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An address by the Minister of
Trade and Commerce, Mr. C.D. Howe,
made to the Canadian Chamber of
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Like so many of my fellow-Canadians, I am here in Britain for the Coronation of Her Majesty, our Gracious Queen. Her father was beloved by the Canadian people as a great and good King. His passing was deeply mourned. But I venture to say that Queen Elizabeth already has a place in the hearts of her Canadian subjects never before occupied by a reigning sovereign.

Scotsmen and Englishmen may quarrel as to whether Her Majesty is the first or second Elizabeth to ascend the throne of the United Kingdom. Perhaps Canadians have at least as good a case as the Scots to argue that Elizabeth is the first of her name to rule over our country, because after all the French colonies in North America were not ceded to Britain until 1763.

But Canadians are not worried about such matters. What they do feel more strongly than ever before is that Her Majesty is Queen of Canada. Constitutionally, the sovereign equality of the members of the Commonwealth has been firmly established for many years. But I believe that our young Queen has given a new and deeper meaning to the abstract principles upon which the Commonwealth is founded.

When Canadians sing the National Anthem they no longer think of a sovereign living in remote splendor thousands of miles away, but of the charming young woman who, with her gallant husband, visited our land so soon before she had to assume the heavy burdens of the Throne.

I am sure all of you join with me in hoping that Her Majesty will be able to visit again before very long.

Canadians rejoice with their fellow subjects of the Commonwealth at the coronation of a new Queen. We rejoice, too, that here in the United Kingdom one can see on every hand evidence of a renewed vigour and a new hope. There is evidence of a feeling that the reign of a second Elizabeth will witness the progress and prosperity of Britain under the first Elizabeth.

It is customary for visitors from Britain to Canada to say how impressed they are by the material progress being made in our country, to speak about Canada as a land of promise. Today, I should like to say, as a Canadian visiting Britain, how encouraged I am by what is going on in these islands.

Canadians have never lost confidence that the people of Britain would rise above their difficulties and go forward again in the van of economic progress. We know how long and hard the struggle has been. The fruits of victory seemed so meagre. But just as she refused to knuckle under to Hitler, so this country has, I believe, finally prevailed against the blows of post-war economic adversity.

In saying this, I am not referring particularly to the recent remarkable improvement in the balance of payments position nor to the way in which inflation has been halted. These have been notable achievements, true enough. To a Canadian, however, it is even more significant that Britain is regaining her place as a leading industrial nation, and that British goods are, to an increasing extent, competitive on world markets.

A country that can lead the world in jet aircraft, that can produce the Centurion tank, that can tender the lowest price for power plant equipment in the highly competitive United States market, a country that can do things like these is surely not lagging behind or lacking in energy and enterprise. There are, indeed, good reasons for the people of Britain to hope that this is not only the beginning of a new reign but the opening of a new and promising chapter in their history.

I am encouraged to hope that we are also at the opening of a brighter chapter in commercial relations between Canada and Britain, which have been so bedevilled by the dollar problem. I am not so sanguine as to believe that dollar-saving restrictions are about to be swept away and sterling convertibility restored in quick order. Indeed, I doubt whether that would be wise, and I doubt whether even those Canadians who have suffered most from these restrictions would advocate premature action. What Canadians want above all else is a strong and prosperous Britain and they are, I think, ready to accept without question the application of policies that seem to be contributing to that end.

What encourages us is the growing recognition that these restrictions on trade and exchange are nothing better than necessary evils. Necessary under certain circumstances, yes, as a sure and quick means to stop a drain on exchange reserves, but nonetheless evil, because if long continued they make the dollar problem worse by distorting economic effort and reducing efficiency.

It is reasonable to assume that this country, which established its industrial pre-eminence under free trade, will persist in restrictive and discriminatory policies to the point where they weaken her position on world markets? I think not! That is why I believe that commercial relations between Canada and Britain are due to improve.

We all know, of course, that much depends upon the policies pursued in the United States. The actions which that country takes with respect to imports have an effect which cannot be measured merely by the particular items affected. A deficit country, which is trying to balance its external accounts by increasing its hard currency exports, rather than by restrictions and discrimination, will be discouraged if the trend of United States action seems likely to limit its chances of earning dollars.

