

# STATEMENTS AND SPEECHES

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## CANADA'S EXPANDING TRADE

An address by Mr. Gordon Churchill, Minister of Trade and Commerce, to the Canadian Club of Toronto, on February 2, 1959.

Canada's expanding trade is a subject of great importance, for throughout our history exports have played a major role in the economic life of our country. An abundance of natural resources has led to the production of materials greatly in excess of domestic needs. These surpluses of resource products are the basis of Canada's position as the fourth largest exporter in the world. Our total trade of exports and imports, amounting each year to \$600 per person, and to a total of over \$10 billion has made Canada the foremost trading nation of the world. It is estimated that one out of every five Canadians is dependent for his livelihood on our export trade.

Trade has been important to your great city from its earliest days. In 1803, ten years after the founding of York by Sir John Graves Simcoe, there is a record of exports to Lower Canada consisting of the following items:

- 18,000 feet of Black Walnut boards and planks
- 350 feet of Red Cedar Timber,
- Flour, pork, beef, hams, pot and pearl ash,
- Two barrels of essence of spruce and some hog's lard.

From that time onward, Toronto has provided a stimulus and drive towards trade that has made this city one of the most important on the continent and a leader in the life of Canada.

With the development of our country, Canada's exports have continued to grow both in volume and variety. Within the last decade, a major broadening of Canada's export base has occurred. Despite the recent decline of about 7 per cent in world trade, Canada's sales in foreign markets have been maintained. Shipments of some of our principal forest and mineral products were reduced, but increased exports of wheat, uranium, beef cattle, natural gas, farm implements and aircraft offset these

declines. Preliminary export statistics for 1958 indicate that our sales abroad equalled the almost \$5 billion record set in 1957. A few items and figures may be quoted by way of example: shipments of beef cattle increased from \$42 million in 1957 to \$84 million in 1958; natural gas exports from \$2 million to \$18 million; agricultural machinery from \$70 million to \$98 million; and uranium exports from \$128 million to \$277 million.

Imports, on the basis of 11 months' figures, declined by about 9 per cent during 1958. The major reductions occurred in our purchases of capital equipment and materials from the United States. Imports from the United Kingdom were well maintained and British exporters consequently increased their share of the total Canadian market for imported goods. Another development associated with a lower rate of imports was a substantial decline in our merchandise trade deficit. This figure was reduced to \$289 million during the first 11 months of the year, as compared with \$750 million for the same period in 1957.

The changing pattern of Canada's trade is an interesting study. In the very early days, the fur trade was dominant, succeeded by timber exports, then by agricultural produce. Now, in our day, we find a gradual increase in products other than those derived from the forest and the farm, and a steady growth in the export of manufactured articles.

In 1927, the ten leading exports from Canada were: wheat, newsprint, wheat flour, planks and boards, wood pulp, fish, automobiles, meats, barley, and cheese. Thirty years later, in 1957, four of these products - namely, newsprint, wheat, planks and boards, and wood pulp retained their position, but the other six were replaced by aluminum, nickel, copper, iron ore, petroleum and asbestos.

There has been a shift also in our imports. In 1927, the ten most important were coal, machinery, crude petroleum, raw sugar, automobile parts, spirits and wines, automobiles, iron and steel products, raw rubber, and silk fabrics and velvets. In 1957, the list reads: machinery, automobile parts, petroleum, electrical apparatus, iron and steel products, tractors and parts, automobiles, pipes and tubes, internal combustion engines, and coal.

The shift in emphasis in our export trade may be seen even more clearly by considering the three major groupings - farm products, forest products and mineral products - and by comparing exports for the period 1936-39 with our exports for the year 1956. In that pre-war period, 38.4 per cent of our exports originated on our farms; in 1956, that percentage had declined to 22.7 per cent of the total. Forest products exports rose from a percentage of 24.7 to 31.6 and mineral products from 29.1 per cent to 36.7 per cent.

This decline in the percentage of exports from the farm does not mean any decline in volume, for our general export trade has advanced from a total of \$1.25 billion thirty years ago to a total of \$4.75 billion in 1956. Wheat was our principal export item for many years, now displaced by newsprint. But wheat exports in 1939 were 163 million bushels, valued at \$109 million, and rose to 302 million bushels in 1956, valued at \$513 million.

These figures are all derived from the Canada Year Book, 1957-58.

Another mode of comparison is by considering our exports on the basis of industrial origin and using the descriptive terms, raw materials, partly manufactured, and chiefly manufactured. Thirty years ago, 47 per cent of our total exports consisted of raw materials; in 1957 the percentage had dropped to 31. Partly manufactured materials rose from 15 per cent to 32 per cent; and chiefly manufactured maintained its position, being 38 per cent in the earlier period and 37 per cent in 1956. Once again, of course, we must keep in mind the almost four-fold increase in volume that has occurred in this thirty-year period, but it is interesting to observe the steady development of the processing of our raw materials at home.

That there is plenty of room for continuing this process may be observed by considering our imports. These are for the most part manufactured products, the percentages being 75 thirty years ago, rising to 82.5 per cent in 1956.

Canada has maintained her export business at a record level. This has been due in part to the great expansion since the war. During the last eight years, our exports have been enlarged, in volume terms, by more than one-third. In the last four years they have gone up by one-fifth. Pulp and newsprint have gone up by 40 per cent; aluminum smelting has doubled in the last six years; nickel and asbestos exports have doubled since the war; exports of iron ore have increased from 2.5 million tons to 20 million tons; oil exports are up to \$140 million; uranium has mushroomed and may be our leading mineral export in 1959 with production valued at \$300 million.

