

ECONOMIC SURVEY OF CANADA

9 March 1950

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## ECONOMIC SURVEY OF CANADA

9 March 1950

The mention of the word "Canada" may bring forth visions of the beauty of Banff and Lake Louise to some or the barrens of Labrador to others; of the highly industrialized areas of Ontario and Quebec or the expanse of the wheat belt of the prairies; of the towering mountains of the Yukon or the swamps of the Hudson Bay lowlands; and to some, the rigors of a -70°F. winter in the Northwest Territories or a humid 90° summer day in Montreal. However, this morning I want you to set aside any visions you may have at the moment and, for the next 45 minutes, we will concentrate on the economic features of the country.

There are many methods of considering the elements of economic strength of nations. The method to be used today is one which has been used satisfactorily in the past and which appears to be sufficiently comprehensive for our purpose. We shall group these elements under three general headings: geography, population, and production resources.

Under geography we will touch upon position, size and shape, topography, climate, and natural resources.

Canada, on our northern border, covers almost half the continent, and includes the large northern archipelago which extends practically to the Pole. From east to west the boundary with the United States is some 4,000 miles in length. From north to south Canada extends 3,000 miles - from the polar regions to the latitude of the Mediterranean.

Halifax on the Atlantic coast is closer to Antwerp than it is to Vancouver, British Columbia, on the Pacific coast.

The main shipping lanes of the Great Circle route to Europe pass Canada's eastern approaches while many of the North Atlantic air routes and the northern air routes to Soviet Russia, the Orient, and India pass over Canadian soil.

Canada is the third largest country in the world and the largest in the Western Hemisphere. Its area of 3,843,110 square miles is larger than that of Europe and is approximately 200,000 square miles larger than continental United States and Alaska combined.

Politically, Canada is divided into ten provinces and two territories; geographically it falls into six natural divisions. (Appendix I)

On the East coast is the Maritime (Appalachian) region, comprising Newfoundland, Nova Scotia, New Brunswick, Prince Edward Island and Gaspé Peninsula. The characteristic features of this area are its low, rounded hills and gentle, undulating coastal plains. Much of the area is covered

by forest. There is good farm land in Prince Edward Island, Nova Scotia and New Brunswick. Newfoundland and parts of Nova Scotia have areas of rocky barrens.

The St. Lawrence region is a belt of low-lying, fertile land bordering the St. Lawrence River in Quebec and extending throughout southern Ontario. Its temperate climate and good soil make it suitable for specialized crops, such as fruit and tobacco. Together with an abundance of cheap waterpower, the St. Lawrence waterway system helps to make it the chief industrial region of Canada.

The Canadian (Precambrian or Laurentian) Shield is a 2 million square mile horseshoe of ancient rock encircling Hudson Bay and constituting more than half of Canada. From the air it resembles a plateau broken by rounded hills and numerous lakes and areas of muskeg (swamps). Sloping northeast towards Hudson Bay, it rises in the northeast towards Labrador. This region is generally unsuited for farming but is rich in forests, minerals, wild life, and water power.

West of the Shield lies the Interior Plains which extend over most of the prairie provinces of Manitoba, Saskatchewan and Alberta. The southern part of this area is the wheat belt of Canada. The prairies are generally flat to undulating with few trees but rise gradually from an elevation of 700 feet at Lake Winnipeg to 3,400 feet at Calgary in the foothills of the Rocky Mountains.

The Pacific Coast region (Cordilleran Region) is a 400-mile-wide strip of mountainous country and includes the islands off the coast. The Canadian Rockies and the Mackenzie Mountains form the eastern ranges; to the west are the mountains of the St. Elias and coastal ranges. Many peaks rise to a height above 11,000 feet, the highest being Mt. Logan in the Yukon, 19,850 feet. In the interior of British Columbia are plateaus and fertile valleys.

The Arctic Archipelago consists of the treeless islands lying north of the Canadian mainland, together with a strip (of clay) at the south of Hudson Bay. This region is still undeveloped though mineral resources are known to exist there.

Canada has about one-third of the world's supply of fresh water, comprising more than 6 percent of the total area of the country. The sea coast is one of the longest of any country in the world. The irregular Atlantic and Pacific coasts provide excellent harbors for the great fishing fleets and are natural sites for the ports required for transshipment of primary and manufactured products.

The St. Lawrence-Great Lakes system of navigable waterways provides ship transportation from the sea into the very heart of the continent. Throughout its length the waterway gives access to a region rich in natural and industrial resources.

