



## STATEMENTS AND SPEECHES

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### CANADA TRADES WITH THE FREE WORLD

An address by the Minister of Trade and Commerce, Mr. C.D. Howe, made at the 39th National Foreign Trade Convention, New York, November 17, 1952.

There are many things my fellow Canadians and I admire about the people of the United States. Perhaps one thing that fills us with the greatest wonder and respect is the willingness of Americans to listen to public speeches. I should have thought ... that after the strenuous political campaign which ended two weeks ago, you and your fellow businessmen would have had your fill both of speeches and politicians for a long time to come.

As a Canadian politician, I am all the more grateful for the warmth of your reception today. Never again shall I doubt the statement that "Americans can take it", and, apparently, like it.

At any rate ... it must be a relief to you to listen to a politician who doesn't ask you to vote for him or his party. And, may I add, it is equally pleasant for me to talk to an audience which hasn't the slightest interest in my politics and looks upon me simply as a Canadian.

I am here today to express a Canadian point of view on some current problems of world trade, and it is particularly gratifying to be able to express these views to such a distinguished and influential group. The impressions and reports which go out from the National Foreign Trade Convention are of much more than local interest and influence. At these annual meetings, if anywhere, is to be found the authentic voice of that part of American business concerned with trade relations between the United States and the world at large.

Canadians and Americans do not always see eye to eye on matters of trade. But the differences which sometimes arise between us should not be permitted to obscure the fact that the area of agreement on fundamentals is greater than at any time in the past. This is true of our mutual trade relations and it is true of our respective trade relations with the rest of the world.

The best evidence that we are working along much the same lines and along the right lines is that we are trading with each other on a tremendous scale. More trade is carried on between our two countries than between any other two countries in the world. The United States is our best customer. Canada is your best customer. Nor is this simply a matter of proximity and convenience. We have always

been in the same geographical position, but I can remember only too well when goods moved a good deal more freely to markets thousands of miles away than across the Canada-United States border.

In part, the great increase in trade between our two countries -- some seven times in value and three times in volume since pre-war years -- is attributable to the high level of demand and to the fortunate circumstance that both countries have been increasingly in need of what could be produced efficiently in the other. But that is by no means the whole story. However high the demand, however fortunate the circumstances, such a great increase in trade would not have taken place had there not been a mutual willingness to facilitate trade.

I know that serious obstacles to Canadian - United States trade still exist, obstacles detrimental to the best interests of both countries. The members of the National Foreign Trade Council know that too. If I may particularize for a moment, I would be even happier about the present state of trade between our two countries if you in the United States were as ready to admit manufactured goods and agricultural products as you are to admit our metals and other raw materials. I venture to hope that you deplore those continuing obstacles as much as I do. Nevertheless, when I look at the state of trade between our two countries today -- when I compare the attitudes towards trade with what they were 15 or 20 years ago -- I can only marvel at the progress that has been made.

This progress has been made, I believe, because there has been in both countries a determined effort to avoid, if at all possible, a return to the "beggar-my-neighbour" policies that led to disillusionment in pre-war years. The world learned a sharp lesson in those years. It learned that prosperity, like peace, is indivisible.

It is sometimes said that the great post-war effort to reconstruct world trade has produced little result, since trade is today more beset with restrictions than ever before. It is unfortunately only too true that trade barriers around some countries have multiplied at an alarming rate. This fact, however, by no means justifies the view that the efforts to reconstruct trade were wrongly conceived, or that they have failed.

On the contrary, had it not been for the series of tariff reductions undertaken since the end of the war, and the acceptance, in principle by many countries, and in fact by some, of non-discriminatory trading practices, there would today, I have no doubt, be even more barriers to trade and less trade. We have not failed; we may, however, have under-estimated the magnitude and, in some ways, mis-judged the nature of the problem.

At the end of the war there was a deeply seated fear of depression, a fear that nations would, in their anxiety to prevent unemployment at home, attempt to export unemployment abroad by restricting imports, as they had done in pre-war years. This was the kind of situation the world most feared, and made preparations to avoid. As things turned out, the problem throughout most of the post-war period has been excessive demand, not deficient demand.