The overall growth in the development of our export industries has had a marked effect on employment. In the rapidly growing chemical industry 8,000 new jobs have been created in five years; uranium mining and processing has attracted 15,000 persons. Declines in one sector of our economy are offset by increases in others.

These enterprises, in addition to creating new wealth and new jobs, are extending settlement into hitherto unpopulated areas and by so pushing back Canada's frontier are contributing immeasurably to the future development of the country.

A further secondary effect of rising exports has been the tremendous stimulus given to capital goods industries. The additional demands arising from new plant and equipment requirements in export industries have been a major factor in the expansion of construction and equipment-producing industries.

Our export trade plays a dynamic role in Canada's development.

There have been some interesting developments recently in our trade with major trading areas. Exports to the Commonwealth increased last year by \$88 million. Nearly half of this increase represented greater sales to the United Kingdom alone. The items mainly responsible for this increase in export trade with the Commonwealth countries were wheat, barley and other cereals, salmon and uranium. Other products which made substantial gains in Commonwealth markets were flour, drugs and chemicals, and medicinal preparations. Now that import controls are being relaxed, there are good prospects for further increases in our exports to the Commonwealth.

Commonwealth exporters last year increased their share of the Canadian market from less than 13 per cent to close to 15 per cent at the present time. We expect this trend to continue. Greater interest is being shown by British investors in this country. British capital is moving into manufacturing, communications, construction and real estate projects. Our Trade Commissioners in Commonwealth countries and our Industrial Development officials here are making every effort to encourage greater participation by British business in Canada.

There have been some improvements in the structure of our trade with the United States. Exports last year amounted to \$2.9 billion, almost exactly the same as the 1957 record. Import statistics are not yet available for the entire year but it is clear from a study of 11-month totals that our trading deficit has been very substantially reduced. Our merchandise trade deficit with the United States for 11 months of 1958 was \$648 million, as compared to \$1 billion a year previously.

At present, the United States market absorbs close to 60 per cent of our total exports. Canadian firms sell a broad variety of goods there, in over 1,000 different categories. We are continually seeking to increase our exports to the United States, as well as to diversify that trade. In our negotiations with the American authorities, we are making it clear that this country is concerned about the large trading deficits we encounter each year. We are also concerned with regard to restrictions such as have been applied to lead and zinc and petroleum.

There is nothing new in the fact that differences of opinion arise from time to time between our two countries. Upper Canada, 150 years ago, had some matters for complaint. In the York Gazette of February 26th, 1808, there appeared the following editorial comment:

"We have flattered ourselves with the pleasing hope, that by the last mails, we would have received accounts of the adjustment of our differences with the United States. They are in train, but we have no information on the subject so particular as to enable us to speak positively of the progress".

In Europe, we have been encouraged by the recent announcements concerning convertibility and the progress which these traditional trading partners are making towards strengthening their economies and liberalizing their trade. Roughly 12 per cent of our total export trade goes to Europe and this is increasing each year. For the first 11 months of 1958, exports totalled \$528 million, a 9 per cent increase over the previous year. Wheat sales alone account for one-quarter of our total sales in this area. Substantially expanded sales were noted for copper, aluminum, nickel and aircraft.

Our exports to the non-Commonwealth countries in the Far East and South Asia for the first 11 months of 1958 were valued at \$129 million, as compared to \$183 million in 1957. Exports declined to all countries in the area with the exception of China, Indonesia and Burma.

In the Middle East, our trade is small - exports are worth roughly \$15 million annually but the trend of development is more favourable. The principal commodities are wheat, and flour, asbestos milled fibres, aluminum, agricultural machinery, pit-props, drugs and chemicals, oil stoves and washing machines. Our principal markets in this area are Turkey, Israel, Saudi, Arabia, Iran, Iraq and Lebanon.

In Latin America, an area from which we customarily buy close to twice as much as we sell, serious exchange problems led to difficulties. During the first 11 months of 1958, our total sales were down to \$163 million, as compared with \$204 million a year previously. However, within the Latin American group as a whole, there were gains in our exports to Peru, Guatemala, Cuba, Ecuador, the Dominican Republic and Venezuela. Venezuela, incidentally, is becoming increasingly important as a market for Canadian products and has now emerged as our most important customer in Latin America. A characteristic of these markets is the increasingly keen price and credit competition we are being forced to meet from other suppliers.

The prospects for the future are not unpromising. We face increasing competition in international trade but as a great world trader, we have much experience on which to draw. Canadian businessmen are becoming increasingly active in this age of air travel and have trading interests in 129 countries. The Department of Trade and Commerce's Trade Commissioner Service abroad is staffed by exceptionally able men carefully selected and well-trained. They are constantly on the alert to give information on trading opportunities. The Government's policy is one of expansion of our trade throughout the world.

Canada has been active in the international forum of GATT and has been giving a lead within the Commonwealth. Our relations with our greatest trading partner, the United States are frank and cordial.

That is the framework on which our international trade is based. With foreign trade of such vital interest to all Canadians, it is important that management and labour, business and government, primary producers and manufacturing and transportation industries keep in mind at all times the importance of our trade abroad. The development of the resources of our country, the opening-up of our North, the advancement of our standard of living - all of these are affected directly or indirectly by the trade we do abroad.

Back of it all is the industry and character of our people. Canada is as much a land of promise as ever in its history. The future beckons to all men and women of faith and courage.

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