



## STATEMENTS AND SPEECHES

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DEPARTMENT OF EXTERNAL AFFAIRS  
OTTAWA - CANADA

No. 52/12      CANADA'S TRADE OUTLOOK

Text of an address by the Minister of Trade and Commerce and Defence Production, Mr. C. D. Howe, to the Montreal Canadian Club, March 10, 1952.

...Some people may be inclined to think that, in a period of world-wide rearmament, trade is of secondary importance, that it can be left pretty much to look after itself. I can assure you that the Canadian Government has not taken that attitude. As a matter of fact, we have come to realize that there is more, rather than less, reason to pay attention to the development of foreign trade, for, during this period of rearmament and defence preparations, we are building up productive capacity which later will be fully utilized only if the product can be exchanged for goods from other countries. That is why -- since Korea as before Korea -- the Canadian Government has never ceased to work for reduction of trade barriers. That is why our trade commissioners in other countries have been instructed to do everything possible to help Canadian exporters in their efforts to sell Canadian goods. The development of markets, as many of you know from your own business experience, requires constant vigilance and effort. One must never relax even when there is, for the time being, more business than can be handled.

On the whole, the Canadian trade record is remarkably good, and prospects, in my opinion, are favourable. But I am not going to suggest that everything is rosy and that there are no problems, for that would be misleading. I do think I am justified in saying, however, that we are in a strong position to deal with any difficulties that may lie ahead.

Let us look first at some of the facts. Then I shall talk about problems and policies.

In 1951 Canadian exports and imports taken together, for the first time exceeded \$8 billion. In terms of volume of goods moved across our borders this was an increase of 10 per cent above 1950, which was itself a year of unusually heavy trade. You will recall that for a few months we ran a rather large deficit on trade account. But when the totals of 1951 were added up, imports exceeded exports by only \$122 million, which was a very small deficit in relation to the trade involved. I do not think it is going too far to say that the gloomy predictions about our deficit trade position were confounded.

Many of our primary products recorded striking increases in export volume in 1951. Wheat exports were about

half as great again as in 1950. Coarse grains more than doubled in volume. Exports of iron ore and ferro-alloys were 65 per cent greater. The volume of exports of newsprint, nickel and zinc increased by about 10 per cent. These were large increases to have occurred in the course of a year, for some of these commodities are in the list of our biggest exports.

Perhaps you will say that it is not fair to refer only to our increased exports of primary raw materials and foodstuffs. What about the troubles being faced by our traditional exporters of manufactured goods to soft currency markets? These difficulties are very real, and much of the time of my department is spent in trying to overcome them. However, let us never lose sight of the sources of our national strength in international trade. All of us, including our manufacturers, have benefitted largely from the booming export markets we have enjoyed for bulk commodities.

By far the larger part of the goods we produce to offer to the world consists of materials and foodstuffs which are regarded as essential by other countries. These are the products of our mines, our forests, our farms and our fisheries. These constitute the hard core of our exports and of our national prosperity. In this we are fortunate. The rest of our trade, in other fields, all of it important, has been built up on this hard core of which I speak. Compare our strong national position with the plight of countries whose export trade consists mostly of manufactured goods and luxury consumer goods, which are sometimes very difficult to move in international trade. Our primary extractive industries are the basic foundation of a growing pyramid of manufacturing industries producing both for home markets in which population and incomes have steadily increased, and for export.

The world is still facing shortages of strategic raw materials, attendant upon rearmament. Through the Commodity Committees of the International Materials Conference, with headquarters in Washington, international arrangements have been made to deal with these shortages. To cope with short-term problems, the IMC. is attempting to bring about conservation and more equitable international distribution. Canada is co-operating in these efforts. Increased production is however, the only effective solution, and it is here that our resource development programme is so important. We recognize our responsibility to push this work ahead as rapidly as possible, as part of our contribution to mutual defence. I am very glad to be able to report that, as a result of growing output and more realistic appraisal of consumption, shortages are not so serious as was feared some months ago. Looking to the future, I have made it clear to countries that are anxious to secure increased amounts of our raw materials that we would like to see some evidence of their acceptance of Canada as a reliable long-term source of supply, rather than as a residual supplier to be used only during periods of shortages.

