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INDUSTRY AND TRADE IN POST-WAR CANADA

An address by the Minister of Trade and Commerce,
Mr. C.D. Howe, to the Canadian Chamber of Commerce,
Toronto, October 21, 1952

... This country has prospered mightily during the last decade or so. I shall not bore you with the facts and figures, for they must be familiar to you. The economic achievements of the people of Canada in a short span of years have confounded the pessimists and may even have surprised some of the optimists.

What lies behind this great forward surge of national output and development? In a sense it was inevitable and only awaited a favourable conjuncture of events. The potentialities were here from the beginning, as Sir Wilfred Laurier recognized when he predicted that the twentieth century would be Canada's century.

The Second World War gave the initial push forward, along the road to industrialization. Contrary to pessimistic forecasts, post-war demands, both at home and abroad, sustained the economy at a high level of activity. Before the post-war period of reconstruction and reconversion had ended, discoveries were made of vast resources of oil, iron ore, uranium, nickel and other minerals. Then came Korea and the consequent rearmament effort that created urgent new demands for many of the essential materials produced by Canada and that made it necessary to establish important new industries to meet the defence needs of the free world.

While, under these conditions, Canada was bound to advance, I suggest to you that it is necessary to look deeper for the full explanation of the remarkable progress that has been made. There was more to it than a favourable set of circumstances. The Canadian people have held a good hand of cards, but in my judgment they have also played them well.

I say this, not because I want to flatter you as Canadians or to take any particular credit for the part played by Government policies, but because I believe that there are some lessons to be learned from our recent experience which may be useful for the future.

The first point I would make is that these great advances in material well-being have been attained within a framework of free enterprise and free competition. Much is made by Communist countries of their Five-Year Plans. Because of the Iron Curtain, none of us knows what has actually taken

place in those countries. But I would stake my reputation that they have not surpassed the records established by Canada, where people make their own plans within the limits of the law.

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 this 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.

This should not lead one to the conclusion, however, that the role of government has been unimportant during this period of unprecedented development. Indeed, the creation and maintenance under present-day conditions of an environment favourable to sound economic development within a free society is a problem of the greatest complexity. In many ways it is much more complex than that of running a regimented state.

All governments make mistakes and the Canadian Government is no exception. But I submit that on some of the main economic issues of our times the Government and Parliament of this country have taken the right decisions -- decisions which have had a determining effect on the development of the country. To illustrate, let me direct your attention to three important issues -- price control, fiscal and monetary policy, and trade policy.

First, the question of price control. The Canadian Government made an outstanding success of price control during the Second World War. When the War ended, however, the Government proceeded to remove the controls in an orderly fashion, until within a relatively short time they were all gone. The steady removal of controls took courage, for there were many who advocated their retention for an indefinite period. Looking back it can now be seen that the decision to remove controls when the War was over was a turning point. It clearly marked the course that Canada was prepared to follow -- towards a vigorous, flexible economy, and away from a bureaucratic economy.

About two years ago, the advisability of introducing price controls had again to be considered. If all-out war had come at that time, I have no doubt that price controls would have been put into effect without the slightest hesitation. But that kind of war did not come and, fortunately, the pressure for price controls was resisted. I can well remember how much was made of the fact that for a time prices in Canada rose somewhat more quickly than in the United States where price controls were reintroduced. Very little reference is now made to the fact that for the past several months the Canadian cost-of-living has declined sharply while the U.S. index is at its highest level. The two price lines have again crossed and the Canadian index is now about as low in comparison with the American index as it was in mid-1950, before wars and rumours of wars began to affect prices so violently. Current forecasts of the next monthly index indicate a further sharp drop in our cost-of-living.

While direct price controls were not adopted, the Canadian Government has fully realized the importance of fighting inflation, and of maintaining a high degree of confidence in the Canadian dollar. This it has striven to do by its fiscal, monetary and credit policies. These are often under attack. I suppose they always will be, because no one likes taxes and most people like cheap money and easy credit.

Now I am not going to suggest that every tax has been at the right level, or that monetary and credit measures were always just what was required. Furthermore, I have no quarrel with those who offer constructive criticism. What I do submit is that the vigorous policies followed by the Government and supported by Parliament during recent years have contributed in no small measure to the creation of conditions favourable to healthy economic growth.

The Government has been criticized for having a budgetary surplus for several years running. To some extent, as my colleague Mr. Abbott has pointed out, this surplus is the result of unforeseen though welcome increases in the national incomes and the fact that expenditures on defence have not been as large as expected. But I ask you, as businessmen, in which kind of a country would you have greater confidence -- one that under prosperous conditions paid its way and paid off some of its debt, or one that took the easy course of budgeting for deficits?

A good deal of capital has come into Canada in recent years to help in the development of our resources and our industries. That capital came because of the opportunities for profitable investment. It came because prospective investors had confidence in the financial integrity of this country and in the strength and stability of our currency.

Now I come to the third major decision in the field of economic policy that has influenced Canadian development in recent years -- that affecting trade. At the end of the War, a fundamental choice had to be made between what might be called a timid policy and a bold policy. The timid approach is that based on fear of competition. It counselled the taking of few chances, the preservation of existing markets rather than the development of new markets. The bold approach is that based on confidence in the ability of Canadians to meet competition and on the belief that Canada could grow and prosper only if she showed herself willing to trade with all parts of the free world.