Most countries have found themselves grappling with inflation and shortages and not with unemployment. What we have witnessed, therefore, is a multiplication of trade restrictions, not for the purpose primarily of protecting domestic producers against foreign competition, but rather for the purpose of protecting national reserves of foreign exchange, particularly dollars.

True enough, this is a regrettable development. Trade restrictions, whatever their origin, and however temporary they are intended to be, have a tendency to become imbedded in the structure of a nation's economic life. Quantitative restrictions, introduced for balance of payments reasons, do afford particularly effective protection against foreign competition, and the longer they are continued the more difficult they are to abandon.

We know something about this problem. Just five years ago today Canada was forced to impose quantitative restrictions in order to conserve U.S. dollars. There was strong pressure to continue those restrictions when the need for them disappeared. But the Government, from the outset, made it quite clear that they would be removed when they were no longer needed, and within a comparatively short period they were completely swept away. We followed the same policy with respect to foreign exchange controls. That is one of the reasons why Canada today is in a strong competitive position on world markets.

But, when we are inclined to look on the dark side of post-war trade developments, let us not overlook one highly significant fact. That is that international trade, as a whole, both in volume and value, is greater than ever before. Surely this does not indicate a collapsing system of international trade, nor does it indicate that we have been on the wrong track.

We may often feel that the plans which the free nations drew up and launched seven or eight years ago for the revival and expansion of world trade have in many respects fallen far short of succeeding in what they set out to do. Admittedly that is so. In certain directions the headway that we have made has been disappointingly small and slow. Nevertheless, it is a fact that, in the last half dozen years, the free nations have done far more in the way of getting together and working together for the purpose of putting the commercial world back on its feet than has ever been done before. There has literally never been a period when so much has been undertaken collectively and co-operatively.

On this side of the water we may occasionally question whether our part in this joint effort has not been rather costly in terms of money. On that score I have no doubt or misgiving whatever. If we had failed, either in Canada or in the United States, to give the kind of help which in these recent years the circumstances have required, and have required without delay, I am certain that both the immediate and the ultimate costs to our own pockets would have been infinitely heavier than they have been.

All of the free nations, that have worked so closely and so energetically together, can claim some credit for the fact that international trade is now moving

at an all-time high level. That fact, however -- extremely important in itself -- is only part of the story. We have succeeded in reaching a unique position -- one which, I believe, is without precedent. We have a high level of trade, coupled with a high level of trade restrictions. That is not what we have been aiming at. What we really want is to have the former without the latter -- the high trade without the high restrictions.

As matters stand now, we have gained one material part of our post-war commercial objective. The other part, almost equally important, we have still to win. The target that was set several years ago -- and set very largely in terms that were written or inspired by the United States -- is that of a commercial world characterized not only by expanding trade, but also by the greatest measure of freedom from restrictions. The part of this objective that has already been realized has not been easily gained. It has called for unselfish, co-operative work on an enormous scale. The part that still remains to be accomplished may prove to be even more difficult to attain. It will certainly not be accomplished if there is any letdown, either in the co-operative nature of the attack upon the problem, or in the readiness of each of the free nations to make the kind of contribution that will serve best to promote the common purpose.

Our two main objectives from this time forward are: first, to bring about a further expansion of trade; and second, to get rid of the restrictions that prevent the free world from making the most effective use of the resources available to it.

I do not suggest that the two can be regarded as being independent of each other. To some extent, however, they lend themselves to separate consideration, and I wish to say something first with special reference to some of the factors that have a major bearing on the prospects for the expansion of trade.

Increased trade is rooted in increased production. International commerce had its most spectacular period of growth during the 19th century. In a very real sense that was the golden age of commercial expansion. It wasn't simply a matter of the development of immense virgin areas, such as those of North and South America, Australia and Africa. The whole structure of world production and world trade was being enlarged, in the older countries as well as the new. It was a century of economic growth in every quarter of the globe.

