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EXCURSIONS into economic questions usually lead to simple objects with long or technical names. "International trade," for instance, is frightening to many people, but it is nothing except an exchange of goods which Canada has to spare for goods she needs from another country.

Things which are important are not always difficult to understand or do, and though international exchange of goods is one of Canada's most important problems, the principles can be broken down into simple terms. If it is true that all countries are not equally endowed with usable natural resources, and if it is a social fact that the nations would be better for a more equitable distribution of what some have in surplus, as suggested in the Atlantic Charter, then Canada steps to the front rank of those having great opportunity for their own development and for the assistance they can give to mankind. There are scores of important native products of which the Dominion has exclusive or preponderant world supplies; there are scores of commodities in the manufacture of which Canada has facilities not approached by other countries; and the population of this country is so small relative to its resources that home consumption of everything producible is impossible.

To dispose in one paragraph of the bogey of what would happen if Canada were so foolish as to adopt a policy of self-sufficiency, contrast the actualities of the past 20 years with what might have been under a nationalistic economy. If Canada had not exported, there would have been an average of \$1,365 million a year less entering the flow of money, a reduction of about 27 per cent in the national income, or nearly \$10 a month smaller purchasing power for every man, woman and child in the country. If there had not been exports of \$8,537 million of farm products in the 19 years preceding 1945, there would have been \$614 less income per year per farm. In other words, Canada just

cannot continue on her present standards, much less can she raise them, without foreign markets for her goods.

Canada has a very high reputation in world markets, based upon the sound business practices followed by her export industries. On the surface it would appear that her exporters of today are bound to do a business even more profitable than in the past, because people everywhere are eager to obtain the very things Canada has to sell. There is, however, a primary warning to be heeded. It has been voiced in Canada by the Deputy Minister of Trade and Commerce: "This reputation can be enhanced by expanding our export activities, but it can also be seriously prejudiced if there is any suggestion of an in-and-out approach on the part of new entrants—an attempt simply to skim a little of the cream off the top." The danger sign has been raised in the United States, where Foreign Commerce Weekly published an article by an officer of the Bureau of Foreign and Domestic Commerce in which he said: "If they go into this new field of commerce on the basis of making a quick killing and getting out, then they will help neither themselves nor their country in the long run."

International trade on as full and free a basis as possible is necessary not only as a sound investment in world peace, but it is also necessary in order that Canada may have fuller production and employment at home. There never has been a period of prosperity in this country which was not associated with a period of high volume of international business. The Minister of Trade and Commerce told an audience in April that more than one and a half million Canadians are engaged in export trade, which forms one-third of the national income. "We would need more than one hundred million people in Canada to absorb our farm produce and to make full use of the timber resources

Why Foreign Trade?

that are now placed on the market each year," he said. With so many persons engaged in this business, it means that when income from the sale of exports is large, purchasing power is diffused everywhere, not only in the great population centres, but into remote mining camps, agricultural districts, and bush settlements. This, of course, increases purchasing power so that domestic products can be taken up, and helps spread an increasingly higher standard of living throughout the population.

The questions now are, how is Canada to maintain a volume of exports which will sustain her people's standard of living, or must she readjust her economy so as to create a lesser dependence on foreign markets? Everyone recognizes the relation that exists between trade, employment and the national income. The great volume of export trade in 1928 was followed in 1929 by a high level of employment. The shrinkage in export trade in 1932 was followed next year by unparalleled unemployment. An advertisement of the Department of Trade and Commerce says pertinently: "Maybe we can exist — and maybe not — by growing just enough wheat for our own bread-boxes. And mining just enough gold to fill our own teeth. And taking in each other's washing. But can we continue to live in happiness and security, in the style Canadians are rightly accustomed to, unless we trade with the world?"

Steps have already been taken to expand Canada's markets. It was a charitable thing to contribute, up to March 31st this year, \$154 million to UNRRA, but it was also in Canada's own interest. What Canada made available helped promote a return to business and to raise living standards in countries gutted by war, and it is well known that the greatest trade is always between highly developed nations.