What are the longer term prospects for the industries which are equipping themselves with massively increased capacity to produce for export? This leads me to comment on an important aspect of the investment boom which is now in progress in Canada. Many of our new productive facilities are designed to establish and maintain Canadian industries amongst the lowest-cost and most efficient producers in the world.

This applies to several of the base metals, to pulp and paper and various other forest products, to hydro-electric power, to iron ore and steel, and to crude petroleum.

In the depression of the 1930's, Canada was more vulnerable because, at that time, many of our industries were high-cost, marginal producers. The major importing countries found that they had sufficient domestic production available to meet their own needs. The underlying situation has been greatly altered in our favour. In countries such as the United States, known reserves of certain materials have become depleted, while Canadian supplies are still abundant. In many of our basic industries, we have ceased to be a marginal producer and are in course of becoming the most efficient producer.

Canada has long been the most efficient producer of aluminum and is presently supplying about one-quarter of the world demand for that metal. That position is being strengthened by the new Kitimat development in British Columbia, which involves diverting a river and building a power house one-quarter of a mile inside a mountain through which a ten-mile tunnel is being cut. When the Kitimat development is completed, it will have one and a half times the capacity of Arvida, and will further strengthen the position of Canada as the low-cost world source of supply for aluminum.

Our position in iron ore and steel is being strengthened by developments in Northern Quebec and in Labrador. Steel constitutes the basis of industrial society in the most highly developed countries of the world. New sources of iron ore and the vast expansion of our steel industry promise that Canada will be a low-cost producer of this basic metal. There are many developments of this kind in progress in Canada, which mean that Canada is strengthening her commercial position in the world. When peace and security have again become assured, other countries will continue to need our basic materials.

You will spare me the task of trying to guess for how long a time the present demands for defence and re-armament will continue. I would not suggest that the time will be short, but however long the job takes and however difficult it may be, we shall see it through. That there will be periods of temporary difficulty in the years ahead, you may be sure. All that we can do is to move in the direction of seeing that Canada is in the best possible position to cope with any difficulties that may arise.

There is a moral in all of this. We in Canada will continue to grow in importance as world exporters, as long as we remain competitive. Our objective should be to expand our production, wherever and whenever we can meet the test of low unit costs. Just as we must combat the inflation of our currency, so we must guard against the development of uneconomic enterprises and hothouse protectionism, all of which would weaken us in the long run. In this I find I am in agreement with the large majority of responsible industrialists with whom I have the opportunity of discussing these problems.

I have stressed the role of primary production in our export trade, and the strength derived from this by the whole of our national economy. Producers of manufactured goods, too, have participated in our booming markets,

although difficulties have been encountered in certain consumer goods industries, and some reversals have been suffered in exports. The high level of demand for exports of primary foodstuffs and raw materials has sustained the demand for manufactured goods here in Canada by giving rise to generally high levels of employment and purchasing power. At the same time, exports of many manufactured goods have shown significant increases.

For example, in 1951, exports of motor vehicles increased by about 26,000 units in comparison with the preceding year. Exports of agricultural machinery increased by about \$20 million last year. Exports of combines alone increased by almost 2,300 units. Similarly, exports of chemicals increased by 30 per cent over the 1950 figure of \$100 million. The electrical industry in Canada is not only expanding its production for the home market, but is also becoming a more important exporter. Last year, the exports of the electrical industry were about 65 per cent greater than in 1950. These are examples of what sales promotion in foreign markets can do.

