

GE Prince

"OF THINGS TO COME"

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Post-war World*

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Our Trade with the World

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Our Trade with the World

For Canadians the most urgent necessity of the post-war period is to be able to earn a decent living. The farmer's main problem is to get a good price for his goods, so that he can live well and give his family a chance. The industrial worker wants a steady job, so that he can have a good standard of living and make use of his abilities. The question of full employment is indeed the core of our post-war problems.

Exchange Economy The key to full employment is just this: where are the products of our labour going to be marketed? The lumberman who produces lumber has to be able to sell it, so he can get other goods and services in exchange. The farmer who produces wheat has to be able to sell his wheat so that he can buy machinery for his farm, education and medical services for his children and all the products that make up our modern standard of living. We no longer live in a self-sufficient age when we all grow our own food, spin our own clothes. We are in the age of division of labour, when most people do highly skilled work and exchange their specialized produce and skills for goods from other people. We have to sell what we produce so that we can get what we need in exchange.

Yet with Canada this business of exchanging our products is not merely a domestic concern: we sell so many of our goods outside of Canada and get so many of the things we need from abroad. We are in fact part of an international economy. It is necessary therefore when we talk of employment and prosperity for Canadians that we discuss not only what we can do at home, but also how we can regulate our trade with the world.

Our Surpluses The reason for this dependence on the markets of the world is in the very nature of our country. We have very specialized resources. We can produce an abundance of certain necessary products; other necessities we cannot produce at all. For instance, in our prairie provinces wheat can be produced more cheaply (i.e., with less expenditure of labour and capital) than nearly any other part of the world. People want to buy our wheat because of its excellence and its cheapness. We grow five times as much as we can use at home and sell the rest abroad. The wood in our northern forests is particularly suitable for the manufacture of newsprint. We produce ten times as much newsprint as we can use at home and sell the surplus

abroad. We mine twenty times the amount of precious metals we can use at home. On the other side of the picture, we lack sufficient quantities of iron and coal. We cannot produce citrus fruits, tin and all the tropical products that we use. We haven't developed enough oil for our own needs.

The result is that we must buy many things from abroad with the money we gain from selling our surplus products. This in brief describes our position in the international economy. As the Rowell-Sirois Report, in its magnificent description of the Canadian economy, points out:

"Canada can produce large surpluses of many agricultural products (cereals, potatoes, apples, cattle, park, and dairy products), of many forest products (pine and fir lumber, spruce and poplar and balsam pulpwood), of many mineral products (gold, silver, copper, nickel, lead and zinc), and hydro-electric power more cheaply — i.e., with the application of relatively less capital and labour—than can be done in most other countries. On the other hand, either Canada cannot produce, or cannot produce as cheaply as some parts of the world, her own requirements of such essential industrial raw materials as iron, coal, oil, rubber, and tin; of tropical fruits, fibres, and other natural products; and of many iron and steel, chemical and textile manufactures based on special local resources and techniques. Every country could display a list of surplus and deficit resources, but in few would both sides of the balance sheet contain such basically important products in such volume, and in few would the extremes be so great."

The Report goes on to say:—

"It is only by playing this role in international business that Canada can maintain anything near her present standard of living and can support the great capital investment which has been made to equip her for this role. Because Canada is one of the least self-sufficient countries in the world her prosperity and her very existence depend on making the most of her specialized resources, and on trading them as advantageously as possible for her other requirements."

It seems obvious, then, that for the sake of our prosperity, we must discuss our trade with the world—the facts about the past, the new aspects evolving during this war, and what prospects we have for the future.

OUR TRADE BEFORE THE WAR

Before the war Canada was the sixth greatest trading nation in the world—with a per capita trade far larger than the U.S.A., Great Britain, the U.S.S.R., Germany and Japan. Whereas we had only 1/12 the population of the U.S.A., we had 1/3 of the external trade. What we traded has already been described. Our main exports were wheat, newsprint, lumber, fish, precious metals. The main imports were iron, steel, coal, petroleum, textiles, and many tropical commodities.

Of our total trade 80% was with the U.S.A. and Great Britain. From Great Britain we bought 25% of our imports and she received 40% of our exports. From the U.S.A. we

bought 60% of our imports and to this same country sent 40% of our exports. In recent years our trade with the U.S.A. has grown as newsprint and precious metals have become more important in our economy. These bulk largest in the trade flowing from us to the U.S.A., while wheat has been our most important export to Great Britain. Thus as far as our markets go, England has been more important to the prairies, the U.S.A. to central Canada and British Columbia.

