



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 49/28

Text of a speech delivered by the Secretary of State for External Affairs, Mr. L.B. Pearson, at the Official Opening of the Central Canada Exhibition, at Ottawa, August 22, 1949.

It is a great honour to be your guest speaker today and officially to open the Fifty-sixth Central Canada Exhibition.

"Exhibitions" and "Fairs" have played a significant part in Canada's development and that significance is, I think, increasing as our importance as a nation grows, and we have more to exhibit. Though my appearance today is the most impressive and flattering association I have ever had with a fair or exhibition, I am not, I must admit, nearly as thrilled or as awe-struck as I used to be years ago when I would arrive at 9 a.m. at the "Ex" in Toronto on Children's Day with twenty good Canadian nickels in my pocket and twelve hours of pleasure and excitement ahead.

Exhibitions, however, do more than excite children, entertain adults or inspire controversies as to whether a midway or grand stand performance is elevating or debasing. They give town and country a chance to meet and compete. They give producers and distributors a fine shop window through which to impress consumers. They also provide, certainly this Exhibition provides, a fine example of constructive co-operation between individuals, associations and government; an example which must be emulated in all aspects of national activity if Canada is to grow and progress along sound lines.

If Exhibitions play a valuable part in our national life, from the smallest village display to the great International Trade Fair, there is, I think, a particular contribution which the "Central Canada" can make. It is held in Ottawa, the city of many of us by birth, and nearly as many, I suppose, by adoption. To many Canadians Ottawa is merely a collection of government buildings inhabited and surrounded by civil servants. This Exhibition shows how much more there is to the life and activity of Ottawa and the neighbouring counties than the conduct of the business of government. It also gives those of us who are connected with that business a chance to realize that the care and nurture of a carrot, or a cow, which has won a first prize is more important, or may be more important than the alternation of a civil service regulation or the passing of an Order-in-Council.

Nevertheless, while not forgetting its relationship with that non-governmental activity which keeps our country alive, and, incidentally, makes our civil service function possible, Ottawa has the right to claim a very special position among Canadian cities as the capital of our nation and, as such, the possession of all Canadians. Now that we have grown up nationally, all Canadians should take pride in their capital and in the efforts to make it a city worthy of that pride. This does not mean, of course, that the citizens of this city should be put in a favoured financial position as compared with those of other Canadian municipalities, but it does mean that all Canadians should consider it a privilege to share in the

development of this city into a national capital, worthy of the name. Every American, I believe takes a great pride in Washington, every Brazilian in Rio, every Frenchman in Paris; as cities symbolizing in an impressive and beautiful way, their national heritage and their national aspirations. I do not think that we have that feeling in Canada for our capital. If we have not, it is partly an evidence of national immaturity, and partly a reflection on the capital itself. Certainly there are things about our capital, especially in some of its approaches, which do not provoke any feeling of great pride or admiration. That is one reason why I am glad that the Exhibition this year features a large display of the National Capital Plan and, even more, that, after this Exhibition finishes, that display will start on a cross-country tour. I am a fairly young man, so I am also bold enough to hope that before I die, or am removed from this city by the electors of Algoma East - I do not consider the two fates to be equally tragic - I may see some substantial part of this National Capital Plan actually carried out!

The Central Canada Exhibition is a microcosm of the economic development of Canada. Started primarily as a means of encouraging and assisting the agriculturist, it has added to the scope of its activities and interests as the economic foundations of our country have broadened. Today, in keeping with the industrial and commercial stature of Canada, the Exhibition's industrial and commercial exhibits hold an important place in the scheme of things without sacrifice of the agricultural interests which are the bed-rock of our economic life.

It is no longer appropriate to think of Canada as merely an agricultural or even a primary industry country. Today about one-quarter of the Canadian working force are in agriculture and the rest in other industry. When this Exhibition started, agriculture claimed nearly half of the gainfully employed adult population and manufacturing little more than 10 per cent.