The balance of trade seems a wayward thing, if one looks only at the tabulation of ups-and-downs, and even in following these the price differentials must be kept in mind, because they affect comparability of various years. In 1919, the year following the first world war armistice, Canada's surplus of exports over imports was \$349 million, in round figures, while in the next year her imports exceeded her exports by \$39 million. By 1921 there was again an excess of exports, but in 1929 Canada's imports exceeded exports by \$121 million. Deep in the depression, in 1933, the excess of exports over imports was \$134 million, while the total volume of trade, inward and outward, was only \$937 million, compared with \$2,477 million in 1929. By 1938, the last peace year, the export balance had grown to \$171 million, and total trade had climbed back to \$1,526 million. For the five years preceding the late war, Canada's average yearly surplus of exports over imports was \$204 million.

If all the imports and exports were resolved into dollars of the same value, on the base of 1935 to 1939, then imports from 1923 to the outbreak of war totalled \$12,434 million, compared with exports of \$13,813 million, excluding gold. The situation in

regard to meeting foreign financial obligations was just as close as these figures indicate. Servicing debt in the United States, for instance, took about \$200 million a year. To meet this Canada had an average yearly surplus of exports amounting to \$70 million, plus an average export of gold amounting to \$95 million, and the amount left in Canada by tourists.

In its reconstruction white paper the government set the practical and desirable target for post-war exports at not less than \$1,750 million, which is about half the war-swollen exports of 1944, sixty per cent above the pre-war level in dollar value, and fifteen per cent higher in the amount of goods exported. Where is this additional market to be found? Here is a comparison of Canada's markets in two significant years:

Exports to:	1938	% of total	1945	% of total
British Empire.....	\$442,902,437	52.8	\$1,486,847,837	46.2
United States.....	270,461,189	32.4	1,196,976,726	37.2
America, south of U.S.	17,725,021	2.1	57,800,168	1.8
Rest of the world.....	106,495,270	12.7	476,705,622	14.8
Total.....	\$837,583,917	100.0	\$3,218,330,353	100.0

These figures, while enlightening, give only one side of the international trade of Canada. To conduct commerce at the expense of another nation is impossible, since business can only take place as long as there exist reciprocal advantages. In this regard, it is of significance that Great Britain and the United States have declared their intention to reduce trade barriers, and a score of other nations have agreed to discuss the proposals.

There are many other things besides figures to be discussed at such a conference. Running statistics through one of those fabulous machines and getting billion dollar answers will not solve the dilemmas posed by inter-country trade. Modern man lives in a world built on the concepts of thousands of air miles, millions of men and billions of dollars on one side, and machine clearances of ten-thousandths of an inch and the weight of atoms and electrons on the other. It is a delicately-balanced world, with human foibles and yearnings added to the mechanical difficulties in the way of international thinking. Nearly everyone is in favor of freer international trade, but when it comes to specific give and take nearly everybody gives in to nationalism and would take everything advantageous, ignoring all else. Short-run material interests blind many to the long view. But the last few years have given Canada a world outlook, and it is realized that the economic well-being of one person or nation is inextricably bound up with that of every other person or nation.

This outlook fits Canada to take an important part in conferences leading to the setting up of an international trade organization with a detailed and comprehensive charter of fair trading. It will follow the lines of other international bodies which have been established to deal with currency, labour and civil aviation, and will form part of the social and economic council

of the United Nations. The specific objectives are: to create permanent machinery to deal with problems of world trade; to promote trade on a reciprocal basis; to seek to provide equal access to the raw materials of the world; to take all such positive steps in trade matters as will advance the world's progress in peace. Tariff changes are to be made on an agreed international basis, and no nation will be asked to make tariff reductions which will not be matched by tariff concessions from all the member countries. Every nation will pledge itself to simplify its customs formalities and not to boycott goods from other states. The conference discussing commodity agreements will have before it as a general principle that such agreements should seek not to control production but rather to raise consumption, so that the ideal of expanding trade can be realized.