Most of Canada drains into either the Hudson Bay or the Arctic Ocean; the Nelson River drainage is exceptional in running through the most arable and the most settled part of Western Canada, but otherwise the rivers of the West, east of the Rockies, run away from the settled areas towards the cold northern salt waters thereby adversely affecting their industrial utility. The Mackenzie, which drains Great Slave Lake, is the longest river in Canada and its valley constitutes the natural transportation route through the Northwest Territories down to the Arctic Ocean. From Fort Smith, on the Slave River, large boats run without any obstructions down to Aklavik in the Delta of the Mackenzie, a distance of over 1,200 miles. In addition to the Hudson Bay and Arctic drainage basins the Atlantic Basin drains the Coast of Labrador, the Maritime Provinces, and the Great Lakes and St. Lawrence River; the Pacific Basin drains the Pacific slope via the Columbia, Frazier, and Skeena River systems, and the Yukon Territory via the Yukon River system. A small area drains through the Missouri-Mississippi system into the Gulf of Mexico.

The numerous lakes and rivers are important for inland transportation, particularly in view of the limited development of roads in the sparsely populated sections of the provinces and the complete absence of railroads in the territories. In Quebec the freezing of the rivers and lakes is considered an advantage, since they are used as highways for sleighs, and in this fashion a 40 percent greater load can be hauled.

The element of climate is important both for its influence on people and on the physical environment. Extremes of either heat or cold militate against economic development and low annual rainfall or excessive precipitation affect agriculture adversely.

There are many types of climate in Canada. A time in winter might be found when in different parts of the country one would experience weather similar to that simultaneously occurring in Siberia, England, Italy, Japan, and parts of China.

Canadian winters are characterized as severe, seven-eighths of the country having mean January readings of less than 0°F. However, the southeast coast of the Maritime Provinces have only a 20°F. mean temperature in January while British Columbia is favored with a 30° mean. Summer (July, August, and September) mean temperatures are relatively uniform, varying from less than 40° in the northern islands to 70° near Lake Erie. Maximum summer temperature may reach 90° even in northern Canada, while freezing temperatures have been found in most sections of the country even in July and August.

As regards rainfall, Canada is rather favorably situated. Only in the far north does the rainfall measure below 11 inches a year over large areas. Except for small areas in Southeastern Alberta, and in the valleys of British Columbia the provinces have a rainfall exceeding 11 inches annually. On the Pacific and Atlantic coasts the rainfall is over

40 inches, and exhibits a winter maximum while in most of the interior the rain falls in the summer or autumn months. One station in the west of Vancouver Island receives 200 inches a year, which is the heaviest in North America.

Mean annual snowfall increases from less than 20 inches on the west coast of Vancouver Island to more than 100 inches in parts of the Western Cordillera. Snowfall is also heavy at the higher elevations in New Brunswick, Nova Scotia, and Eastern Quebec. A large area that receives less than 40 inches snowfall extends from the Arctic Archipelago southward to the Saskatchewan-Montana border. Snow is deep enough in most of Canada to hinder wheeled vehicle movement from four to five months a year.

The last geographical element for consideration is natural resources. Canada's strength lies in its abundance of natural resources. (Appendix II). About one-sixth of the Nation's total area is suitable for agriculture, and this forms Canada's most valuable single natural resource.

Canada's forests occupy more than one-third of the total land area of the country and over one-half the land area of the provinces. Its accessible forests are over twice those of Sweden, Norway and Finland combined. Large pulp and paper plants and lumbering industries produce the forest products that are the Nation's most valuable export commodity.

Canadian fishing grounds are extremely productive. Projecting from the east coast is one of the largest continental shelves in the world: a wide shallow water where cod, haddock, halibut, mackerel, herring and lobster abound. Its west coast waters produce salmon, halibut and herring. The inland rivers and lakes yield lake trout, white-fish, sturgeon, perch, pike and pickerel.

Canada's wild life has always been an important natural resource. Over an area of about  $1\frac{1}{2}$  million square miles, wild life is relatively more productive than agriculture and of the products of wild life, furs are the principal item and the principal support of the population of that area.

Mineral resources, still not completely explored, range from the precious metals, such as gold, silver, and the platinum group, to lead, iron and zinc. The greater part of the known metallic minerals are found in the Canadian Shield area. Lode gold is found in Ontario, Quebec, British Columbia and the Northwest Territories. Deposits of nickel in Ontario and asbestos in Quebec are the largest in the world. Copper is plentiful. Pitchblende, a source of radium and uranium, comes from the far north (Great Bear Lake region). There are quantities of high-grade iron ore in Ontario, Quebec, Labrador and Newfoundland. British Columbia has lead, zinc, and silver in large amounts, also gold and copper. Rich

fields of oil and natural gas and large deposits of soft coal are found in Alberta. Coal is also mined in quantity in Nova Scotia and British Columbia.

Other mineral resources include cobalt, cadmium, calcium, and titanium in the metallic group and gypsum, fluorspar, mica, feldspar, and salt in the nonmetallic group. In addition, Canada has substantial deposits of structural materials such as cement, lime, sand, gravel, and stone.

All of the countries of the world have certain definite deficiencies in mineral resources and Canada is no exception. She has little or no tin, manganese, chromium, or bauxite in quantities sufficient for economic development.