This shift in the national pattern of economic activity has been accelerated by the demands of the last war for many types of industrial goods not normally produced in this country in peace time. Since 1945 the further extension of this process has helped to consolidate war time developments and to bring even greater balance into our economic life. As a result we are today producing goods and services of a variety, and at a rate we would not have thought possible even 10 years ago.

Canada is now, in a sense, drawing to the end of one phase of expansion and development. In the last few years we have been making good the set-back to growth that was the result of the conditions of the depression 'thirties, and we have been rounding out the uneven growth of the war period.

But we must not halt at this point. Even now the ground-work is being laid for further growth. At the moment this second "round" is being sparked by such things as the astonishingly rapid expansion of the oil industry in Alberta. The real significance of this development is that it gives promise of a very substantial and significant industrialization of the prairie region. Also developing in an encouraging way, at the other end of the country, is the exploration of the iron ore deposits of Quebec and Labrador. This, also may well result in the future in better balancing of the Maritime economy by increasing the importance of its manufacturing industries. The entry of Newfoundland into Confederation rounds out Canada's maritime region and will greatly facilitate the development of its resources.

If these two important developments, in east and west, come to full fruition, Canada will have attained a regional diversification of its industrial development to go hand in hand with the industrial diversification that is now coming about. The vision of the Fathers of Confederation in

challenging the north-south pull of the geography of this continent in order to achieve an east-west economic integration of the nation will then have been fully justified.

But while we gaze into what seems to be a glowing future, what about the present and the years immediately ahead. The results in 1949, in physical terms of Canadian production, consumption, investment and trade, will be good - as good or better than they were in 1948. But if we look ahead, - and we are all doing that these days - we cannot fail to notice some danger signs; particularly dangerous for us because they concern international trade and no country in the world has a greater stake in such trade than Canada. It would be folly not to take heed when the export sector of our economy begins to show signs of weakness as it has recently, because of developments outside our borders. But taking heed is not the same as giving way to panic, for which there is no justification.

Actually, the overall level of merchandise exports when the year is ended should not be materially different from what it was in 1948. Our worries over the export situation are due to the fact that many countries of the world, and particularly the United Kingdom, are finding it increasingly difficult to finance imports from Canada and other dollar countries, with the result that there has been some decrease in the level of their purchase here. For example, exports to the United Kingdom in the first six months of this year dropped slightly from the 1948 level of \$360 million to about \$340 million. A falling level of economic activity in the United States may also have an adverse effect in the remainder of the year, but that has not yet become evident. Exports to that country in the first six months of the year were in fact more than \$40 million larger than in the corresponding period last year.

It is, of course, obvious that a country like Canada which must export a high percentage of its production in order to maintain employment and prosperity has a special interest in, and indeed a special dependence on international economic developments outside its borders; especially those in the United Kingdom and the United States. We have in the recent past recognized this by the action we have taken to assist in the restoration and rehabilitation of the economic life of Western Europe and by the efforts we have made to bring our trade with the United States into a better balance. In certain quarters in our own country there has been some misunderstanding of this policy. We have been accused, on the one hand, of doing too much for Europe, and on the other, of interfering too much in our trade with the United States. But I think that those who study the matter seriously and without prejudice will realize that this assistance has been determined by considerations of sound national interest and this intervention by balance of payments difficulties. There will also, I think, be the same realization that we have an immediate and substantial interest in the financial discussions in Washington which open this week on the official level and in a fortnight on the ministerial.

