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CANADA AND VENEZUELA

A speech delivered by the Canadian Ambassador to Venezuela, Mr. H.G. Norman, at a luncheon sponsored by the American Chamber of Commerce of Venezuela, at Caracas, August 11, 1953.

I was asked to comment on the development of Canadian - Venezuelan economic relations. After accepting the invitation to speak, I began wondering if I had not been a little hasty. On looking up the figures, I noticed that the United States already enjoys approximately 70 per cent of the total imports of this country, with the remainder being divided amongst about a dozen other countries. Now, we Canadians are frankly out to bring our share more into line with our purchases from Venezuela, and any such increase must come either from an increase in the imports of this country or from those now being enjoyed by other countries than our own. I felt that coming to you today and telling you what we have done and we hope to do in the future might run the risk of "tipping our hand", as it were; but on "second thoughts" I came to the conclusion that any facts I might present to you today could be ascertained by yourselves by research from many different sources, all of which are freely available to you. In any event, though we may endeavour to capture more trade with Venezuela, it need not of necessity be a loss to the United States, as some of the resultant effects can well be to its benefit since the United States has an investment in Canada estimated to be in the neighbourhood of eight billion dollars, and, further, some of Canada's exports to Venezuela are from branch plants of United States firms which are located in Canada.

Canadian Development

Prior to commenting on Canadian-Venezuelan economic relations, it seems to me necessary to review what has been happening in Canada during the past few years. For whatever development may have taken place in our relations with Venezuela or any other country, is necessarily the result of what has been happening in Canada. This examination of the past and the present is also most important in trying to envisage the trends which are likely to take place in the future, in which I am sure we are all interested.

During the past two or three years, a great deal has been written about Canada in various American publications and, like many Canadians, I am wondering if we may not be running some danger of being over-dramatized and over-publicized. For example, much has been written about the Canadian "boom". If this implies that Canada is expanding and prosperous, the description is accurate; however, the word "boom" suggests to many a temporary and artificial prosperity accompanied by excessive speculation and ending inevitably in a "bust". In this sense, as indicated in the London Economist, there is no Canadian boom and anyone coming to Canada to participate in it will be disappointed.

In the first meaning of the word, I think we in Canada can claim that we currently have two booms in one, and in my remarks I will attempt to describe how this situation has come about.

There are two kinds of economic growth: (1) the opening up of new primary sources of wealth, agricultural or mineral; and (2) the development of secondary sources of wealth through manufacturing industries. Canada is a primary-producing country that has long been turning increasingly to industrialization. Usually, this marks the end, at least for a time, of any active, large-scale expansion in primary products. By the time a country's industries reach an advanced stage, its accessible primary resources are usually well-known and in fairly full use. But in Canada since 1939, a rapid industrial expansion has coincided with the discovery of new and very rich primary resources of oil, power, and above all, metals.

Thus, two kinds of economic growth - the two booms - are at work together. We were at the beginning of a new industrial era before the outbreak of war in Korea, with its requirements for defence preparations. Capital expenditures were running at high levels, and have been continually rising - the estimated figure for the current year being \$5,600 million in comparison with \$5,100 million for 1952. Korea called for certain changes of direction to give priority to the production of war essentials, but did not change the pattern of over-all industrial expansion. The pace of the two booms would be remarkable in either alone; in the two combined it is both exciting and impressive to us in Canada.

It is, of course, the geographical and the physical make-up of Canada that make the combination possible. For most practical purposes, pre-1939 Canada was a long, narrow strip of territory beside the northern border of the United States, a strip 6,400 kms. long and in most places little more than 300 kms. wide. The foundations of its economy were in the main its wheat lands, its cattle, its forests, its fisheries and its game, as well as some important mines.

In general, at that time, the land to the north was largely undeveloped, broken by nothing but the fur-trading posts of the Hudson's Bay Company and the occasional mine. The means to conquer what has often been referred to as the Frozen North, came between the wars, with the development of the use of the aeroplane for other than war purposes; the incentive began with World War I and was further accentuated by the necessity born of World War II.

The venture has been going forward steadily for a long period, but has gained momentum and confidence to an astounding degree in the last decade. After a long pause, the economic frontier of North America is again being pushed northwards. For the first time in a quarter of a century, approximately 1000 miles of railways are being constructed into new territory; experienced railroad construction engineers had to be sought for and brought out of retirement. It is now reasonable to say that Northern Canada is beginning to assume the same importance to our growth that Western Canada did eighty years ago.

