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STATEMENTS AND SPEECHES

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THE BEST IS YET TO BE

Speech by Mr. George Drew, High Commissioner for Canada in the United Kingdom, to the Canada Club of Lancashire, Manchester, England, on November 23, 1960.

... Canada is relatively young as a trading nation in modern terms, but in a large measure we were born of trade. The adventurers of the Hudson's Bay Company, the coureurs de bois, and the great Northern explorers opened a new and unknown continent in the search of trade. The search for profitable trade created settlements from the Atlantic to the Pacific, which, less than a hundred years ago, came together as one nation. We have continued to live by trade.

I wish to express my own conviction at the outset that, with our complementary economies, there is a greater opportunity than ever before to expand the trade between our two countries, far beyond anything we have yet envisaged, to the mutual advantage and increasing prosperity of all our people.

I might well have been tempted to choose as the title for my remarks today "What is Wrong with Trade Between Canada and Britain?". I have become increasingly concerned about newspaper reports which convey the impression that there is something very wrong in the trade relationship between our two countries. I must say I was somewhat startled when I read a report recently in "The Times" which attributed to a well-known manufacturer in this country the statement that "Last year Britain imported £250 million worth more goods from Canada than we exported to Canada". This is only one of several reports I might mention which convey the impression of an increasingly adverse trade balance between Canada and Britain. This has naturally led to the suggestion that steps must be taken to oppose restrictions which some people seem to think have been placed upon British sales to Canada by the Canadian Government.

I am sure that everyone here today realizes how ridiculous it is to suggest that Britain had an adverse trade balance of £250 million with Canada, but unfortunately this statement gained wide circulation in responsible newspapers, and those who are unaware of the facts could only gain the impression that something is very wrong with our trade relations.

I merely mention this particular report because it was perhaps the most striking of a number of careless comments and inaccurate statements which have undoubtedly caused considerable misunderstanding of the real situation.

Nothing Wrong with Trade

The fact is that Britain's balance-of-payments deficit with Canada, which is what really matters in the financing of international trade, was approximately \$50 million in 1959. That is the lowest it has been for 25 years. Our exports to Britain have been increasing rapidly. So have British exports to Canada. The simple truth is that there is nothing wrong with trade between Canada and Britain, except that neither country is selling nearly as much as it should to the other.

We know that there must be a reasonable balance in trade, and we are anxious to see British exporters seize the very great opportunities which exist to take a larger share of our total imports.

Naturally, we want to see our domestic industrial production show the rapid increase which we have every reason to expect in a country where we have the greatest concentration of mineral and other raw materials in the free world along with the industrial energy and the human skill to convert these raw materials into finished products. But we have a very large market, which is wide open to you without displacing a single Canadian product. Last year we imported \$5,509 million worth of industrial and other products from outside Canada. To anyone who asks what can be sold to Canada, I suggest you obtain a printed list of our imports, which is readily available. There you will see the things we are buying which you can make and which we will be glad to buy from you. Last year much the largest part of our imports came from the United States. Their total value amounted to \$3,709 million. You are anxious to see a reasonable balance of trade. So are we. As our total sales to the United States were \$3,182 million, we would be very glad to see your manufacturers help us to balance our trade with the United States and Britain by selling us an additional \$527 million

worth of exports right away. But one thing we must remember is that increased sales, either way, are going to depend upon initiative, competitive prices, and hard selling on the part of companies and individuals in each of our countries.

Much has already been done. I dislike the use of statistics, but there is no other way the story can be told. In 1900 our exports to Britain had a total value of \$96 million. By 1913, the last year before the First World War, they had risen to \$170 million. By 1930 they had reached a level of \$282 million, and last year they were \$794 million. It seems likely that this year they will have a value of nearly \$1,000 million.