Water power is among the chief natural resources of Canada, and its development has in recent years contributed materially to the growth in volume of Canadian manufacturing production. The significant factor is that some of Canada's largest reserves of water power occur in what is termed the acute fuel area of Canada, where native coal is not economically available.

This brings us to the topics we have grouped under population, namely, vital statistics, education, health, and population distribution by occupation.

In relation to the vast area of the country, the population of Canada is not large - 13.2 million according to a recent official estimate. Of the 11½ million population reported in the census of 1941, 7½ million were considered to constitute the potential labor force. This was indeed a young and vigorous population, 52.5 percent of its potential labor force falling in the 15 to 34 year age group, 19.1 percent in the 35 to 44 group, and 28.4 percent in the 45 to 64 group. In that year the sex distribution was approximately in balance, 51.3 percent male.

Population trends may be deduced from a study of birth rates and death rates; these trends influence national economics. The Canadian birth rate, due to economic recovery and the war, rose from 20 per thousand in 1937 to 26.9 in 1946. This latter rate compares favorably with the United States rate of 23.3. Since 1931, the Canadian death rate has fluctuated between 10.3 and 9.4. The 1946 rate of 9.4 compares favorably with that of the United States of 10.0, and France 13.3.

This favorable balance between birth rate and death rate produced a natural increase in population of 215 thousand in 1946.

Canada's people are mostly of European extraction. About half of the people are of English-speaking stock; almost a third are French-speaking descendants of the original French colonists; and the remainder

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of the population have nearly all come to Canada from European countries in fairly recent years. In the last census (1941) the principal racial stocks stood as follows:

French	30 pct.
English	26 pct.
Scottish	12 pct.
Irish	11 pct.
German	4 pct.

Ukrainian, Scandinavian, Netherlander, Jewish and Polish comprise about 15 percent. Native Indians and Eskimos together make up about 1 percent of the population and persons of Asiatic birth less than 1 percent.

The industrial productivity of a nation with a high level of literacy and technical skills is naturally greater than that of a nation similarly endowed with natural resources but whose people are less well educated. Education fills an important role in the Canadian economy. In 1946 about 2.8 percent of the national income was expended on public education compared to 1.7 percent in the United States. Public schools are free and attendance is compulsory to the age of 14 or 16, depending upon provincial regulations.

The present trend in elementary and secondary school administration is toward the consolidation of rural schools into larger districts to improve physical facilities and instructional services.

In the field of higher education there are 30 accredited universities in Canada. About 3 percent of the present Canadian youth become university graduates. Illiteracy is extremely low; 97 percent of Canadian adults are literate compared to 97.3 percent in the United States.

The National Research Council, founded in 1916, is the principal scientific arm of the federal government. The Council operates research establishments and, in addition, organizes cooperative research programs which link the facilities of industry, government departments, and universities.

The Canadian position with respect to highly trained technical personnel was stated by Mr. C. D. Howe, Minister of Trade and Commerce in an address to the American Society of Tool Engineers, in Montreal, on 29 October 1949 when he said:

"...True, many Canadians go to the United States to do post-graduate work, or to find employment in industry. However, only one out of ten engineers, graduated from the largest Canadian Universities, is now living outside Canada. This low of one in ten of Canadian trained personnel is more than compensated for by the American and British talent that we have imported. Approximately two of every ten of our technical personnel has been recruited from abroad."

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Well-fed people, free from endemic diseases can obviously produce more than others not so fortunate. Canada, located well up in the Northern Hemisphere is generally considered to possess a healthy and invigorating climate. Toward the end of the war, in surveying the health scene in Canada, it was learned that Canadians were one of the healthiest peoples in the world.

Health and Welfare are closely related and are of national importance. This was officially recognized six years ago when the Canadian government created a new Department of National Health and Welfare; with an Administrator of Cabinet rank. In 1946 a new National Health Program was launched by the Federal Government consisting of grants to the provinces totalling more than \$30 million annually, to aid them in extending and strengthening their health services.

The last factor to be considered under population is distribution by occupation. It is recognized that nations, whose people are predominately engaged in agriculture, are incapable of a high rate of economic production. On the other hand, those nations, the majority of whose people derive their income from mining and manufacturing and services, have higher standards of living and a greater economic potential. At the beginning of the present century Canada was chiefly an agricultural country, with more than half her workers engaged in farming. By 1947 the occupational distribution of the employed population had materially shifted away from agriculture. It was, agriculture, 26 percent, mining and manufacturing, 34 percent, and services, 40 percent, a distribution characterizing a high degree of industrialization. This shift was accompanied by such a steady flow of population from rural to urban centers that about one-third of the people now live in the 12 principal cities. Approximately 70 percent of the people live within 100 miles of the United States border, with the greatest number in the industrial areas of Ontario and Quebec.

We now come to the third and most important group, production resources, which is divided into: agriculture, mining and manufacturing, and services.