Trade with Great Britain

One of the greatest problems facing those responsible for directing Canada's international trade effort is that of maintaining business with the United Kingdom, always Canada's biggest customer for natural products. Restrictions on trade were brought about by temporary financial difficulties, and the British government has announced that they will be removed as quickly as circumstances permit: in fact, some relaxation has already taken place. The austerity programme is a grim enough experience not to be prolonged unnecessarily. In the meantime, producers in countries like Canada, accustomed to a ready market in the British Isles, find themselves at sixes and sevens. In the past, Canada has been largely an exporter for cash and not a trader in the true sense of the word. Her exports to Britain in 1938 totalled \$340 million, against imports from Britain of \$119 million.

Trade with the Empire

Exports to the Empire, excluding Great Britain, increased year by year for several years before outbreak of war, but all sections of the Empire have progressed, in varying degrees, as Canada did under pressure of war. They are more industrialized, better organized for production, and more aware of their own resources. What effect this industrial advance will have upon Canada's trade is not yet clear. However, several factors are indicated in regard to Australia by D. Russell Ferguson, formerly Hon. Trade Commissioner Overseas for the Government of South Australia and now editor of the *Courier*, Perth, Ont. In a booklet appraising the possibilities for trade between the two countries, he points to the non-availability in Australia of Canadian dollars with which to pay for goods. These can be provided to Australia only through sterling group channels, generally London; but London, too, is pressed for dollars. Mr. Ferguson suggests two alternative or complementary courses: creation of a Canadian dollar credit in Australia, out of which purchases from this country would be financed, or immediate import of required Australian products into Canada, thereby calling into being a natural fund upon which to draw for the financing of Canada's exports to Australia.

The same difficulties as hinder quick development of trade with other parts of the world do not apply to Latin America. No credits need be extended, because these South American countries have built up large reserves. At the end of 1944 Latin American holdings of gold and exchange approximated \$4 billion. No effort is needed to "whip up" demand, because consumer goods and capital goods of all kinds are needed badly. There is great goodwill toward Canada, and given goodwill, money to be used in buying, and the desire for goods, the only other needed factor is desire and ability to sell. In an address to members of a Canadian Manufacturer's Association committee last December, Maurice Belanger, Commercial Secretary of Canada's Embassy in Brazil, touched on this point when he said: "The job we haven't yet done completely is to sell those markets to Canadian manufacturers. A lot of Canadian manufacturers don't believe in the markets. They don't realize the amount of business that has been done in those markets." Some of the figures are provided by the Dominion Bureau of Statistics. Brazil is Canada's biggest South American customer with 1945 imports totalling \$16¾ million, up from \$3½ million in 1938. Next comes Mexico, with \$8 million in purchases, up from \$2¼ million in 1938. Others are (with 1938 figures in brackets): Argentina \$6 million (\$4½ million); Colombia \$5 million (\$1¼ million); Cuba \$4½ million (\$1 million); Venezuela \$4 million (\$1¼ million); Peru \$4 million (\$900,000); Chile \$2½ million (\$604,000); Uruguay \$2 million (\$216,000), and Panama \$1 million (\$305,000). All other countries showed commensurate increases, though the individual totals did not rise over \$1 million.

One of the troublesome difficulties has been lack of recognition in South America of Canada's purchases there, inasmuch as no record is shown of the very large quantities of imports that come to Canada through United States channels. An instance is that of Colombia, where Canada was getting no credit for the \$10 million worth of coffee she purchased annually, because it came through the United States

To remedy this situation completely, say exporters, it will be needful to have direct shipping service. In 1944, according to the Deputy Minister of Trade and Commerce, Canadian quotas from Latin American sources exceeded 500,000 long tons, without counting bauxite of over a million tons, and with no Brazilian cotton in the total. He added: "With anything like this volume of business there is every reason to hope that adequate northbound cargoes can be developed to support direct shipping lines."