British Exports to Canada

These are impressive figures from the Canadian point of view, but we are well aware that they are higher than the figures of exports from Britain to Canada. However, in view of some of the press reports which convey the impression that British exports to Canada are being held back, I think it is important to emphasize that they have shown a steady and encouraging increase. To take the same years as I have already mentioned for Canadian exports, your British exports in 1900 were worth \$44 million. By 1913 this had increased to \$139 million. By 1930 they were \$180 million. In 1956 they were \$476 million, in 1957 \$407 million, in 1958 \$518 million, and last year \$589 million. Nor has that trend stopped. For the first nine months of this year, British exports were \$10 million higher than for the corresponding months in 1959.

In the face of these figures, you will understand why we are both surprised and concerned about the impression which is being conveyed that the Canadian Government has been placing barriers in the way of trade with Canada. The very contrary is the case. In 1957 a trade mission of leading businessmen was organized by the Canadian Government. In many ways it was a unique venture. They were all producers with things to sell. But because they believed in the value of trade between Britain and Canada, and because they were sure that Britain could sell more to Canada, they came here for the express purpose of encouraging British exporters to seek markets in Canada. Surely the results speak for themselves. In the previous year of 1956 British exports were \$476 million. Last year they were \$589 million, an increase of 22 per cent in 3 years.

Source of Misunderstanding

Where, then, does this idea come from that the Canadian Government is attempting to reduce British sales to Canada? Undoubtedly some of it has resulted from a

misunderstanding of an announcement by the Canadian Government that, as of December 1st, 1960, automobiles imported from Britain and the Continent will be valued for duty at 20 per cent under the list price at which a manufacturer sells to a dealer in his home market, unless, and this is an important proviso, a higher discount can be justified on the basis of the manufacturer's sales in his home market. This announcement has attracted a good deal of attention in this country as well as in Canada, and a few words about it are in order to ensure a better public understanding of what it means.

How does this prospective customs procedure compare with what is now in force? Since 1949 British and European exporters have enjoyed a special advantage in the Canadian car market. At that time the Canadian authorities decided that for customs valuation purposes automobiles imported from the United Kingdom and the Continent would be allowed a 30 per cent discount off user list price. You will no doubt recall, as I do, that in 1949 your automobile manufacturers were finding it very difficult to sell in the Canadian market, and there was also a shortage of cars in Canada to meet our demands. That was the reason for this special provision of a 30 per cent discount. What should be recalled is that this was a unilateral concession by Canada, which favoured United Kingdom and European manufacturers over Canadian automobile makers, since no corresponding or similar concession was granted to them.

The law in Canada requires that imports be valued for duty at fair market value in the exporter's home market and the purpose of the Canadian Government's recent announcement was simply to ensure that the discounts allowed on automobiles are in accordance with those prevailing in that home market. It does not seem unreasonable to me that any government should bring its customs practice into line with what the law of the land requires. In fact, it strikes me as quite accurate to describe the Canadian Government's action, as "The Financial Times" did in a story from Ottawa, as a "tightening-up on existing customs practice where this has been lax....".

A Slight Price Rise

This is not to deny that the effect of this tightening-up may result in a slight increase in the price of British cars in Canada. I do not question that possibility, but what I do question are the suggestions that this announcement was designed to decrease British exports to Canada. It is by no means clear at this time that, in fact, the sales of British automobiles to Canada will be affected by this announcement. Certainly it cannot have contributed to the decline of sales in recent months because the new customs procedure will not come into force until December 1.

It is inevitable that, from time to time, every government is faced with the need to ensure that administrative actions are brought into line with the law. But this is a very different thing from saying that these actions are designed to discourage imports into the country. I have no hesitation in repeating, as I have said on other occasions, that it is the firm intention of the Canadian Government to achieve a greater diversification of its international trade, and that, as an important part of that effort, the Canadian Government has done what it can to encourage increased trade with Britain.

In closing these remarks about the import of automobiles, I should simply add that, for the first nine months of this year, the export of British cars to Canada has again increased over the corresponding months of last year.

