



STATEMENTS AND SPEECHES

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CANADA TRADES WITH THE WORLD

An address by the Minister of Trade and Commerce,
Mr. C.D. Howe, to the Canadian Manufacturers' Association,
at Montreal, May 25, 1955.

It was four years ago, in June 1951, that I last had the pleasure of addressing an annual meeting of your members. I am happy to be with you once again. I am pleased to see that the Canadian Manufacturers' Association continues to flourish and to play a useful role in the industrial life of our nation.

Your Association has much to contribute to the discussion of national policies. There is need in our society for an organization in which manufacturers can discuss their mutual problems and through which they can make their views known to the Canadian people as a whole. It has seemed to me that your Association is fulfilling these functions more effectively now than at any time in the past, and I would like to pay a special tribute to those public-spirited men who have been prepared to devote their time and talents to work on your executive.

Your annual meeting this year is a particularly fine example of the new spirit and the constructive imagination which seems to animate the Canadian Manufacturers' Association of today. I notice from the latest copy of "Industrial Canada" that you call this the Parliament of Canadian Industry. Since I am a member of the Parliament that is now meeting in Ottawa, I ought to feel right at home among you. However, there are some differences. As I speak, I see before me a large group of more or less smiling faces. If I were in the House of Commons in Ottawa, I would be confronted with members of the Opposition, very friendly people, of course, -- but just waiting for an opportunity of replying to my speech. I hope, Mr. Chairman, that the rules in this Parliament will allow me the rare privilege of delivering a speech without hearing it torn apart a few minutes later.

Your Association is to be commended particularly for devoting a full day to the discussion of trade and economic progress. I understand that this discussion begins tomorrow with the theme "More Trade - the Fulcrum of Economic Progress". As an engineer, I am a bit dubious about the terminology. I look upon our trade, not as the passive force at the fulcrum but as the very active force at the end of the lever. From there its influence is multiplied in being transmitted to the rest of the economy.

But, while the simile may not be altogether accurate, everyone, I am sure, knows what you are driving at. As Minister of Trade and Commerce, I am particularly gratified that the importance of trade is accepted as a fact. To me, it is highly significant of the thinking of Canadian manufacturers in this day and age that this Association should devote a day to discussing the advantages to Canadians generally, and to Canadian industry in particular, of a prosperous, expanding world trade. It makes my job of promoting trade much easier when I know that I have the strong support of this important segment of Canadian business.

The promotion of trade is a full-time, continuous job. Neither Government nor industry can afford to blow hot at one time and cold at another. Above all, I have learned in my years as Minister of Trade and Commerce that one cannot afford the luxury of adopting a defeatist attitude when difficulties arise in external markets.

All of us can recall the number of times in post-war years when it was predicted that Canadian trade was due for a serious setback. Immediately at the end of the war, there were fears of a serious world recession which would affect the demand for Canadian exports in our principal markets. Instead, a dollar shortage developed in overseas markets, with resulting restrictions on exports from Canada as well as the United States. On two occasions since the end of the war industrial activity in the United States fell away from peak levels and led to fears of a major drop in demand for Canadian industrial raw materials.

Looking back, these fears of a major setback to Canadian trade appear to have been greatly exaggerated. The world problem in the immediate postwar period was not a sudden collapse of demand, but, quite the contrary, an extraordinary upsurge of business activity. The dollar problem, although it had serious and unavoidable effects on some Canadian exports, did not in fact greatly affect the total volume of our exports; it simply altered its composition and its direction. As for the two postwar recessions in the United States, they proved to be short-lived and were succeeded by new peaks of activity. Indeed, even I, an optimist by nature and conviction, have been astonished by the resilience of the United States economy in recent months.

What lessons are to be learned from this recent experience? The first, I suggest, is that the world should have learned by now that depressions are not inevitable. Some ups and downs in business will occur, of course, -- perhaps these are inevitable in a progressive economy and serve a useful purpose in maintaining efficiency -- but it seems to be much more reasonable to assume a relatively steady rate of economic growth than to assume a sudden collapse from time to time.

The second lesson, I suggest, is that steady pressure for liberalization of international trade contributes to a steady rate of economic growth. This might seem a self-evident truth. But I regret to say that there are those in all countries who would turn back the clock towards restrictionism whenever the going gets a bit rough. This is one of the reasons why I said a few moments ago that neither Government nor industry can afford to blow hot at one time and cold at another when it comes to the promotion of trade. There must be steady pressure in the direction of more trade if the best results are to be attained.

I know, of course, as well as you do, that Canada by itself cannot determine the trade policies that will be followed throughout the world. However, let us not make the mistake of underestimating our own influence. We are the world's third or fourth trading nation and many countries are anxious to build up their markets in Canada. Trade is a two-way street for them, as it is for us.