The economic frontier is being pushed northward over the whole of Canada in search of iron, uranium, water power, oil, lead, zinc, nickel, copper and many other rare metals. It is these ventures that may possibly make Canada one of the very first industrial powers long before the end of the present century.

More prosaic developments have, however, to be thanked for the more than doubling since 1939 of Canada's gross national product; for the rise of 50 per cent in purchasing value of income per head. Agriculture and forestry have been prosperous and the relatively long-established industrialization of eastern and far western Canada has been greatly intensified. This is the first, and still by far the most important, of the two Canadian booms.

The total of Canada's industrial production more than doubled between 1939 and 1952. Steel production, which stood at one and one-half million tons in 1939, has now more than doubled. Large expansion and new techniques are also taking place in oil refining, the petro-chemical industry and in other chemical industries. Over the last decade, many branches of the heavy and light machinery, electrical and other engineering industries have grown almost beyond recognition. The atomic pile at Chalk River, Ontario, and the production of jet aircraft in Montreal and Toronto are merely two of the more conspicuous examples of an industrial advancement that is also reflected in the rapid expansion of light consumer industries of almost every kind.

But impressive as these developments are, they do not fully reflect the newly-found riches among Canada's natural resources. The post-war expansion of output is not the fruit of exploration into the undeveloped wilderness; it is in part the fruit of developed Canada's proximity to the United States and the fact that the commodities Canada is best able to produce are the ones of which the world has greatest need. Our present prosperity is not, therefore, what it is often assumed by some to be, the result of risky ventures in primary production, rapidly creating a new economy. It is the balanced response of a vigorous but established economy to unusually favourable conditions of demand for its products.

In comparison with the industrial output of southern Ontario and Quebec, that of the western Canadian provinces and, on a smaller scale, Newfoundland and northern Canada as a whole, is far outstripping the rest of Canada in their present pace of development. This is the second Canadian boom, and I should like to take a few minutes of your time to tell you something of this development.

First: electric power. Almost all Canadian electrical power is hydro-electric. At the present time, Canada, with a population of some 15,000,000, or little more than one quarter of that of the United Kingdom, uses practically the same amount of electrical power. The potential power in Canada available is said to be in the neighbourhood of 65 million horsepower. We are using only one-fifth of this at the present time. The increase in developed power capacity in recent years is a remarkable evidence of Canadian economic expansion. Installed hydro-electric capacity increased from 8,300,000 h.p. in 1939 to

10,300,000 h.p. by the end of 1946. In the last six years it has been increased by an average of 700,000 h.p. a year and is now 14,200,000 h.p. The projects now under construction and being planned are sufficient to maintain this rate of increase to the end of 1960. The power works associated with the projected St. Lawrence Seaway would alone add three million horsepower to the installed capacity, and the Kitimat project being developed in northern British Columbia by the Aluminum Co. of Canada, which calls for an investment of \$600,000 million is scheduled to add a further 2,200,000 h.p. within the next few years.

On the other side of Canada, three thousand miles from Kitimat, another of the large investments in the development of Canadian resources is due to begin bearing its fruit in the summer of 1954. This is the mining of iron ore in northeastern Quebec and Labrador, involving a total capital cost of some \$300 million. The reserves of iron ore already proven exceed 400 million tons, and further exploration work is currently taking place in the same area which indicates far greater ore in place. The ore is high-grade and lies beneath an overburden with an average depth of only 8 feet, so that mining will be opencast or in very shallow workings. The initial ore output will be 10 million tons a year. If and when the St. Lawrence Seaway gives direct access for ocean-going vessels by water from Quebec to the United States mid-western blast furnaces, it is anticipated that the volume of shipments should materially increase.

Other imagination-stirring projects in the mining field are the building of a new railway to Lynn Lake in northern Manitoba, 147 miles long, to tap an important discovery of copper and nickel concentrates, and also the finding of large-scale lead-zinc ores east of the town of Yellowknife in the Northwest Territories.

There are three basic reasons which have made possible the development of the Canadian North now being carried out: (1) the aeroplane; (2) modern geophysical methods of detecting ore bodies - particularly the air-borne magnetometer; and (3) high prices. It now appears likely that the Canadian North within a generation will be feeding the industrial heartland of Canada and the United States with important raw materials.