I hope that this explanation will dispel the idea that the British automobile industry has suffered as a result of any action by the Canadian Government. We have sought to encourage and will continue to encourage increased trade with Canada. We are gratified by the improvement of the past few years, but we still believe it can be greatly accelerated if many manufacturers, who have not yet attempted to export to our country, will examine the Canadian market, and particularly what we are buying from the United States. What is required is a determined effort on the spot to set up an effective selling organization which will assure prompt delivery, the maintenance of parts, and continuing service on any mechanical equipment which requires special attention.

Far from thinking that we have reached anything approaching the maximum of possible exports to this country, we know from the experience of the past two months that many Canadian exporters, who have not attempted to export in the past, can compete on favourable terms with exporters from any other country. We know that, if we are to see the increase in our exports to Britain which we know is possible, there must also be an increase of exports from Britain to Canada.

Having seen the remarkable increase in trade both ways during the past few years, I do not think it is at all unrealistic to suggest that many who are now at this meeting will see the day when our exports to Britain and your exports to Canada will reach \$2,000 million. Obviously, this thought could not be entertained by anyone who believes that the British or the Canadian economy is in an unhealthy condition.

Canada's Economic Condition

For that reason, I think I should say something of our economic position. With a sad look on their face as though they were about to ask you if the patient has any chance of recovery, I am all too frequently asked the question "When do you expect some recovery in Canada?" I only wish that those who ask that question would visit Canada and see for themselves what is happening there. True, we have had a levelling-out period, and we are not alone in that experience. Our unemployment figures seem high on a percentage basis compared with some other countries. But they are very misleading indeed. We have some very real problems of unemployment related to changing demand and changing methods of production. But it would also be well to bear in mind that we have a substantial measure of seasonal unemployment, which is of a very special nature and cannot be interpreted in terms of reduced production. For instance, all our fishermen on the huge inland lakes from one side of the country to the other, all the men serving on our inland ships, all the people working on the docks and transport installations serving those docks, many people working in the open in parts of the country where it is extremely cold, and others in special occupations of that kind, have been unemployed seasonally in the past, are now, and doubtless will be in the years to come. But from early spring until winter comes again, they have been, they are, and will be profitably employed.

To anyone who thinks that the Canadian economy is in an ailing condition may I simply give these significant facts. More people are employed today in Canada than ever before. The income of our workers is higher than it has ever been. The opportunities for advancement in the years ahead are greater than ever before. Part of the problem of unemployment in Canada today is the fact that we have one of the highest birthrates in the world, which in addition to the large immigration figures since the War, are simply an expression of confidence in Canada's future.

I have mentioned these things because I think it is so vitally important that neither of our countries should under-estimate the prospects for the future in either Canada or Britain. It is not so many years ago that serious writers were expressing the opinion that the strength of the British people had been sapped so greatly by the last War that Britain could no longer be expected in our generation to become a major power. The last ten years have seen the vitality and strength of this country grow by leaps and bounds until today it is one of the most prosperous areas in the whole world.

Future Growth

Nor has any promise of future growth in Canada been diminished in any way. We have soil capable of feeding more than ten times our present population. We have resources which stagger the imagination. We have the greatest known reserves of iron, the most precious mineral of all. If we include the tar-sands of Athabaska, Canada has potential oil reserves exceeding those of all the rest of the world. We supply two-thirds of the world's nickel. We have copper, lead, zinc and all the great minerals, as well as vast resources of the forest. We have huge reserves of electric energy, of coal and of that mysterious mineral, uranium. What a prospect that offers for men and women of vision and courage with the imagination to look into the years ahead! What challenging prospects there are of a great trading partnership between Canada and Britain across the short sea and air routes of the North Atlantic! It is because the opportunities are so great that I hope they will not be obscured in either country by misunderstanding or uncertainty about the value of our close co-operation in the future.

Let us all consciously build a spirit of goodwill based upon a better knowledge of what our joint efforts can do in the years ahead. If we join hands in days of peace as we did in the days of war, then we can say, not merely with hope but with the utmost certainty, "The best is yet to be".

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