I believe, too, that many of our manufacturing industries are becoming more and more competitive in international trade. Sometimes they are able to increase their foreign business, despite the array of overseas restrictions against dollar goods, which is no mean accomplishment. I fully expect that as these industries continue to expand and search vigorously for markets, Canada will become an important supplier to the world of secondary products. We have the necessary ingredients of success in this field -- diversified raw materials, cheap hydro-electric power, and an increasingly skilled and versatile labour force. All of this is conditional, of course, on the eventual attainment of stability and security throughout the world. It is inevitable that export trade in some lines of manufactured goods will suffer to some extent as long as we face the threat of war.

Let me turn now to the situation we face in some of our important markets abroad, and first of all to the United Kingdom and the sterling area. We in Canada are in deep sympathy with our friends in the United Kingdom, who confront renewed problems of adverse trade balances and falling reserves on a more serious scale than ever before.

We have noted the attitude of resolution with which the financial authorities of the sterling area countries came together in consultation at the beginning of this year. We have been encouraged by increasing recognition on their part that these problems can be solved only by the adoption of fundamental corrective measures. At the meeting of Commonwealth Finance Ministers, it was recognized that the crisis cannot be overcome, nor can sterling be sufficiently strengthened, by restrictive measures along, such as the imposition of cuts upon imports. Additional import restrictions will be needed, however, as temporary corrective measures, as a tourniquet is used for first aid. It was recognized in a positive way that each of the sterling area countries should henceforth attempt to live within its means, so that the sterling area as a whole may regain economic stability.

In many countries of the world, deficits in external trade accounts have been surface symptoms of underlying lack of balance in their domestic economies. Inflation and rising prices have been a familiar condition in countries

attempting to live beyond their means. This is what we have tried, with some success, to avoid in Canada by the anti-inflationary policy pursued during the past year.

I do not imply that mistakes were made in the United Kingdom, nor that we in Canada have necessarily been wiser than they in the conduct of our affairs. In the United Kingdom, the burden of rearmament was added to a domestic economy which was still recovering from the last war and in which efforts were being made to raise the standard of living.

Just as the darkest hour of the night precedes the dawn, we have noted the increased consideration being given, in the United Kingdom, to the eventual objective of attaining convertibility between sterling and dollars. This is most desirable, whenever it becomes possible, as a contribution to joint trade between the sterling area and the dollar area. It should also be recognized as an essential step in the realization of a North Atlantic community of nations, if the North Atlantic countries are to develop as trading partners, in addition to being military associates. I make these remarks to indicate what should be our objective, but not with any intention of putting pressure on our friends in Britain and in Western Europe, who confront grave issues at the present moment.

While Canada is not a member of the sterling area, the future of the United Kingdom and the other Commonwealth countries is of great importance to us in the field of trade. These are still large-scale markets for our goods and they are the source of many of the commodity supplies which are essential to our economy.

As far as our exports to the United Kingdom are concerned, they will not be greatly affected in total in the immediate future by the import restrictions that have been imposed. The United Kingdom is greatly in need of additional supplies of certain of our strategic materials. We know, however, that some imports from Canada will have to be cut back.

There are similar difficulties in other countries. France has recently imposed new import controls. Even Belgium has been led to a policy of import restrictions upon dollar goods, to our great regret.

As far as Canada is concerned, the most important thing about the sterling area crisis is not its immediate effect upon our trade, important as that may be to some producers. Can the crisis be surmounted? That is our chief concern. The Canadian Government believes that a great deal can be done to increase trade, both ways, between Canada and all of the Commonwealth countries and Western Europe to the advantage of everyone concerned. Canada offers a good and a growing market for a wide range of goods and materials, from highly fabricated engineering goods, machinery and equipment to fats and oils, coffee, copra and cocoa:

Let me now refer to our trade with Latin America to which the Canadian Government attaches particular importance. Latin American countries, in many instances, provide good potential markets for manufactured goods of the types we have to sell, and I feel sure we can buy more from them to build up complementary trade. Steps have been taken since the war to strengthen our diplomatic and trade representations in a number of the Latin American countries

and more will be done along this line.