Part of the expansive power of the 19th century, but not all of it, has carried over into the present century. Looking at North America alone, we can, no doubt, claim that the momentum has been well maintained -- and even increased. The same might be said of other regions, but it is very questionable whether it can be said of the world at large. It is not merely that we have suffered the disastrous setbacks of two world wars, or that there has been an inevitable shrinkage in the areas of virgin territory that are now available to new enterprise. A third factor, and a very formidable one, must also be taken into account. The opening up of new frontiers to international trade is now being offset -- perhaps more than offset -- by the closing

off of huge areas and populations from what we look upon as normal commercial intercourse.

About one-quarter of the world's land area, and something more than a quarter of the world's population, is now fenced in by communist control. The area involved is almost equal to that of North and South America combined, and its population is twice as great as that of North and South America. Those facts convey a rough idea of the extent of the human and material resources which, for the time being, are cut off from the field of development in which the free nations can actively pursue their objective of expanding international trade.

Were it not for the spread of communism, Russian and Chinese development would certainly be counted upon as being among the very greatest potential factors contributing to the growth of world commerce in the immediate future -- and, in so doing, contributing in the most effective way to the advancement of their own standards of living. Under present circumstances, and so long as they continue, the expansion of international trade can count upon very little in the way of impetus from the under-developed resources that are locked up in communist hands. Our task will have to be achieved in the reduced area that is still open to trade in the normal way. The communist countries will, no doubt, continue to carry on a limited amount of business with other countries but their ideas of trade and of how it should be handled are entirely different from ours. They may see fit to adopt a policy of doing more business with the free nations, but I would think that, in any event, so long as they hold to the practice of keeping their foreign trade in the hands of state monopolies, there is little likelihood that they will contribute in a substantial way toward increasing the total of world commerce.

The communist enclosures are a matter of real concern to the whole commercial world, but they have effects which bear in a particular way upon Western Europe -- effects which we should not fail to appreciate.

The industrial countries of Western Europe, including the United Kingdom, are traditionally great importers of foodstuffs and raw materials. They draw their requirements from all parts of the world. Eastern Europe was normally one of their important sources of supply. It is no longer either a large or a dependable source. To meet their essential needs the free nations of Europe are now having to rely more heavily upon supplies from overseas sources. They are having to find dollars to pay for their imports to an extent materially greater than would be the case if conditions were such as to allow them to develop their trade more freely and more safely with Eastern Europe. That is one of the factors that accounts in some measure for the existence, as well as for the stubborn character, of their much talked of dollar problem.

There is another and equally serious effect resulting from the commercial gulf between Western and Eastern Europe. The countries that comprise the economy of Western Europe are densely populated and highly industrialized. For many years they have been under the necessity of having to export in order to live, and that necessity presses upon them more severely now than ever. That applies perhaps more

particularly and more obviously to the United Kingdom and Western Germany, but it is true of several other countries also. On the far eastern flank Japan is in a similar position. The communist territories would, under happier conditions, have afforded natural and growing trade opportunities, for Europe in the west and for Japan in the east -- advantages equally valuable to the communist territories themselves. We do not know whether or when these natural avenues for the expansion of world commerce will be re-opened. Meanwhile, Western Europe is that part of the free world that is most directly and adversely affected, both as a seller and as a buyer.

I am by no means of the opinion that the efforts of the free nations to increase world commerce are in serious danger of being defeated by the advances of communism. As I have mentioned, increased trade depends basically upon increased production and, of course, also upon increased markets. The free world still possesses ample resources to provide both. There are large new or relatively new areas that are undeveloped or under-developed. There are great older areas, some of them densely populated, where the tasks of raising the standards of living are little more than well begun. There are still other areas or countries, with high industrialization and high standards of living, where technical developments are providing the basis for new industry and new trade on a scale which hardly anyone could have imagined a few years ago. The main commercial effect of our territorial losses to communism is that they do compel us to make the very best use of the resources of our free, but smaller, world.