Canada chose the bold approach. We entered at once into trade negotiations designed to reduce barriers to trade, and we pledged ourselves to follow non-discriminatory trade practices under the aegis of the General Agreement on Tariffs and Trade. Our foreign trade service was strengthened. Loans were extended to assist overseas countries that were prewar markets for Canadian products to get back on their feet after the War. Active steps were taken to encourage imports from countries which were experiencing difficulties in earning dollars. An International Trade Fair was established here in Toronto, symbolizing Canada's desire to trade with the world.

During the whole period of our rapid expansion, there have been no increases in the Canadian tariff. It is also noteworthy that the trade restrictions introduced in 1947 to conserve our diminishing reserves of United States dollars were swept away as soon as the need for them had disappeared.

This bold approach has, I believe, paid handsome dividends. Canadian trade, as you know, has attained remarkably high levels and our goods are moving in volume into markets throughout the world. Without this thriving trade the pace of our economic development would have been slower, for in spite of the growing domestic market Canada is about as dependent upon external outlets as she has ever been.

There have, of course, been changes in the pattern of our trade. That was inevitable. Pre-war, the United Kingdom was our biggest market; now the United States buys nearly four times as much as Britain. The reason for this great change is a simple one. The United States needs and is able to pay for many of the products we now have for sale. Where else in the world could Canadians find a cash market for over \$2 billion worth of goods?

This does not mean that Canadians prefer to sell to the United States rather than to the United Kingdom, or that Canadians prefer to buy from the United States rather than from the United Kingdom. Far from it. The sympathy and understanding of the Canadian people for the people of Britain in their post-war difficulties has been shown in tangible form on many occasions. It is greatly in our own interest to get rid of the restrictions that are such a hindrance to trade between the sterling and dollar worlds just as soon as it is possible to do so.

And there have been other big changes in trade patterns. Brazil is now our third market, Japan our fourth, Belgium our fifth. Latin American countries together are buying almost twice as much from Canada this year as they did in 1951. In size, the Latin American market is now about a third of the United Kingdom market for Canadian goods. Whatever difficulties there may be in selling Canadian goods in some parts of the world -- and I do not minimize those difficulties -- there have also been growing opportunities, and I am glad to say that Canadian exporters have been quick to take advantage of those opportunities.

Let me summarize what I have been saying about Canada's recent growth and prosperity. Both are based on the possession of rich resources and upon favourable opportunities to develop them. Both are based, no less, I submit, upon the fact that there has been in Canada an environment in which enterprise and initiative have had a chance to show what they could accomplish for the common good.

I believe that Canada's future progress depends to an important degree upon the retention of a flexible, adaptable economy. While most of us are convinced that the best is yet to come, as far as Canada is concerned, progress will not be automatic. The world is not being run to suit Canadians. We must be ready to adapt ourselves to changing circumstances.

This is particularly true in the field of trade in which, as Minister of Trade and Commerce, I have a special interest. The bold trade policies followed by the Government and the vigorous efforts made by Canadian exporters to sell Canadian goods abroad have produced exceedingly good results. But there is not one of us, I am sure, who is satisfied that the trade of Canada could not be improved.

As far as the Government is concerned, our efforts to enlarge trade opportunities will be pushed with the utmost vigour. We believe that further reductions in trade barriers between countries would be in the general interest and we are ready to take part in negotiations to that end.

As you know, discussions have been taking place in London between officials of Commonwealth countries in preparation for a conference later in the year at the ministerial level. Canada was represented at the official discussions, and Mr. St. Laurent and Mr. Abbott will be attending the conference of prime ministers.

These talks are concerned with the difficulties of the sterling area and how best they can be overcome. Although Canada is not a member of the sterling area, we have a vital interest in its fortunes. I hope that useful results will emerge and that progress will be made towards the objectives we all seek -- a removal of the restrictions on trade that now surround the sterling area, and the restoration of sterling to its traditional position as a world currency.

There is no magic formula or simple technical device by which these objectives can be achieved, and we should always bear in mind that the decisions to remove trade restrictions and to restore convertibility, when they are made, will be made not by us, but rather by the governments of the United Kingdom and the other sterling area countries. The Canadian dollar is now fully convertible and we do not now impose quantitative restrictions on trade with any part of the free world.

Britain and the sterling area face a deep-seated problem -- a persistent tendency for imports to run ahead of exports. Canada will continue to have a part to play in constructive efforts to solve this problem. But the solution depends, not primarily on the help of Canada or any outside country but, in the main, upon what the peoples of the sterling area do within their own countries to achieve stability and expand output.

However important these Commonwealth talks may be, the Government is not losing sight of possibilities for expanding trade elsewhere. This is not a time to sit down and bemoan the fact that some markets are closed to Canadian goods. Rather is it a time to be even more aggressive in the development of those markets which are available. This is the principle on which the Canadian Government is proceeding.

Governments, however, do not sell goods. All they can do is to follow policies that contribute to a greater volume of trade, and provide facilities to help exporters in carrying on their business. How much trade is done depends, in the final analysis, upon the production of goods that can be sold at competitive prices in the available markets, and upon salesmanship. That is your job as businessmen.

These are some of my views of the business situation in Canada as we find it today. I see nothing in the situation that warrants pessimism, but you will agree that we cannot afford to be complacent. The international situation is such

that the Canadian business man must be vigilant and aggressive, ever on the lookout for new opportunities and new markets. From this annual gathering will come new policy declarations attuned to the situation as you find it, and new resolutions charting the course of action that you believe the situation may warrant. As a member of the Government, I will await with interest the representations that you will make to the Government on behalf of the Canadian Chamber of Commerce.

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