Individual Effort

However, knowing the prospects and the theory is not enough, any more than having a book on a subject makes the possessor an expert in it. Just what is being done to take advantage of the prospects, and put the theory into practical use is told by the roll-call of agencies on the insert accompanying this Letter. The fact that so many organizations are directing their efforts toward extension of foreign commerce might lead to a feeling of complacency, but the way to Canada's

international trade goal is not going to be so easy as to eliminate the need for individual effort. The Magazine of Wall Street pointed out recently: "Canada has been the second largest exporting nation during the last two or three years. But one reason why Canadian exports had more than trebled in value and in volume during the war years was due to the fact that the Dominion had been 'lend-leasing', i.e. giving away, more than one third of her exports. Canada, of course, cannot go on lend-leasing any more than we can."

The feeling of buoyancy inspired by astronomical figures of exports and income should, therefore, give way to a sober sensing of actualities, and a resumption of the progressive growth which marked Canadian business over the long haul. With disappearance of the market for war goods, and the shrinkage of the overseas civilian market, this well-rounded, full-fledged industrial nation will have to compete in both import and export markets on even terms with all the other industrial countries of the world. This means, for instance, that Canadian producers of bacon must meet the competition of lean bacon which the English prefer, and which will now be available from Denmark. It means that furniture and certain textiles for certain countries in the tropics must be protected against the inroads of insects. In other words competition with other nations for a share of world trade means that Canadian producers must meet the requirements of the purchasers, and cannot regard the export market as a place to get rid of their surpluses of goods produced to meet Canadian conditions.

The exporters' own part in the transition is of first importance. Canadian business needs to enlarge its trading representation abroad, since trading policy of Canada, like that of Britain and the United States, has rested upon the enterprise of private business rather than upon government tutelage. In the foreign market, as at home, price, quality and service constitute the criteria by which competitive articles are judged. The Minister of Trade and Commerce told exporters last winter: "All the government can do is to help you. You must do the main job yourselves. . . . With the best planning and organization in the world, no government department can actually secure foreign markets or hold foreign trade. The job must be done by industry in seeking and developing markets and delivering the goods."

It should be clear by this time that international trade is not a remote interest, a mere adjunct of domestic business. In view of the great production now shown to be within Canada's capacity, increased prosperity at home seems to demand some basis of dividing products between home and foreign markets. A thought-provoking invitation was issued by the Minister of Trade and Commerce when he suggested to manufacturers that they examine a situation in

which they may be selling 98 per cent of their product in an eleven million people market, and two per cent of their product to the 130 million people of Latin America.

The Minister emphasized that the unusual measures taken by the government in shaping foreign trade are temporary. "Our ideal remains the establishment of freer conditions of world trade with full scope for the enterprise of the individual trader," he declared. In fact, much is being said nowadays about creation of an economic climate in which free enterprise may operate, with governments complementing the activities of business. Trade barriers multiplied greatly during the war, and the primary task of the approaching conferences will be to reduce or remove the impediments of import and export licenses, currency restrictions, quota systems, and high tariffs.

Conditions have not been favourable for a freely functioning world system, and there are special transitional problems which prevent the working of any ideal scheme. The conference at Bretton Woods was at once an acknowledgement by the participating nations of the need for bringing their individual interests and the interests of the world at large into coincidence, and at the same time it was the birthplace of a practical method of exchange, providing for the international financing of imports and exports.

The Department of Trade and Commerce has set up both research and information sub-divisions. It is to be hoped that the former will dig down to the basic design, and emerge with developmental plans truly fitting Canada's position among the nations, and that the latter will conduct an educational campaign among people at home as well as abroad. It is not enough to have such matters discussed in the House of Commons and in technical press releases. These may be of assistance to persons and firms already sold on the idea of foreign trade, and actively engaged in it, but they do not reach the great mass of the people who know nothing of the principles and practice. The personnel of the selling force must be high grade, to achieve success as business ambassadors, but, as P. M. Richards, writer of "The Business Angle" in Saturday Night commented in an April issue: "It is obvious that Canada's volume of production and foreign trade is, or should be, the concern of all Canadians today, not only of businessmen and governments, for very much depends upon it." This calls for widespread, interesting and authoritative dissemination of information to the public, to build constructive thought in place of the sense of bafflement and frustration so many now experience when brought face to face with talk or problems involving international relations.