Now under agriculture, the main consideration is Canada's degree of self-sufficiency. While it is still customary to speak of agriculture as a basic industry it might be more correctly described as the fundamental industry of mankind. Food is, in fact, the initial generating force of all human activity. Obviously, the degree of national self-sufficiency is of primary importance, since a nation that cannot feed itself is at a great disadvantage.

Agricultural productivity in Canada increased about 40 percent in the past decade. Under favorable conditions the country produces sufficient food to support its domestic population on one of the highest nutritional levels anywhere established; in addition, large surpluses are available for export. This huge volume of production ranges from such staples as wheat and oats to fancy stone fruits.

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During recent years as much as 44 percent of Canadian agricultural production has entered foreign trade. The leading export crops are wheat, oats, and barley. In world production of these crops in 1947, Canada ranked third for wheat, second for oats, and third for barley. During the crop year 1948-49, over 23 percent of the world export of bread grains originated in Canada and approximately 10 percent of the coarse grains, firmly establishing Canada as the world's second largest exporter of grain and grain products. During 1948 she supplied about 10 percent of the world's exports of meat making her the world's fourth largest exporter of this important food. Canada also produces substantial quantities of dairy products. In 1948 she was the world's second largest producer of both canned and dried milk.

The huge yields of the Canadian fisheries place her among the principal fish producers and exporters of the world. For the year 1947, Canada's own fish consumption stood at 10.8, edible weight, per person; in addition, its exports of fish and fish products reached 84 million dollars. Special agricultural crops produced for domestic consumption and export include maple sugar and syrup, beet sugar, and tobacco.

The second element of this group is mining and manufacturing. Since armed forces depend upon mining and manufacturing industries to arm and supply them with all items except food, the importance of this element can hardly be overestimated.

A country's position with reference to mineral resources is not only determined by its ability to produce basic minerals, but also by its consumption of those minerals. The ratio of a country's mineral production to its mineral consumption may be taken as an index of its degree of self-sufficiency.

While Canada produces large quantities of many raw materials she also consumes a good portion of them. This is clearly indicated by the marked changes that took place during the 1938-48 period in the composition of exports. The proportion of raw materials declined, as did that of semimanufactured products, while that of fully manufactured items increased by over 50 percent to account for nearly two-thirds of all exports. The 1948 exports of domestic products were as follows: raw materials, 17.4 percent; semimanufactured products, 20.6 percent; and fully manufactured products, 62.0 percent.

The magnitude of the increase in Canadian consumption of domestically produced metals is reflected in the consumption gains recorded by the "big three" in metals. Between 1938 and 1948 the domestic consumption of refined copper doubled, lead consumption increased 2 1/3 times and zinc 2 1/2 times.

Canada leads the world in the output of nickel, platinum and asbestos, and ranks second in the production of aluminum (from imported

bauxite) and gold. The chief products of Canada's mines in the order of their monetary value are gold, copper, coal, nickel, zinc, lead, and asbestos.

Some of these are particularly important in the world economy as, for instance, Canada provides nine-tenths of the world's nickel supply and most of the asbestos. Canada's radium and uranium supply is becoming of increased importance.

As constituted in 1948, mining in Canada had a total production value of over \$800 million from about sixty different substances. This amount was nearly double that of the last prewar year, although much of the increase is accounted for by higher prices.

Taking mining production of strictly Canadian origin, 60 percent of the total value was represented by metallics numbering about 25 and ranging from cadmium to platinum and uranium, with gold, copper, lead, nickel and zinc having a combined value of nearly \$500 million. Fuels, mainly coal and petroleum, were valued at over \$150 million, although the production of the two specifically mentioned was not equal to domestic requirements. Nearly 30 other nonmetallics, including structural materials such as cement, stone, and brick, were valued at more than \$160 million. This group also includes asbestos, barite, feldspar, fluorspar, graphite, gypsum, brucite, salt and sulphur. Exports of all Canadian minerals, including fabricated products, to over 90 countries in 1948 were valued at about \$500 million. A complete picture of Canadian mineral production in 1948 is given in the following chart (Appendix III).

In order to complete the picture of Canadian mining activity it is necessary to consider the large development programs in oil, iron, and titanium.

New discoveries of petroleum and natural gas in the prairie provinces, predominately in Alberta, promise to make that area the equal of Texas as a source of these products. A 1,150 mile petroleum pipeline is now under construction from Edmonton to Lake Superior and plans are under way for a gas pipeline from Alberta to the West Coast. Newly developed wells raise the proven reserves in this area to over one billion barrels. Current production is filling the needs of the prairie provinces and increased output is awaiting completion of the pipeline. You are all aware of the industrial potential of a plentiful supply of petroleum and natural gas.

Another recent major discovery in the lower Quebec region was that of titanium, one of the largest deposits of this mineral in the world. Development work is well advanced and a refinery for this metal is being built near Montreal. While production of titanium is the main objective it is also expected to derive iron from the ore at a ratio of 1:2.