Nor should we make the mistake of assuming that Canada is fighting a lone battle for liberal trading principles in international trade. This seems to be a popular notion here in Canada, but it does not truly represent the position. I was amused, as I am sure you were, by a cartoon by John Collins, talented artist of the Montreal Gazette, showing the Minister of Trade and Commerce sticking by the good ship GATT, while others were taking advantage of lifeboats marked "escape clauses" to escape from the sinking ship.

This cartoon was good fun but I hope that Canadians are not misled by the idea that Canada is away out in front of the parade, isolated in her virtuous adherence to liberal trading principles. This is not so. From time to time Canada has assumed leadership and I think we were right to do so, for no other country has as much to gain, as this country, from increased international trade. I hope we shall always be well to the front in this endeavour. But, we are by no means alone. Indeed, it is my view that the cause of freer international trade has gained many adherents in recent years and is today stronger than ever in the world as a whole.

This may seem a paradoxical statement in view of the difficulties that were encountered at the recent GATT session and by evidences of restrictionism in many countries. I am not unaware of these facts. They pass over my desk every working day. I have frequently to protest against restrictions maintained or imposed against Canadian exports by other countries.

On the whole, however, I am more impressed by the gains than by the losses. The free world made a bold effort at the end of the war to reconstruct world trade on a sound basis, through the General Agreement on Tariffs and Trade. When we remember the trade chaos of prewar years, the GATT was indeed an ambitious venture.

There are some who would argue that the GATT attempted too much. Perhaps it did. But I am glad the effort was made. All countries may not have lived up fully to their GATT obligations. Moreover, the dollar shortage provided an escape for countries from the obligations they had assumed to remove quantitative restrictions and to avoid discrimination.

Now that dollar shortages are fast disappearing and competition is re-asserting itself on a world-wide scale, the GATT is, in a sense, getting its first test. And the evidence suggests to me that it is standing up pretty well. The member countries are not resorting on a broad scale to their rights to withdraw tariff concessions granted in the postwar period. Quantitative restrictions and discrimination are, in fact, being removed by countries as they get out of dollar difficulties, perhaps not as quickly as we would wish, but nevertheless they are being removed fairly steadily.

As you know, I have just returned from a goodwill trip to Australia and New Zealand. It was not specifically a trade mission. I was not trying to persuade the Australians and the New Zealanders to buy anything or to sell anything. I went primarily to re-establish old friendships. I tried to carry with me some expression of that feeling which I know is felt by most Canadians for the Australians and the New Zealanders.

There were, of course, many opportunities to discuss trade problems and I did not fail to take advantage of them, for I believe that as these two sister Dominions of the Commonwealth grow and develop, and as Canada grows and develops, trade will also grow and develop between us. It was particularly gratifying for me to see the progress that is being made in Both Australia and New Zealand in dismantling restrictions imposed for balance of payments reasons.

This is a diversion from my main theme, but it does illustrate the progress that is being made towards greater freedom of trade. I am convinced that in most of the principal trading countries there is today a strong bias in favour of the kind of

trade rules that the Government of Canada has been advocating. There is no reason for pessimism about world trade prospects. On the contrary, I believe a solid foundation has been laid for further progress. We may have a long way to go, but in my opinion, we are moving forward, not retreating.

Quite rightly, Canadians look across the border at their friends in the United States to see how the wind is blowing as far as commercial policy is concerned. For in trade matters it can be said that, as the United States goes, so goes the world.

We can all draw encouragement from recent events. After a prolonged debate, the Trade Agreements Extension Act of 1955 was approved in the House and the Senate. This does not mark a significant step forward but it is nevertheless some progress. More important than the substance of the measures, which are in course of being approved, is the assurance that for the present at least United States Commercial policy appears to have been stabilized. The United States is beginning to make clear its intentions that international trading arrangements are to be strengthened by its actions. This is an exceedingly important development which none of us should under-estimate and is one strong reason why I have some confidence in the future.

May I offer a brief comment on one of the amendments introduced by Congress into the Trade Agreements Extension Act. I refer to the amendment which recognizes that imports may adversely affect the national security of the United States. It is provided that measures may be adopted in such cases to reduce imports to a level consistent with the national security. The new Act provides the President with a great deal of discretion with regard to its implementation. It is appropriate, therefore, even at this early stage, to express the hope that the President will recognize that the security interests of the United States are vitally affected by its trade relations with other countries and particularly with Canada.