Nearly all of this trade takes place as normal commerce, not directly affected by rearmament. Latin America, as a whole, is presently going through an important stage in its development of natural resources and industry, and Canadian exports are expanding accordingly. Canada has offered important trading concessions to many Latin American countries through both the General Agreement on Tariffs and Trade and through direct negotiations. These increased opportunities offered by Canada have resulted in reciprocal opening up of Latin American markets for Canadian exporters. Because of the complementary nature of our trade, I am confident that Canadian trade with Latin America will expand considerably in the future.

I turn finally to the United States. We have been fortunate, indeed, to find a receptive American market for our goods during recent years, when some of our traditional markets overseas have been closed to us. It has been sales in the United States, above all else, which have enabled our exports to top all previous records. This is not a matter of putting all our eggs into one basket. It is simply a matter of cultivating those markets that are available to us.

There has been a deficit in our trade with the United States. This has occurred principally as a result of our heavy defence purchasing in that country and as a result of imports arising from our great programme of capital expansion. As these extraordinary expenditures taper off, and as our new industries come into production, Canadian trade should once again come into closer balance with the United States.

Commercial ties between Canada and the United States are very close and highly dependent upon the good will existing between the two countries. For this reason, we in Canada have been perturbed by the import controls which were introduced in the United States last year on certain fats, oils and dairy products. We take the position that these measures in the United States are not only unjustifiable, but contrary to the principles and agreements upon which trade has been built up between our two countries. We have been pleased from the beginning to note that the President of the United States and several members of Congress and the Administration have expressed similar views.

Canada and the United States have drawn closer together as trading partners in recent years. Joint ownership of industries, and the system of branch plants, reach across our common border, often in both directions. Industry in each country has, in fact, become dependent on raw materials and supplies obtained from the other. With such close links, and with the large amounts of American capital now being invested in Canada, there should be little room for fear that the large scale trade between our two countries will be seriously impeded by hasty action on either side.

May I add a word about the embargo placed upon the movement of Canadian livestock and meat into the United States, as a result of the outbreak of foot-and-mouth disease in Saskatchewan. The Canadian Government fully understands the reasons for this embargo, which was mandatory under United States law. As a matter of fact, as soon as we suspected that there might be foot-and-mouth disease in this country, even before there was definite proof, we invited the United States Government to send in veterinarians to observe and to advise. Not for many, many decades have we had a case of this

dreaded animal disease in Canada, and we were most anxious, not only to stamp it out immediately, but to satisfy our American friends that we were doing everything possible to stamp it out. I am confident that because of the steps taken and as a result of the precautionary measures we have served us so well in the past, the U.S. Secretary of Agriculture and his advisers will be able, with a minimum lapse of time, to satisfy themselves that the embargo can be lifted without danger.

And now, to conclude: Perhaps the most hopeful sign for our future, and the greatest vindication of our economic policies, in Canada, is the recent steady increase in the value of the Canadian dollar to a rate of approximate parity with the United States dollar. Canada has become one of the very few countries in the world strong enough financially to operate without external controls or restrictions. The continued inflow of investment funds from abroad has been a vote of confidence in the Canadian dollar on the part of the world at large.

While many countries have drifted increasingly into governmental controls, we in Canada have reduced and progressively eliminated the controls imposed during the last war. Our system of enterprise has remained free and our people have become more productive and more prosperous accordingly.

While many countries have found it difficult or sometimes impossible to move their surplus production in trade, we in Canada have sold more exports than ever before in our history.

While many countries have suffered serious damage from the inflation which has been epidemic throughout the world, we have managed to keep our economy in a sound position.

It seems to me that Canada is in a most enviable position among the countries of the world. We have demonstrated our ability to rise to the occasion in time of war, in time of reconversion and in time of preparedness. Every phase of our national activity is healthy and expanding. Whatever the future may have in store for us, we are justified in looking forward with confidence.

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