An important source of high grade iron ore has been opened up on the boundary between Quebec and Labrador, which rivals in magnitude the Mesabi deposits in Minnesota. To date, over 300 million gross tons of iron ore have been proved with many outcrops still to be drilled. Development, now under way, involves the construction of a 350 mile railroad from the St. Lawrence and an airfield, the development of hydroelectric power, and the installation of machinery for the raising and treatment of the ore. The projected yearly production is at a minimum of 10 million tons.

These widespread development programs show quite clearly that Canadian mining is still in a highly progressive stage.

Today, Canada is in third place among the nations of the world in exports of manufactured goods. This growth of Canadian manufacturing capacity applies to established prewar industries, such as motor vehicles, railway rolling stock, agricultural implements, textiles, lumber, pulp and paper, as well as other industries which were of minor importance before 1939. The latter group includes aluminum, chemicals, plastics, aircraft, machine tools and electrical apparatus. During the war years, entirely new products such as synthetic rubber and synthetic textiles, came into production.

The primary iron and steel industry was expanded 70 percent during the war, but is still short of domestic requirements.

Canada's newsprint capacity is four times as great as the U. S., her nearest competitor; she provides newsprint for three out of every five newspaper pages throughout the world. She is second only to the United States in the production of wood pulp and provides about 30 percent of the world's exports. The manufacture of sawn lumber is the second most important industry in Canada which depend upon the forest for their raw materials. In 1946 the industry employed approximately 10 percent of the labor force when it reached its maximum production of slightly in excess of 5 billion board feet, 40 percent of which was exported.

An important outgrowth of the past eight years has been the better integration of Canadian industry. Before the war, Canadian industry was heavily dependent on imported goods. Today, Canada's manufacturing industries have become important users of her own products thus giving her a greater degree of flexibility of output.

American industry has a large stake in Canada in the form of branch plants. By the end of 1948, the value of United States direct investments in Canada totalled 2 billion 700 million dollars, of which 1 billion 600 million were invested in Canadian manufacturing concerns, controlled in the United States. Total United States investments in Canada exceed 5 billion dollars.

These huge investments constitute a strong expression of faith on the part of the American public in the soundness, reliability and dependability of Canadian industry.

The third and last element of this group is "services;" which I will limit to the fields of transportation, communication, and power.

Transportation plays a vital part in the life of the nation. With population distributed over a territory more than 4,000 miles wide, production largely concentrated in inland areas, and, in "normal" times, with approximately one-third of the production for export, an efficient, well balanced transportation system is paramount. (Appendix IV).

With two major railroads spanning the continent close to the United States border, Canada's southern population centers are well served by rail. The system extends generally about 400 miles north from the U. S. border, but many northern regions lack rail transportation. During 1946 the total single-track mileage operated was slightly more than 43 thousand miles with an aggregate of 59 thousand miles of all types of track. The gauge is standard throughout, except for the 95 mile narrow gauge Yukon road. The Canadian railroad system is supported by a well-developed railway equipment industry which exports considerably more than it imports.

Newfoundland is serviced by a trans-insular railway with four branch lines of approximately 700 miles. The railway also operates several steamships which are used in coastal services carrying mail, freight, and passengers between points in the Island, as well as Labrador.

Roads are scarce in the sparsely populated Northern area but the southern provinces are well supplied. Motor traffic provides competition to the railways in both passenger and freight services. The Trans-Canada Highway provides a connected route of highways from coast to coast. Canada has 140,000 miles of surfaced and 412,000 miles of unsurfaced roads.

Situated on three oceans and the Great Lakes and St. Lawrence River, Canada has many excellent ports as well as a highly developed internal water-transport system. This latter includes canals, which carry a considerable volume of international traffic.

The most important of the seaports are Montreal, on the St. Lawrence River (closed by ice from December to April); Halifax, Nova Scotia; and St. John, New Brunswick, on the Atlantic; and Vancouver, British Columbia, on the Pacific. At the head of the lakes, the twin ports of Fort William - Port Arthur are outstanding for the large volume of grain shipments. Churchill, Manitoba, on Hudson Bay, serves as an outlet for western grain. Handling and storage facilities at Canadian ports are, in general, excellent. Approximately 45 million tons of cargo were handled in Canadian ports in 1946.

Aviation has become a strong and integral part of the Canadian national and international transportation system and it plays an important role in the national economy of the nation. Next to the United States, Canada is the largest operator of domestic air services in the world. The great distances and, in many parts of the country, the lack of other transport facilities have stimulated the development of air transportation. The North country is peculiarly dependent on it.

Turning to the field of communications we find the Canadians, with 16.5 telephones per hundred persons in 1946, among the world's leading users of this service. The public and private telephone companies are linked with one another by the Trans-Canadian Telephone System. Inter-connecting service is available with the United States and with most of the world.