AID TO INTERNATIONAL TRADE

Government organizations, trade associations
and banks are prepared to facilitate
business with foreign countries.

A HANDY REFERENCE FOR EXPORTERS AND IMPORTERS

First in the roster of assisting agencies is the Department of Trade and Commerce, in existence since 1892 and reorganized in recent months to cope with new situations and needs through the Foreign Trade Service. This is the service to which all general questions regarding external trade may be referred by interested parties, and it is the contact point for Canadian industry with the government in matters relating to trade.

There are, in this service, under direction of M. W. Mackenzie, Deputy Minister, several divisions, each geared to some particular need of the trader: the trade commissioner service, the export division, the import division, the trade publicity division, the industrial development division, and the wheat and grain division. There is a commercial relations and foreign tariffs division, which is responsible for the preparation of data necessary for the negotiation of trade agreements, and for providing information on foreign tariffs. The Commercial Intelligence Journal, published weekly, carries much factual news about foreign trade possibilities.

The Canadian Commercial Corporation is an organization intended to supplement activities of business enterprises. It took over purchases in this country for foreign governments and UNRRA; is adding the responsibility for obtaining essential supplies where Canadian firms, for various reasons, are unable to make purchases, such as in the case of ex-enemy territories; and is undertaking to provide the machinery, should it be required, for the purchase of commodities such as sugar, tea, oils and fats which are under international allocation or foreign government control. Creation of this corporation enables the government to provide facilities to Canadian business that will match those being offered to British and American traders through operations of the United Kingdom Commercial Corporation and the United States Commercial Corporation.

A Crown Company, the Export Credits Insurance Corporation, opened its doors for business last fall. with the objective "to facilitate and develop trade between Canada and other countries by insuring against loss caused by insolvency, delays in collection, and transfer difficulties." There are two sections to the act, one dealing with export credit insurance, and the other providing for direct credit assistance to foreign governments.

The second section, dealing with credits, has not attracted wide public interest. This is only natural, because it is an arrangement between governments to sell goods on credit to various countries which are financially embarrassed due to the war, and are unable to pay cash. Under its provisions, if the government of any other country requests the government of Canada to do so, the latter may guarantee the obligations of the foreign government or its agency, covering the cost of Canadian-produced goods; or may make a loan to another government in the same connection. A report in the House of Commons in April recorded extension of \$503 million with eight countries participating.

Further credits amounting to \$247 million are probable, and, with the loan to the United Kingdom, will bring the grand total to \$2,000 million. Fourteen business leaders, including H. G. Hesler, Assistant General Manager of this Bank, have consented to act as an Advisory Council to the Corporation.

Recognizing that the double-entry principle applies to international trade, government steps have been taken to facilitate the importing of goods. The import division of the Department of Trade and Commerce is working to assist Canadian importers and foreign exporters to re-establish connections and overcome war-engendered obstacles to international exchange of goods. It is believed that Canada was the first country to establish an import division as a part of its trade promotional activities. As a first step toward its objectives the division produced a directory of Canadian importers and of foreign suppliers interested in this market, and is going on to provide a useful information service.

The corps of trade commissioners located at strategic points around the world is composed of men chosen for their knowledge and ability. They are given appropriate diplomatic or consular rank, thus duly accrediting them to the foreign government and enabling them to deal with all manner of problems. They are resident salesmen, in the sense that they bring together the foreign and the Canadian businessman; these government representatives also report on trade prospects in their territory and stand ready to assist Canadian businessmen in developing and maintaining export or import trade connections.

In addition to government departments, several associations and organizations are busily engaged in promoting international trade. The Canadian Exporters' Association

ciation founded in 1943, is a non-partisan, non-political and non-profit organization of 600 exporting firms providing services and co-ordination in every phase of export activity. Representations have been made to the Dominion Government on many topics of interest to foreign traders, and members are kept informed of current developments in foreign trade policy and operations. The Association, which has offices in Toronto and Montreal, is dedicated exclusively to the purpose of expanding Canada's international trade on a sound basis.