DURING THE WAR

It would be dangerous to ignore the changes that have taken place in Canadian life since 1939. This is particularly true of Canada's trade. Take for example our aluminium production. Before the war Canadian production was 100 million lbs. a year. Now that has increased 1000%. Although we will be able to use much more aluminium in Canada than we did before the war, some economists estimate that we will still have forty times as much aluminium as we can absorb at home. Where we will find markets for this surplus is no academic question for it involves the jobs of 25,000 aluminium workers and their dependents, perhaps 75,000 persons in all. We produce as well more tungsten, magnesium, molybdenum, chrome and manganese than ever before. In agriculture, we now have export surpluses in other commodities than wheat. Hogs and cheese are two of the important ones.

Finally and perhaps most important of all, we have become an industrial nation. Anybody interested in the change that has come over Canada in this respect should read some of the figures in the official government reports. Only 30% of our 1943 industrial production went to our own armed forces.

How have these developments affected our trade with the world? In January, 1944, the Dominion Minister of Trade and Commerce announced that our export trade in 1943 had reached the highest figure in our history. It was three times the amount we had exported in 1939:

"Well over 70 per cent of these exports were materials used directly in the carrying on of this total war, and were sent where they would best serve the cause of the United Nations. While the great bulk of our exports went as always to the United Kingdom and the United States, our exports to the Middle East and to the Far East, both of them war zones, were enormous. Moreover, exports of munitions to Russia were of unprecedented value."

Of course in wartime our trade has been on a different basis from peacetime. Under our billion-dollar mutual aid programme we send vast supplies to the allies in our common cause. We know they are fighting our fight. In peacetime domestic consumption will undoubtedly be higher than we can now permit. But still, the figures indicate clearly the tremendous expansion in our export potentialities. We have progressed from a country that produced and exported large surpluses of raw materials, into an exporter of both raw materials and manufactured goods.

OUR TRADE AFTER THE WAR

It is plain that after the war we will need vast markets for our products, just as we did before. We will still have our traditional exports such as wheat, newsprint, minerals, but added to these will be the new list that has come from our expanded production in wartime.

We are indeed part of an international economy. On the one hand, the ability of our trade to flow depends on the willingness of other countries to buy our products. On the other hand, we cannot expect foreign countries to buy our goods unless we will take something in exchange. We must realise that we are part of a world-wide system of exchange and that any breakdown of that system will be particularly disastrous for as large an exporting nation as Canada.

Another collapse of the international economy like that which took place after 1929 will be just as disastrous in the future as it was then. In those years all the leading countries of the world cut themselves off from the trade of other countries, sheltering their domestic industries with high tariffs. The U.S.A. put through the Smoot-Hawley tariffs. The British Empire entered into the Ottawa agreements. Germany went in for barter exchange. No policy of co-operation succeeded. The World Economic Conference of 1933 failed to deal with the situation.

What happened to Canada in a situation such as that was obvious. We could not sell our wheat. We could not sell our newsprint. The failure to find markets pushed us down into the depression.

If after the war we are cut off from the markets of the world, we will face the same kind of catastrophe. It would seem obvious, then, that Canada has a great stake in international co-operation on economic matters. If we have world co-operation and an assured market for our goods, then we are more likely to miss the depression we dread. Without that international co-operation, we face the prospect of decreased production and a contracting standard of life.

INTERNATIONAL CO-OPERATION

What are the signs that we are going to move forward into world collaboration in economic matters and escape a return to the dog-eat-dog methods of the 1930's. Notice, for instance, three sections of the Atlantic Charter:

"Fourth, they will endeavour, with due respect for their existing obligations, to further the enjoyment of all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity.

"Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labour standards, economic adjustment, and social security.

"Sixth, after the final destruction of Nazi tyranny, they hope to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want; . . ."

This is a clear avowal that there will be not only co-operation to insure security among the nations, but also that economic collaboration without which peace is impossible. All the United Nations, including the U.S.S.R. and China have subscribed to these general principles.

In 1942 the Prime Minister of Canada stated Canada's willingness to enter such world co-operation.

"Canada will be ready to play its full part in the joint international efforts envisaged by the agreement to expand the production, employment exchange and conscription of goods and to co-operate in the progressive removal of trade barriers which stand in the way of these objectives."

Finally, President Roosevelt has laid down in no uncertain terms the principle that the war must guarantee prosperity for all the peoples of the whole world.

" . . . Freedom from want which translated into world terms means economic understanding which will secure to every nation a healthy peacetime life for its inhabitants—everywhere in the world."

Practical Co-operation These general principles show that the great powers have learnt the lesson of the 1930's.

General principles can, however, only be a beginning. They have importance only as they are put into effect. During the war, Lend-Lease has been one of the main methods of economic collaboration. By this means the U.S.A. and to a lesser extent Canada have been able to insure full United Nations co-operation without incurring the debt relationship which plagued our economic relations after the last war. Lend-Lease presents a practical way by which the more fortunate nations will be able to help the war-stricken or backward nations after the war.

Economic collaboration has been carried farther in the wheat agreement of 1942. By that agreement, the main producers of surplus wheat state that they will co-operate in the transition period in supplying the war stricken areas of the world, and will go forward into a future of co-operation rather than competition. Even more extensive co-operation was framed at the United Nations Food Conference of 1943. Here all the leading United Nations investigated the specific problems that would face the world in the abolition of scarcity and want, and made practical plans for their solution.