The principal telegraph systems in Canada are the two wholly owned subsidiaries of the two transcontinental railway companies. In proportion to its population, Canada's telegraph facilities are among the most extensive in the world. Transoceanic cables with land terminals in Canada consist of 14 on the Atlantic coast and 2 on the Pacific. In addition, there are 8 cables between Atlantic coast stations in Canada and the United States.

The Canadian Broadcasting Corporation, a government-owned company, controls all broadcasting in the country through 3 networks consisting of its own 11 stations and 102 privately owned stations.

We now come to power, the third topic covered under services.

Poor distribution of coal deposits with relation to the great expanse of the country is compensated by large water power resources. Installed hydroelectric turbine capacity in Canada at the end of 1949, with the addition of 272 thousand h.p. located in the new province of Newfoundland, exceeds 11.6 million h.p. A number of large developments which are in a state of advanced construction will add about 1½ million h.p. within the next two years. In addition to its own requirements, Canada exports electric power to the United States.

Up to this point we have touched upon the various elements composing the three main factors of economic strength of a nation, namely, geography, population, and production resources. We found that of these three factors, production resources was of greatest importance. Under this factor we discussed the importance of agriculture, mining and manufacturing, and the services of transportation, communications, and power, all essential to a strong economy. However, all of these factors combined can contribute little to the economy of a country unless that country possesses a stable form of government.

Since confederation Canada has supported a parliamentary system of government, control of which has alternated between the two major parties, the Liberals and the Conservatives. Although the province of Saskatchewan has a socialist administration and the Social Credit Party is in power in the province of Alberta, their representatives in Parliament constitute a small minority. The Federal Government is able to hold a tight reign with its unlimited taxing power.

Government ownership of the Canadian National Railway should not be taken as a step towards socialism. The government's policy is one of cooperation and encouragement rather than nationalization or control of industry.

The Government's policy toward Canadian industry was set out in the White Paper on Employment and Income, which was placed before Parliament in April, 1945. It states, "The Government has stated unequivocally its adoption of a high level of employment and income, as a major aim of Government policy." The White Paper also goes on to say that the Government, in its relations with the business community, "will make every effort to create by all its policies favorable conditions within which initiative, experience and resourcefulness of private business can contribute to the expansion of business and employment." So much for government.

I hope that this brief survey of the economy of our northern neighbor has added to your knowledge of this great nation and will awaken a desire to delve deeper into some of these avenues which will thoroughly convince you that Canada is no longer a country of only wheat, furs, snow and red coated mounted police. Economically, Canada has become of age.

QUESTION: I gather from my reading,--and I would just like clarification to see if this is correct--that agriculture is almost entirely government-controlled in the provinces, that the farmers have control of their markets that they go into, and the independent producer is absolutely frozen out of the markets. Is that correct?

COLONEL SMARTT: I don't think you will find government support and control of agriculture to the extent that we have it here in the United States. In fact, the farmers are hollering right now to the Government for subsidies for this, that, and the other crops. With the Government's attitude as it was covered in that White Paper, they have still refused to take any action. They say "Hands off," although they do have certain minimum support prices on some of their products, particularly under their wheat. But you do not find the government control of agriculture to the extent that you find it in this country.

QUESTION: You said that the United States investments in Canada are about five billion dollars. To what extent does that control Canadian mining and manufacturing?

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COLONEL SMARTT: I think I stated that there are \$1,600,000,000 in direct plant investments that are controlled in this country. That is in the plants themselves. The rest is invested in Canadian securities, in businesses of one kind or another, the same as you would invest your funds in this country. I couldn't hazard a guess offhand what percentage of the total industry is controlled by United States investors. Maybe some of our observers here would be able to answer, although I think that is sort of putting them on the spot with a technical question like that.

COMMENT: I think you will agree with me on this: that most of this so-called government control of companies is not what it appears. Most of them have Canadian companies, but the directors of the two are interchangeable.

I also wish to point out that, while there are huge investments of United States capital in Canada, there are also large investments by European capital too, which offset those. I think the actual percentage control of industry is very, very small. But, due to our geographical location being the same make-up as yours, our methods are very much the same. It is not a matter of control; it is a matter of cooperation.

COLONEL SMARTT: That investment feature works both ways. The Canadian investors have over a billion dollars invested in the United States in securities of one kind or another and in American subsidiaries.

QUESTION: Can you tell us something about the position of labor unions in Canada, their tie-in with the United States, the frequency of strikes, and so forth?

COLONEL SMARTT: Canada has had its troubles with labor unions in last few years the same as we have. They have undergone strikes. The CIO operates in Canada the same as it does here. Canada has not had the abundance of strikes in the past that the United States has had, due to its being predominantly an agricultural country. But with this highly accelerated rate of industrialization, the unions are beginning to grow and take strength; and they have had their share of steel strikes and other strikes.

QUESTION: Do they have comparable government support?

COLONEL SMARTT: They are particularly strong in ocean transportation, so much so that a recent article I read pointed out the Canadian ship owners were taking steps to transfer a large number of their large freight vessels to foreign registries to get away from two things: the high cost of operation--it costs just about as much in Canada as it does in the United States to operate--and, secondly, due to the Red domination of the Maritime Union.

