. The Minister said a little while ago that an additional ten per cent in the price would not deter purchases in the United States. To me that is a most unconvincing agreement. Rising prices are always a deterrent and the last ten per cent is like half an inch at the end of your nose; it makes quite a difference. . . .

RECOGNITION OF FACTS

I do not want anyone to think I believe that going to ninety cents will suddenly bring about a rush of American investment, or anything of the kind. As a matter of fact, that action would be only recognizing facts, because at the present time they do not value our dollar at more than ninety, so that we will not have a rush of investment. What I do think, however, is that a movement towards reality will win respect from American businessmen. I think that they will regard it as a sign of realism. I do not think that they will regard it as a sign of weakness but as a sign of strength; furthermore, I think it can be maintained that it is not depreciation in the ordinary sense. It is going back to where we were.

It will, I believe do three salutary things. In the first place, it will deter purchases from the United States. Second, it will stimulate sales. Third, it will tend -- and I only say "tend" -- in the long run to bring back American investment, which in my opinion we shall need for many years in this country.

I know the difficulties that there are. It will send up some prices and there may be a tendency to exaggerate that. It will make our coal cost more, but it will not be as bad as some of the things we have now, as a result of which many other articles, some of them in great need, particularly for domestic use by young people setting up housekeeping, are going to cost twenty-five per cent more which is bad enough.

The second thing it will do, and I do not minimize this at all, is to make it more difficult for Britain to sell here. I would not willingly add one featherweight to Britain's burden; but my answer to that is if we are over-valued, Britain is over-valued; and my feeling is that there has to be a recognition of reality, not only by us, but by other people.

This is a preposterous Bill, Mr. Macdonnell concluded, and it should not pass Parliament unless it is radically altered both as to its powers and the other provisions. We in this party will vote against it here and in the constituencies until the day comes when sanity returns and these arbitrary powers are taken away.

ACTION TAKEN TOO LATE

C.C.F. ATTITUDE: M.J. Coldwell (C.C.F. Leader) thought the Bill, with all its powers, was perhaps necessary in some respects in order to protect the Canadian people at the present time. As a first criticism, however, he would say that the steps taken by the Government to protect the present adverse exchange situation were taken too late. Had the Government acted earlier, we might have avoided the necessity of seeking a $300 million credit in the United States.

In Mr. Coldwell's opinion, the prohibitions and quotas provided in the Bill should have been accompanied by measures of control, control not only of the goods imported under quota but of goods of the like class or kind produced in Canada; whether prohibited entry or coming in under quota.

From the outset, the C.C.F. had taken the position that devaluation of the dollar at this time would involve an added burden on the consumers. Mr. Macdonnell had said that a 90-cent dollar would cause a lot of unpleasant things. Those unpleasant things would have been felt mainly by the consumers of Canada through higher prices for many of the things they must use.

It was a mistake, Mr. Coldwell continued, that we invoked the non-discriminitory clause of the Geneva treaty before we had to bring it into effect in 1948. It was invoked when it was unnecessary.

The Bill clearly envisaged the integration of our economy more closely with that of the United States. That, on a short-term plan might prove beneficial to a number of our producers. But Mr. Coldwell wondered whether, in the long run, the integration would prove beneficial to Canada.

Mr. Coldwell urged that there should be a thorough investigation into the control of powerful segments of the Canadian economy by monopolies and by internations cartels.

SOCIAL CREDIT VIEW: Solon E. Low (Social Credit Leader) said the imposition of sweeping restrictions concurrently with the announcement by the Government of tariff reductions should bring right home to all Canadians the utter futility of current attempts to bolster up an economic system which had given us two world wars; which had already given us economic collapse and depression, a series of revolutions in the world and the state-dominated systems of control which had led to various forms of totalitarianism in other parts of the world.

The Social Credit group would support temporary prohibition and restriction of certain imports from the United States and other dollar countries but urged a most careful selection of the prohibitions so as to ensure for Canadians an adequate supply of green vegetables and fruits and other necessities of life.

Mr. Low added:- We object to granting the Minister the authoritarian powers indicated in section 6 of the Bill. We do not think for one moment that such powers given to any man could possibly inspire confidence in producers and business men to do their utmost to produce the goods we need. ....

We object to the imposition of new excise taxes. They are an integral part of this whole problem. The Minister this afternoon certainly failed to convince me that these taxes were at all necessary or wise. We object to them because they are inflationary, will inevitably push up prices and add materially to the cost of living.

Debate adjourned.

(Continued from Page One)

part in sustaining the United Kingdom's reconstruction programme. The United Kingdom's need for such supplies, in order to maintain the progress now visible in her recovery, is so strong and compelling that any interruption at this time would have very serious consequences.

In the arrangement for the provision of supplies, however, Canada has not been asked and will not be asked to go further than her financial situation permits. Likewise the United Kingdom will itself decide how to dispose of its present limited financial resources in the way most affective for its recovery.

It is in this spirit of mutual interest, mutual understanding and mutual assistance that the discussions have been conducted. It is in the same spirit that agreement has been reached.

The agreed arrangement provides for the continuance of the Wheat Agreement with the United Kingdom and for the continuance and renewal of the contracts for livestock products at prices adjusted accordingly. Thus the balance of Canadian agricultural production will be preserved, and there will be no interruption in these supplies to the British market.

The arrangement also provides for continued supplies to the United Kingdom of certain raw materials needed for reconstruction purposes, in particular timber and non-ferrous metals; though the quantities have been adjusted in relation both to United Kingdom needs and the demands for these products from other countries.

In estimating the probable trading deficit on this basis, account has been taken of the increased exports from the United Kingdom and the sterling area which, following these discussions, are expected to be made available for the Canadian market during the coming year. The arrangement provides that in the three months period up to the 31st March next, the expected deficit of 145 million dollars should be financed by drawings on the Canadian credit up to 45 million dollars and by the payment by the United Kingdom of 100 million dollars. Our Government will review the position at the end of the three months period.

A statement substantially similar to the above is being made today in London by the United Kingdom Prime Minister.

RENT CONTROLS CONTINUED: Both Senate and House of Commons have adopted addresses to the Governor General asking that the Continuation of Transitional Measures Act, 1947, be continued in force till March 31, 1948.

The Act would have expired at the end of the present month. But, under its provisions, it may be continued, for a further period not exceeding one year, on Address from the two Houses of Parliament to the Governor General. It is under this Act that rent, and other remaining wartime emergency controls are imposed.

When the resolution was before the House of Commons, the C.C.F. moved an amendment to extend the controls till the end of next year. The C.C.F. amendment was however defeated by 129 to 24 and the main resolution carried without division.