This brings me back to the question of trade restrictions. For it must never be forgotten that the real purpose behind the efforts to free trade from hampering restrictions is to make the best use of available resources. Unless producers have a reasonable chance to sell where the best prices can be obtained, and unless consumers have a reasonable chance to buy where the lowest prices are offered, resources are not likely to be used to the best advantage. I know only too well that it is a counsel of perfection to suggest that national foreign trade policies should be based on recognition of this principle, and on nothing else. Nevertheless, I do not think that the peoples of the free world can afford to do anything else except work towards freer trade amongst themselves.

If this is so, why is there any hesitation in beginning at once to clear away the tangle of restrictions that have grown up in recent years? The answer to this question may help to indicate the lines along which progress can be made.

Take the sterling area, for example. This is a very large group of countries and an extremely important group commercially. As a group, and with few exceptions individually as well, they are very hard up for dollars. Why is that so? It may be said that the explanation is obvious -- that they are short of dollars solely because they are not earning enough dollars, either by their sales here in North America, or by their sales in other markets. They must produce more, and they must make their export industries more competitive. Otherwise, they will continue to be short of dollars and, moreover, they will be open to

the suspicion of sheltering a lot of uncompetitive industries behind their present import restrictions.

That is a rather blunt and harsh kind of diagnosis, and it is open to the reply that it assumes that North American markets are ready to accept imports on a sufficiently large scale if the goods are offered at competitive prices.

I shall not attempt to distribute the responsibility for the dollar problem. At any rate I do not think that "pointing the finger" does much good at the present time. We can't afford to postpone the reduction of trade restrictions until we get unanimity of opinion about the precise and true causes of the dollar shortage. The most hopeful sign today is that some of the countries that have been making extensive use of import controls appear themselves to be more receptive to the idea of getting rid of them. They recognize that they are at best a kind of emergency defence, that they do tend to encourage uneconomic industries, both old and new, and that the sooner they can be dispensed with the better. How general that attitude has become, I do not know, but it has been in evidence in some very important quarters and it is certainly a most significant and welcome sign.

The urgency of moving without delay towards the removal of restrictions cannot be over-emphasized. Import restrictions imposed for temporary purposes have a way of becoming permanent. Although they may have been absolutely essential to stop the drain on dollar exchange, quantitative restrictions on imports do in fact make it more difficult to bring about a permanent cure for the dollar problem. The responsibility for taking removal measures does not lie in our hands. But I doubt whether the task will be undertaken without the encouragement and co-operation of our two countries, and particularly the United States.

I am confident that it is possible to re-establish a world in which non-restrictive trade policies will once more predominate, but here again, I come back to the great essential -- close and tenacious co-operation by all the free nations -- a resolute will to work together.

We in Canada are hopeful that the time is now ripe for a fresh attack on the problem of trade restrictions. As you may know, the Governments of the Commonwealth are meeting in London later this month, and the question of trade is high in the agenda. Canada, of course, is not a member of the sterling area, but we have been invited to participate and we shall take a constructive part in the discussions.

What Canada wants to see emerge from these Commonwealth talks is not a sterling area plan or a Commonwealth plan, but something very much bigger, in which North America and the free world generally can play a full part to the advantage of all concerned. This kind of an approach, we firmly believe, has the best chance of success. And that is what I hope will emerge.

My message then is one of hopefulness on the prospects for world trade. It is now at a very high level. There are opportunities for further expansion. True, trade restrictions have multiplied, but I believe that there is a

growing realization of the danger and futility of those restrictions, and a genuine desire amongst men of goodwill throughout the world to get rid of them. The degree of success that we may expect will depend entirely upon continued close co-operation among the free nations, and upon their wholehearted readiness to be helpful in a job which is bound to require a great deal of care, patience, and mutual goodwill. The task of whittling away the restrictions that now encumber the trade of all but a small number of countries is one worthy of the best effort of all those who find in unrestricted commerce the best hope of peace and prosperity for all the peoples of the world.

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