World economic co-operation has started. The battle against freedom from want has begun all over the world. There are, however, many agreements still to be reached. The United Nations have, for instance, made no official declarations on the elimination of trade barriers and tariffs. There are still many old habits of mind that look forward to ruthless competition among nations in the post-war period. It is no use fooling ourselves that the problems won't be great, the difficulties enormous. A British Minister of State has pictured this in graphic terms:

"Consider for a moment the situation in the post-war period. We will all be in various degrees of exhaustion—physical, material, financial and economic. We will have problems to tackle that will appear individually to lack the vital urgency of today's problems of war—but they will be complicated by tariffs, the vagaries of international exchanges, the bitter struggle between competing national vested interests, the problem of gold, the problems of depleted purchasing power and the difficulty of the disposal of international surpluses—all of which boil up into the great social super-problem of unemployment." (R. G. Casey)

On the other hand, there's ground for optimism. In the last fifty years the world has developed a mass production economy completely in advance of anything the world has ever known. It holds the possibilities for abolishing freedom from want—such as we have never dreamed of before, if we have the will. An American leader has described very vividly the prospect before us:

"In every civilization of the past bar none, if man took the most that was possible to produce and divided it among all who were alive to share it, the answer was always a miserable standard of living.

"Within your lifetime and mine, however, men have entered an era dominated by the machine and the test tube. If we take all that can be produced at the end of this war and divide it among the people who will then be alive to share it, we shall be within the reach of a very good standard of living for the first time in history. That will be the most important thing that's happened to the human race since the discovery of fire and the invention of the wheel."

(Milo Perkins)

Finally, it must be reiterated again: it is not just goodwill that involves us in international economic co-operation. It is the immediate and practical interest of all of us. If our exporting industries fail, it won't only be the exporting industries that are hurt. It will be the whole economy that suffers. If the western farmer cannot sell his surplus wheat and bacon, he cannot buy Ontario farm machinery. If the northern newsprint industry cannot sell its products, its workers cannot buy the farmer's food. The lawyer will have less business, the doctor less fees, the teacher a lower salary. All of us are deeply involved in our trade with the world and with the international economy.

FILMS

BATTLE OF THE HARVESTS

The film shows how the work of the Canadian farmer during wartime is related intimately to the battle of food in the world as a whole. (Running time—18 minutes.)

SMOKE AND STEEL

A complete story of the new industries which have been developed in Canada during the war. (Running time—20 minutes.)

COFFEELAND TO CANADA

How coffee from Columbia is raised and shipped to Vancouver for distribution in Canada. It shows how Canadian industry is linked with South American. (Running time—10 minutes.)

MORE INFORMATION

Royal Commission on Dominion-Provincial Relations (the Rowell-Sirois Report) King's Printer, Ottawa. Book I. Chapter VI on the depression and Chapter VII have excellent descriptions of our place in the world economy.

Canada after the War: ed. by A. Brady and F. R. Scott for the Canadian Institute of International Affairs. Macmillan. 1943. Chapter VII by J. F. Parkinson on International Economic Reconstruction is invaluable in explaining the economic problems the world will face and Canada's part in them.

Agenda for a Post War Period: J. B. Condliffe. New York. 1942. 232 pp. This is a detailed book on international economic collaboration after the war.

War and Peace Aims of the United Nations: United Nations Information Office, 610 Fifth Ave., New York. Available for 25c. January 1943. This contains the leading statements of the United Nations. It also contains the text of the wheat agreement, Lend-Lease, and many other practical United Nations agreements.

The Industrial Front: published by the Department of Munitions and Supply. King's Printer. Ottawa. A description of Canada's expanded industrial development in this war.

REPORT QUESTIONS

1. Which members of your Citizens' Forum earn their living by the production or distribution of some product used outside Canada? Is this product exported only in wartime or is it part of our peacetime exports?
2. What markets will in the future be important to Canadian trade? Which of these have been important in the past? Which will be new areas of trade?
3. Will it be necessary after the war to have some international machinery for economic collaboration and to regulate the flow of trade between the nations?

SEND YOUR ANSWERS TO YOUR PROVINCIAL OFFICE.

FURTHER QUESTIONS

1. How have Canada's trade policies in the past affected our prosperity?
2. What are the main problems of international economic co-operation that will have to be dealt with by the nations?
3. The Rowell-Sirois Report has described how during the years after 1929 the nations of the world tried to meet their domestic situations at home by limiting their trade with the world. What effect did these attempts have on the prosperity of Canada?
4. In the period immediately after the war many parts of the world will still be in a state of economic emergency (e.g. Europe and Asia). How will this affect Canada and our trade?

Next week: THE FASCIST NATIONS IN DEFEAT