The difficulties which are to be discussed in Washington arise out of what is often referred to as the dollar shortage. That is an easy expression of the problem which may be misleading in its simplicity - as is so often the case when we try to bundle up complicated and awkward political and economic problems in neat and tidy phrase packages, like "Convertibility", "devaluation" and "dollar shortage"; phrases which are at times used as glib substitutes for understanding or knowledge. The dollar shortage is, of course, real enough but it is the result, not the cause, of the present difficulties. The difficulties themselves arise out of the present lack of balance between world production and world distribution. This, in turn, is largely due, either directly or indirectly, to the war; or rather to the uneven

impact of the destruction and dislocations brought about by the war, which left certain countries - normally great importing countries - much more crippled and shaken than the great North American supplying countries. The old European world was smashed; the new world hardly dented by war. And in the old world the smashing was uneven and the recovery consequently uneven. This inevitable lag by Europe in the post war competitive race has, according to a well-known British economist and editor, Miss Barbara Ward, been accentuated by three things, as follows:

"The first is the division of the highly industrialized western fringe of Europe into nineteen or twenty separate nationalist economies. The second is the tendency of European businessmen to use those divisions as protective barriers and as a result to allow the competitive edge to be taken off the economic system...The third was the false assumption about work and productivity held by the mass of organized labour."

This problem, thought of not merely as a dollar shortage, but as one involving a possible breakdown in world trade, has no quick or easy solution. There is no rabbit to be pulled out of this particular hat - in Washington or anywhere else. On the contrary, unless counsels of good sense and understanding prevail, a much less peaceful and amiable animal might emerge. There seem, in fact, to be political and press conjurers on both sides of the Atlantic who are making at the moment some unfortunate and ill-timed passes which can only encourage this unhappy result.

As the governments concerned face these serious financial and economic problems in the days ahead, it will, of course, be tempting for each to concentrate on what seems to be a particular source of trouble outside its own jurisdiction. This makes it easier to follow the tempting but not always wise course of seeking a remedy in action to be taken by someone else. This is nationally comforting and conscience-easing, but is likely to do more harm than good in the search for a solution, a search which will require long, hard and friendly co-operative effort.

The fact is that we are faced with a tough, long-range problem which is as political as it is economic; which is in some ways as novel as it is complicated and for which there is no single or simple remedy. A return to the freedom of trade of 1914 would not do it because the political and economic conditions of that age have disappeared, possibly for good. At the other extreme is the remedy of total control of trade by governments, which in the conditions of today would inevitably mean control exercised through bilateral deals. Some short-range emergency measures, on a restrictive and bilateral basis, may now be unavoidable for a country in the present position of the United Kingdom, but as we see it here there is no salvation to be found in this approach, which inevitably tends to limit the areas of exchange and subsidize high cost production.

Somehow or other the flow of goods multilaterally must be restored and this can only be done by a concerted effort based on friendly understanding and working together in the part of the new world and the old. This will involve a re-examination of economic policy by all the countries concerned in the light of the present situation. It will also mean that any new measures taken over here which will assist European recovery must be met by measures on the other side which will give the necessary assurance that any assistance given will be effective. All this may mean that immediate concessions will have to be made - all round - for ultimate advantages to all. Dollar countries will have to encourage imports by enlightened government action while countries

like the United Kingdom will have to take the steps necessary to get into a competitive export position. Above all, as we see it in Canada, emergency restrictive measures which may now have to be taken in sterling countries should not lead to the establishment of practices and policies which will become ends in themselves rather than merely means to an end; that end being the restoration of world trade on a freely convertible basis. If certain trading areas are allowed to become frozen, this may force other areas into following the same negative and restrictive principles. This would be more than stupid. It would be a tragedy if the western democratic world, on the very morrow of the Atlantic Pact which marked so encouragingly the end of political isolation, substituted for that isolation a form of economic isolation through the formation of dollar and sterling blocs, looking at each other with irritation and suspicion over mounting trade barriers and diminishing trade returns. No one could possibly benefit from such a development except those patient calculating gentlemen behind the Kremlin walls and their agents throughout the world. Their ill-concealed satisfaction over this possibility should be our warning not to permit it to happen.

I may seem, gentlemen, to have strayed a long way from the Central Canada Exhibition. If so, I apologize for my wanderings, and I thank you for your forbearance.

In conclusion, Mr. Chairman, may I wish the Exhibition a most successful and productive week. I feel sure that this 1949 meeting will live up to - indeed exceed - the record of constructive achievement set by its predecessors.

S/C