It is only natural that the Canadian Manufacturers' Association should be intensely interested in foreign trade, and it has a long record of achievements to mark the success of its services. More than 1,200 firms in its membership are interested in export, and service is given them and foreign dealers visiting Canada. One particularly valuable contribution is the Trade Index which contains a complete list of Canadian manufacturers and their products. With co-operation of the Department of Trade and Commerce, hundreds of copies are distributed to importers abroad. Through its magazine, Industrial Canada, the Association lists enquiries for Canadian products. Just recently, the Quebec Division announced formation of an export study club.

The Canadian Chamber of Commerce hailed Canada's loan to Britain as a gesture of generosity based on realism, in the issue of its "Canadian Business" of April, because the loan represents the extension of credit for purchase of Canadian products. Much fine print could be used in merely listing the facilities for foreign traders offered by the Chamber. Trade enquiries received from abroad are listed and circulated to members for their use, and the periodical "The Record" carries much news from the international field, and about Canadian developments having an impact upon trade.

The Canadian Importers and Traders Association Inc., with head office in Toronto, exists to assist its members in importing merchandise. A bulletin is issued in which are given trade enquiries and reports of changes in tariffs and trading restrictions.

Boards of Trade, such as the Montreal organization, have international trade sections for the benefit of members.

One of the spearheads of foreign trade is provided by the chartered banks which have old-established connections in foreign countries. They have had a big share in building up Canada's export trade, and, as was pointed out by the Financial Post last year: "trade must be financed and the banks are the logical and by far the most economical medium for providing that necessary service." In addition to giving routine financial service, such a bank as The Royal Bank of Canada goes far to facilitate trade and help Canadian firms make suitable connections abroad. The Foreign Credit Information Department, with which is associated the Foreign Trade Department, is in position to make easy Canada's two-way flow of trade through

The Bank's large number of branches located in Cuba, West Indies, Central and South America, United States, France and Great Britain. This chain of branches is augmented by a closely-knit organization of banking correspondents throughout the world, through which the Bank can rapidly obtain credit information on firms located in any country. The department is also prepared to arrange business contacts between Canadian and foreign firms for the purpose of expediting interchange of the world's goods.

Help to foreign trade comes from some domestic enterprises. Not many think of the tourists who flock to Canadian resorts as being of importance in Canada's external trade, yet the Deputy Minister of Trade and Commerce announced last winter that during the 15-year period from 1926 to 1940 "our receipts from tourists amounted to more than \$2 billion, and accounted for 10 per cent of our total international receipts from all sources." Because of the importance of the tourist influx as a carrier of foreign exchange, and for its advertising value, every move made by communities to encourage large numbers of visitors is worthwhile to all of Canada. For instance, 100,000 former residents, many of them from the United States, are expected to visit Hamilton, Ontario, during the Centennial and Old Home Week celebration starting July 1st.

Last of the vehicles for expansion of trade to be mentioned specifically is the special inter-departmental committee announced by the Minister of Finance at the beginning of this year. It is to invite, receive and interpret to the government representations from industry and business in regard to trade and tariff problems, and will handle especially questions aiming at the freer movement of international trade. In advance of the talks expected to progress throughout the remainder of the year, this committee is obtaining opinions as to what reductions in the tariffs of other countries would be of greatest benefit to Canada, and, at the same time, is gathering information as to the probable effect on the Canadian economy of any reductions in the Canadian tariff that may be given in exchange.

Enquiries about any phase of export-import trade may be addressed as follows:

Various divisions of the Foreign Trade Service, Department of Trade and Commerce, Ottawa.

The Canadian Exporters' Association, 24 King Street West, Toronto, and 276 St. James St., West, Montreal.

The Canadian Manufacturers' Association, 1404 Montreal Trust Bldg., Toronto.

The Canadian Chamber of Commerce, 530 Board of Trade Bldg., Montreal.

The Canadian Importers and Traders Association, Inc., 350 Bay St., Toronto.

The Royal Bank of Canada, Head Office, 360 St. James St., Montreal.

Board of Trade, and Chamber of Commerce in Important Centers.