This may happen. To some degree, perhaps, it is already happening. But, as the Canadian Minister of the Crown most directly concerned with trade policy, may I be permitted to make a few observations. There is nothing to be gained and a great deal to be lost if a defeatist attitude is adopted towards the dollar problem. It is all too easy to say that the problem is insoluble, that the United States will not play the game according to the rules. I do not know whether she will or not, but what I do know is that it cannot be taken for granted that the protectionists will prevail.

"Trade not aid" has many friends in the United States. After all, it is a slogan that might have been invented by an economy-minded American rather than by my good friend Rab Butler. I sometimes wonder, indeed why the Chancellor did not arrange to have the phrase "planted" somewhere in the United States, so that it might be accepted more readily as good, honest, American horse-sense. Those Americans who believe in "trade not aid" are working hard, and on the whole, it seems to me, with some success. They suffer setbacks but who of us working for sensible trade policies has not suffered such setbacks, has not had to concede defeat at some point along the way?

I am not entering an apology for American trade policy. On the contrary, I spend a good deal of time worrying about it and occasionally making protests against things Canada doesn't like. After all, the United States is Canada's biggest customer and we have more at stake than any other country. I do urge that continued efforts be made to work along with the United States. That great country has done more than anyone thought possible by generous aid to assist in the economic recovery of friendly countries. It may do better than anyone now thinks possible to promote world trade. It will not be encouraged to do the right things by suspicion and mistrust.

Whatever doubts there may be about American trade policy, Canada has stood ready, ever since the end of the war, to accept imports in payment for exports. I do not think there is any country in the world with fewer quantitative restrictions on trade or lower rates of duty. Nor have we been content merely to accept imports. We have actively sought to promote them.

This is particularly true, as some in this room know, about imports from Britain and the Sterling Area generally. A Continuing Committee on Trade, composed of officials of our two countries, meets every six months. I see here Sir Frank Lee, Permanent Secretary of the Board of Trade, who is a distinguished member of that Committee. He will tell you that when the forecasts are made of the trade balance for the succeeding period, Canadians are just as interested in seeing what can be done to enlarge Sterling Area exports to Canada as in enlarging Canadian exports to the Sterling Area. Some in this room have also been associated with various boards established, with the blessing of the Canadian Government, to encourage trade between our two countries. This very week the sixth Canadian International Trade Fair is being held in Toronto, supported by a substantial grant from the Canadian Government. It is the biggest yet. Nearly 50 per cent of the space will be occupied by non-Canadian exhibitors, 20 per cent by exhibits from the United Kingdom.

Nothing pleased us more than to note that, in the latest month for which figures are available -- April -- your government reports that exports from the United Kingdom to Canada were £16 million, the highest level ever attained in a single month. It is not without significance that, in the first four months of 1953, exports from the United Kingdom to the 15 million people living in Canada were almost as large as to the 160 million people living in the United States.

When exporters from other lands tell me that they are having difficulty in selling their goods in the United States, I ask them how they are getting along in Canada. If they cannot sell in Canada, then I know that, in all probability, the fault does not lie in inability to surmount the American tariff or customs barriers, but rather in inability to meet the competition. Canada is a testing ground for the American market.

Before leaving the subject of trade relations between Canada and the United Kingdom, may I say a word about the International Wheat Agreement. Both Canada and the United Kingdom are parties to the present Agreement, which expires at the end of next month. When the Agreement came up for renewal, all of the forty-six countries, now in the Agreement, accepted the new terms and subsequently signed the renewed Agreement, with the single exception of the United Kingdom. The explanation given for the non-adherence of the United Kingdom was that it could not agree to the proposed maximum price of \$2.05 per bushel, which is based on One Northern wheat at the head of the Great Lakes, in Canada. Canada has no quarrel with this decision. If the United Kingdom Government does not wish to be party to an agreement embodying a ceiling of \$2.05, that is its own business. The only reason that I mention the matter here is that there seems to be some misunderstanding about Canada's position.

Let me put the point as briefly as possible: at the \$2.05 maximum price, an importing country, like the United Kingdom, is under no obligation whatever to buy wheat from Canada or any other exporter. At that price the exporting countries are required to deliver their quotas, but the importing countries are under no obligation to buy. If wheat can be bought for less than \$2.05, the importers are free to buy accordingly. The only obligation of the importing countries arises at the minimum price of \$1.55, which all importing countries, including the United Kingdom, are willing to accept.