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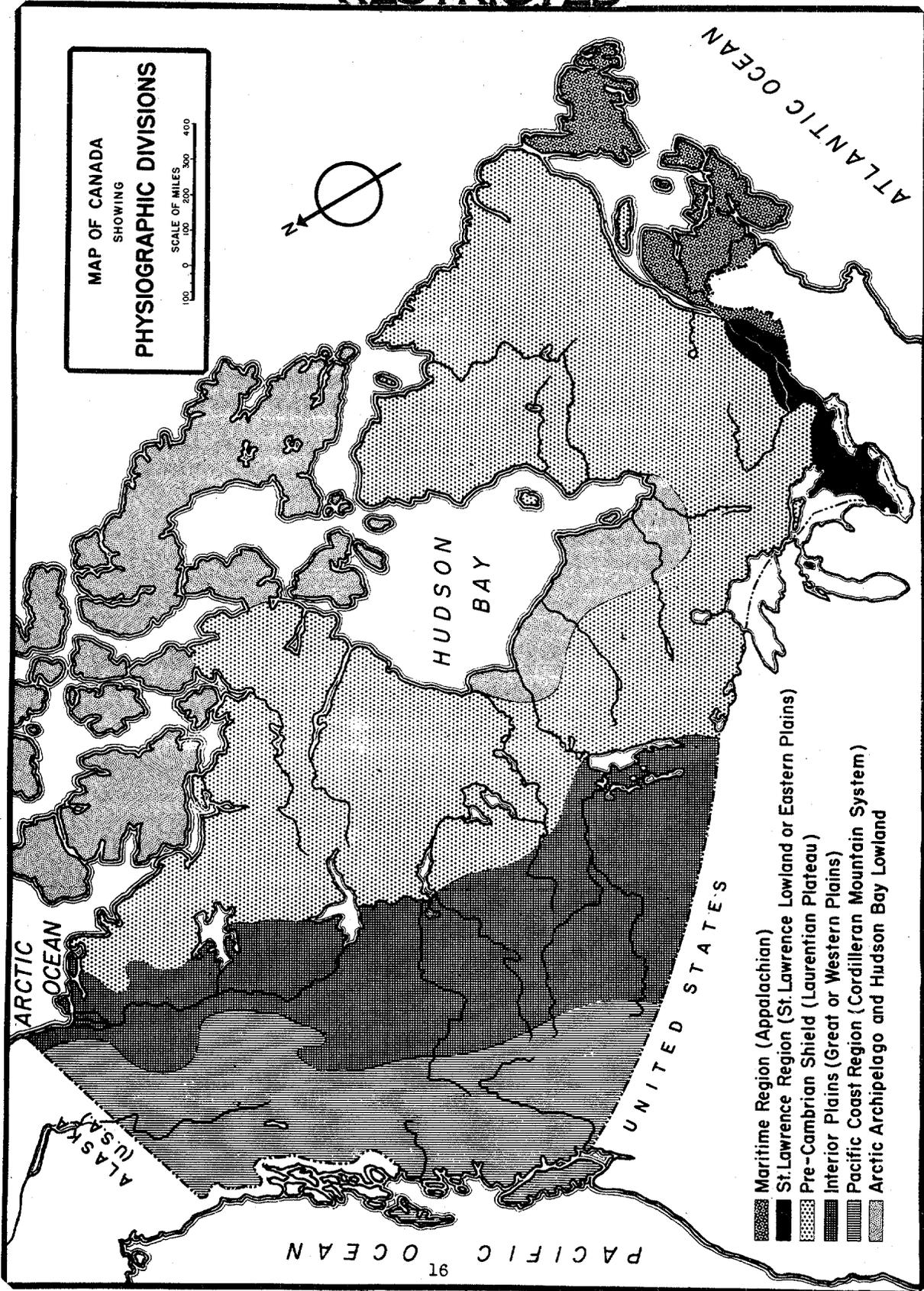
QUESTION: Do unions have the same government support that they have here, such as the Wagner Act?

COLONEL SMARTT: No. They have no Taft-Hartley Law either.

(17 Mar. 1950--275)S.