We, in Canada, are aware that the strength and unity of the free world depend, more than anything else, upon a sound foundation of multilateral trade arrangements. The events of the past ten years have confronted all countries with temptations to pursue trade policies which would be attractive enough in the short run but which would only lead to trouble. Some countries have dabbled with high tariff protection, others with exchange controls and discriminatory restrictions. In all cases these misguided efforts have reacted against the countries which initiated them. In some notable instances, these efforts have been abandoned and the artificial barriers to trade have been dismantled. There are lessons to be learned from all of this experience. In economic terms, individual countries cannot afford to awaken their productive efficiency by policies of high protection. In terms of peace and security, the free world is not strong enough to endure the international bickering and disunity which would accompany the growth of barriers to trade. For this reason, I hope that, if the United States does consider imposing restrictions upon imports to safeguard its national security, it will not overlook the detrimental effects which such action might have upon those very same interests.

So far, I have spoken about trade policy, about the kind of policies I think Canada should follow and about the prospects for a trading world favourable to Canada and to the free world at large. I have spoken with confidence about the future because I think these are solid grounds for confidence.

This, you may say, is all theory. What about the facts of Canadian trade? I shall not weary you with a flood of statistics but

I would be remiss if I did not, on this occasion, draw your attention to some of the recent figures.

Canadian export trade is today at the highest peacetime level ever attained, considered in terms of physical volume. In the latest six months for which figures are available, exports in volume were higher than in the same six months of any previous peacetime year. In value terms, exports in the first three months of 1955 were \$100 million ahead of the first quarter of 1954. In fact, we have experienced six months of record exports in a world which we all know is becoming more competitive. And exports are higher not only to the United States, which is experiencing such a remarkable spurt of prosperity, but also to the United Kingdom and to other Commonwealth countries.

Imports, too, are up proportionately, which is a healthy sign. It means that Canadians have money to spend and are spending it. When I hear suggestions that Canada is experiencing a recession, I sometimes wonder how this can be reconciled with the large current volume of imported goods.

I note from your programme that the subject of high cost factors in industry is to be discussed. I am aware that some established industries are feeling pinched by higher costs and greater competition. You are doing a useful job in sponsoring an enquiry as to how greater efficiency can be obtained. We must rely greatly upon the skill and ingenuity of management to maintain our place as a free-enterprise trading nation.

I believe it would be a mistake to reason, from the experience of some particular industries, that Canada is becoming a high-cost economy. Admittedly, our costs have risen. Basically, this is because we have passed through a long-sustained period of economic development. In addition, the international situation has given rise to the need for vast expenditures on defence, with resulting pressure on resources and upon wage rates.

In all of this, it must be borne in mind that we are highly efficient producers of the major export products, from our forest, farms, fisheries, mines and factories. We have our low-cost hydro-electric power, with great reserves still in hand. In less than a decade, our country has gained immensely from proven reserves of gas and oil, and discoveries of metals. The Government has been alert to the possibilities of atomic energy and we shall not lag behind in the development of power from atomic materials. The St. Lawrence Seaway will mean lower costs for a significant volume of our trade. In short, we are endowed with a wealth of low-cost natural resources which are at once a challenge and an opportunity for those with vision.

Nothing that I say in this context should be construed as minimizing the need for the greatest possible efficiency. We ought to do our utmost to lower costs of production in every way feasible, so as to maintain our competitive position. I will be most interested in the views of this conference on this subject.

Indeed, your whole programme at this year's meeting should be most valuable in crystallizing the ideas of business leaders on matters affecting the Canadian scene. Canada is like a sturdy and growing young man who knows that this year's suit will be too small next year. Youth is always interested in the styles of the future. We must strive, so to speak, to attain the right style and the right fit -- to build the kind of country we want and to maintain an economy which is neither too tight nor too loose. The important point is that the economy be kept growing.

Mr. Chairman, I am greatly taken with the choice of subjects for your Conference today, as well as with the organization of your Annual Meeting as a whole. From past experience, I know that the discussions will be characterized by shrewdness and common sense. It may be that you will not reach agreement at every point, nor is it even desirable that you should. Broadly speaking, however, I am sure that there is agreement as to the handling of our affairs, in a system which provides scope for private initiative, willingness, and ability.

I would like to say finally that I am an optimist about Canada. You will be talking about our dependence on foreign trade in a period of domestic development. I have no doubt you will find many elements of great strength in the Canadian economy. Export trade, of course, remains one of the important props of our national prosperity. I believe that our trade today is founded on a strong and stable situation of growth. Our great resource industries will provide the bulk of exports for some time to come, and they will also provide low-cost supplies for the secondary industry of our young country. They are the base of the pyramid upon which our secondary industries will continue to expand in all directions. Provided that we tackle our current problems and opportunities with determination and common sense, we can assuredly be confident of the future of Canada's economy.

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