I turn now to the question of oil production in Canada about which so much has been said and written. If one event created a Canadian boom in the minds of the public, it was the flow of oil on February 13, 1947, from the Imperial Leduc No. 1 well in Alberta. This was the first important result of 25 years' patient search, and it was followed quickly by more wells being brought in. Extensive drilling has proven reserves of some two billion barrels of oil and exploration work in Alberta, Saskatchewan and part of Manitoba is still increasing in intensity. The present output is approximately 175,000 barrels per day.

Oil and the large reserves of natural gas associated with it are providing the raw materials for an important new chemical industry in the Edmonton, Alberta, district. The American Celanese Corporation is building, at a cost of some \$50 million, a large plant that will

produce acetic acid and other chemicals from natural gas and petroleum by-products. Wood pulp will be brought in by rail from Prince Rupert, in northern British Columbia, which, together with the acetic acid, will be used to manufacture cellulose acetate, which is used for rayon and as a plastic. Thus, the oil of the Prairie Provinces is already playing a part in the Canadian economy that is small only in relation to its potentialities.

However, let me say at once that our good fortune need not cause Venezuela undue anxiety as to the future use by Canada of Venezuelan oil. Distance and economics indicate that we should aim for statistical self-sufficiency eventually rather than national self-sufficiency. It is a long haul from Edmonton to Montreal - close to 2,500 miles. Further, we are still only producing one-third of our oil requirements and the rate of Canadian consumption is increasing at such a pace, new uses for petroleum are being developed so rapidly in North America there would appear to be an indication that our oil requirements from Venezuela will increase rather than decrease. It is likely that we shall long rely on Venezuela to augment our domestic production, particularly for the demands of eastern Canada.

Canadian-Venezuelan Trade

The economy of Canada requires that we trade with other countries on an even more extensive scale than in the past. More than one-fifth, in fact nearly a quarter, of Canada's national income is derived from foreign trade, a degree of dependence found in few other countries in the world. An idea of the importance of foreign trade to Canada can be obtained from the realization that Canada today, with 15 million people, - hardly more than half of one per cent of the world's population - is the third most important trading nation in the world, being surpassed only by the United States and the United Kingdom.

Now, how is trade between Canada and Venezuela progressing? Well, prior to 1939, we seldom sold to Venezuela nor bought from it more than \$1½ million worth of goods in any one year, or, together, a maximum annual total trade of \$3 million. In 1952, our exports to Venezuela reached \$36 million and our imports from Venezuela were \$136 million or a total trade of \$172 million. Without wishing to confuse you with too many statistics, it is interesting to note the steady increase during the past seven years. On the export side our Canadian shipments to Venezuela amounted to \$4 million in 1945, \$17 million in 1948 and, as I have mentioned \$36 million in 1952. On the import side, our purchases from Venezuela amounted to \$17 million in 1945, \$95 million in 1948 and \$136 million in 1952. Incidentally, I have just received the figures for Canadian purchases from Venezuela for the first 5 months of 1953, and our imports compared with the same period in 1952 are running at a level of about \$6 million higher than last year, which supports my contention that our purchases of oil from Venezuela during the next few years should tend to increase rather than decrease in volume. From the figures I have just quoted it will be obvious that substantial strides have been taken in our trading relations with this country. To a great extent, the international aspects of

our economics are very similar. To maintain our internal domestic prosperity and well-being, both our countries take a keen interest in the status of external trade. The growth of two-way traffic with a minimum of obstructions is needful to both. Trading must be a two-way traffic and we look forward to a steady increase in our commercial relations to our mutual advantage in the future and with hope that we can close the gap between purchases of \$136 million from Venezuela and sales of \$36 million to it. We are pleased to note that shipping and air services between Canada and Venezuela are being steadily strengthened, which should materially aid us in our objective.

We have also not neglected the possibilities of investments in this country. Most of you are familiar with some of these. We are carrying on substantial banking, insurance and public utility operations in Venezuela and some of our leading manufacturing and mining companies have been studying the Venezuelan picture with a view to the feasibility of participating in this country's future development. Clearly our countries will achieve maximum prosperity only in a world of peace and we must co-operate with other nations to this end. Our history tells us that events far from our national borders can reshape our whole economies. We cannot avoid the impact of world events. It behooves us both, therefore, to bend our efforts towards co-operating actively with other countries to seek and secure a lasting international peace, in which international trade can be carried out with a minimum of obstructions and in the best interest of all countries concerned.

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