I have no doubt that if the United Kingdom adheres to its decision not to join in the new Agreement, Canada will continue to sell wheat in this market. We are in as favourable a position to supply the United Kingdom as any other exporter and we will meet the competition, from whatever source it may arise. At the present time, the price for Canadian wheat sold outside the Wheat Agreement is above \$2.05, and it may be above that level at the opening of the new crop season. If the United Kingdom is not a party to the Agreement, the open market price will be the price to the United Kingdom. However, we do not wish to charge the United Kingdom more than \$2.05 and we would gladly support their application for accession to the Agreement at any time.

It has been suggested that Canada and the other exporters were trying to extract an exorbitant price from the United Kingdom under the new Agreement. I hope that what I have said here will help to put the situation in its proper light. The maximum price of \$2.05 was offered as protection to the importing countries in return for the minimum price guarantee of \$1.55, which protects the exporters.

I have spoken about a matter that I know is close to the hearts of this audience, the prospects for trade between Canada and Britain. Now let me say a few words about a subject that is particularly close to my heart - the economic future of Canada.

I often see references to what is called the "Canadian boom." If this phrase implies that Canada is expanding and prosperous, the description is accurate enough. Sometimes, however, the word "boom" suggests a temporary and artificial prosperity, accompanied by inflation and excessive speculation, and ending inevitably in a "bust". In that sense there is no Canadian boom and anyone who goes to Canada looking for one will be disappointed.

Indeed what must strike most observers as remarkable is the almost complete absence of boom psychology in Canada. There was a good deal more excitement and speculation in the years prior to World War 1 when the wheat areas of the Prairie West were being brought under the plow and, of course, in the late 1920's, when boom psychology was rampant. Yet, at present, the country is expanding about as rapidly as during any period of its history and on a much broader front.

Even before the outbreak of war in Korea, and the accompanying increase in defence preparations, capital expenditures in Canada were running at high levels and rising. Unemployment was at a minimum. We were just at the beginning of a new industrial era. Korea necessitated some change of direction to give priority to the production of essential materials, but it made little difference to the overall rate of expansion. The economy was already working close to capacity and showed every sign of continuing to do so.

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

I have seen it suggested that Canadian prosperity and expansion are to a large extent dependent upon the defence preparations of the free world and that if, as the saying goes, peace were to break out, the structure would collapse. Any sudden reduction in defence expenditures, particularly in the United States, would, of course, have

a profound effect upon the course of business, not only in Canada, but throughout the world. But I do not think Canada would be any more sensitive to such a development than any other country, and probably less sensitive than many.

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

Canadian natural resources promise to give Canada an increasingly important place in world industry and trade. Our neighbour, the United States, is becoming increasingly dependent upon Canada as a source of essential materials and supplies. To quote the Paley Report, "the United States has crossed the great industrial divide and from being a nation with a surplus of raw materials has become a deficit nation".

Similar conditions of scarcity now exist in many parts of the world. Canada is at this same time in possession of vast and increasing resources of many of these very materials of which other countries are short. This great storehouse of basic products promises much to the future of the world, as well as to the economic future of Canada.

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

These great advances in Canada's material well-being have been attained within a framework of free enterprise and free competition.

These terms "free enterprise" and "competition" are hackneyed phrases. I use them at this time because I believe that they do describe pretty accurately the sort of conditions that have prevailed in Canada in recent years. I might express the point I have in mind in another way. The expansion of our country has not been directed by governments. It is not the result of subsidies or artificial stimulation. It is not of the "hot-house" variety, hiding behind new trade barriers, and unable to meet world competition. On the contrary, it is the result, in the main, of the efforts and investments of private individuals and companies who were prepared to work hard and to take risks.

Those who look upon this as an ordinary boom, then, or attribute Canadian prosperity and expansion to world rearmament, miss the true significance of what is taking place. Shakespeare said "there is a tide in the affairs of men which taken at the flood leads on to fortune". Perhaps this is true also of nations. For one can usually mark a period in its history when each of the leading nations of the modern world seemed to gather strength and suddenly take great strides forward in wealth and power. I think it not improbable that Canada is passing through such a period.

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

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