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MAP OF CANADA  
SHOWING  
PHYSIOGRAPHIC DIVISIONS

SCALE OF MILES  
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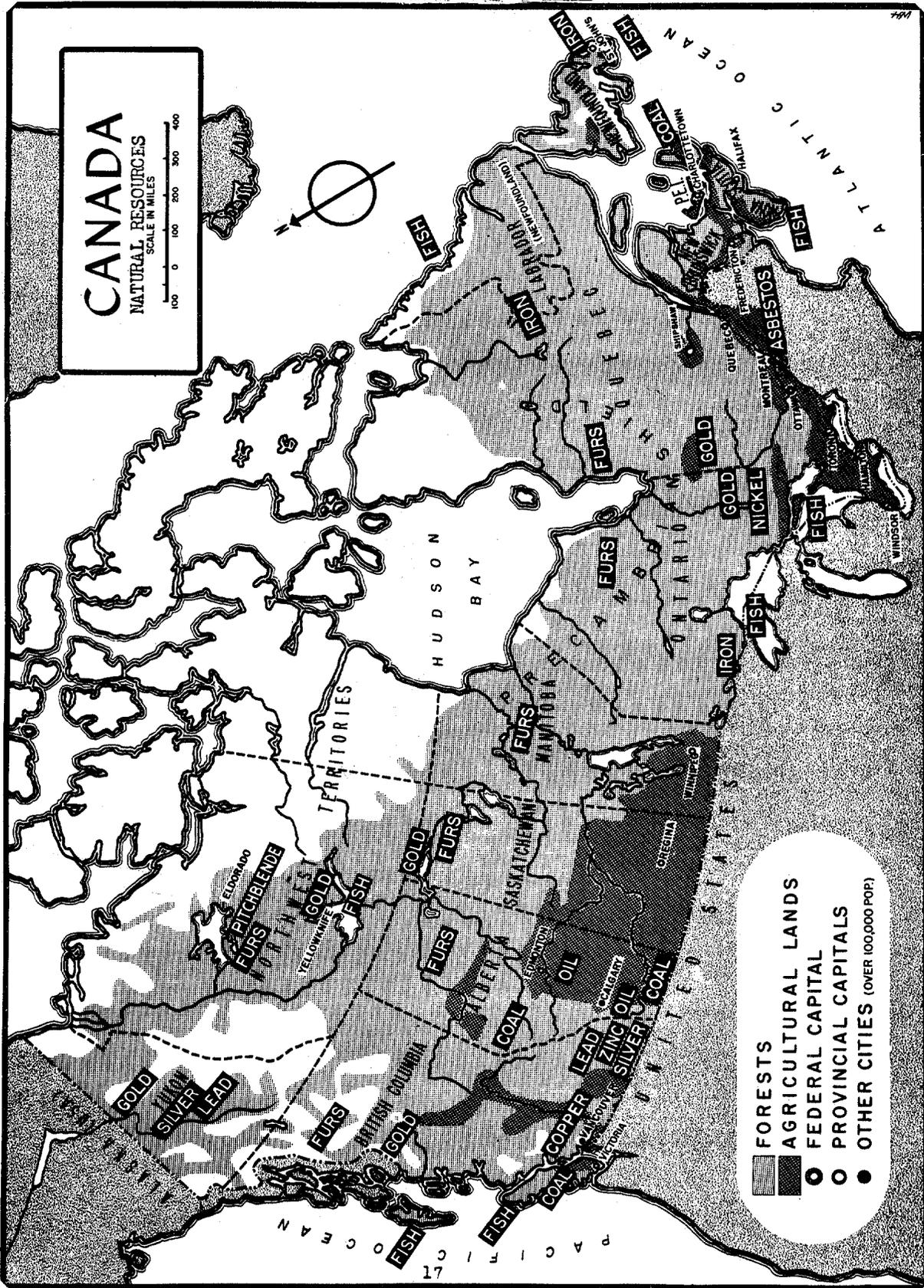
- Maritime Region (Appalachian)
- St. Lawrence Region (St. Lawrence Lowland or Eastern Plains)
- Pre-Cambrian Shield (Laurentian Plateau)
- Interior Plains (Great or Western Plains)
- Pacific Coast Region (Cordilleran Mountain System)
- Arctic Archipelago and Hudson Bay Lowland

100 400 100 400

RESTRICTED

RESTRICTED

APPENDIX II



RESTRICTED

## APPENDIX III

MINERAL PRODUCTION OF CANADA, 1948  
(In millions of dollars)

## METALLICS

Gold	\$122.4
Copper	107.1
Nickel	85.6
Zinc	64.7
Lead	60.7
Silver	11.7
Platinum	10.2
Iron Ore	6.3
Palladium, rhodium, iridium, etc.	6.0
Cobalt	2.7
Calcium	1.8
Cadmium	1.4
Miscellaneous	3.2
TOTAL METALLICS	<u>\$483.8</u>

## NONMETALLICS

Fuels	
Coal	\$107.3
Petroleum	36.9
Natural Gas	14.6
TOTAL FUELS	<u>\$158.9</u>

## OTHER NONMETALLICS

Asbestos	\$41.3
Salt	4.4
Peat moss	2.3
Quartz	2.0
Sulphur	1.7
Magnesitic dolomite and brucite	1.7
Barite	1.1
Miscellaneous	10.3
TOTAL OTHER NONMETALLICS	<u>\$64.8</u>

CLAY PRODUCTS AND OTHER STRUCTURAL MATERIALS	<u>\$98.7</u>
GRAND TOTAL	<u>\$806.1</u>

APPENDIX IV

