

(October 28, 1929)

## Canadian Trade Relations with South America

BY MAJOR E. L. McCOLL\*

VICE-PRESIDENT SMITH:—Gentlemen, our guest of honor today is Major E. L. McColl, Canadian Trade Commissioner to the Argentine, Chili, Paraguay and Uruguay. Since the war he has been in South America and speaks from ten years of observation and experience of Canadian trade relations with South America. I am confident that what he will have to say will have the greatest interest to those who have or desire to have direct business relations with the South American countries and to the rest of us interested in Canada's external relations. I suggest that you read Major McColl's interesting pamphlet on the South American markets, published by the Department of Trade and Commerce. I have much pleasure in introducing Major McColl, if he needs any introduction in his own city.

MAJOR McCOLL:—Mr. Chairman and gentlemen, I very deeply appreciate the honor conferred upon me today.

The South American continent, consisting of ten Latin republics and three small European colonies, British, French and Dutch Guiana, exports products annually to the value of \$2,150,000,000 and buys from abroad annually goods to the value of \$1,800,000,000. The continent, therefore, has a yearly favourable balance of trade of \$350,000,000.

Spanish American republics of the Southern continent broke away from Spain at the time of the Napoleonic Wars. Brazil, which was a colony of Portugal, has a different

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history from any of the other countries. When Napoleon's armies were approaching Portugal through Spain the Portuguese Royal family with a large number of the nobility fled to Brazil which was then a colony of Portugal. Brazil then became an Empire. When conditions in Europe became settled the Emperor moved back to Portugal, leaving the Emperor's son in Brazil as vice-roy. Brazil became a republic in 1889.

Today it can be said with confidence that each and all of the South American republics are ruled by wise and stable governments, that they are in sound financial condition and that their progress is steady and assured. So far as foreign trade is concerned these countries are exporters of raw materials and importers of manufactured products.

The territory which I cover consists of Argentina, Uruguay and Chile. Argentina is equally pastoral and agricultural. Ninety percent of her exports are animal products, consisting of meat, hides and wool; and cereals, principally wheat, followed by corn and linseed. Over ninety percent of Chile's exports are minerals, viz. nitrates and copper. Uruguay is ninety percent pastoral, nearly all of her exports consisting of animal products.

In Argentina and Chile there is marked progress in manufacturing industries under the protection of a tariff, but so far very little can be exported to foreign countries.

Canadian trade with these republics is growing, especially our exports. During the fiscal year, ending March 31, 1923, Argentina, Chile and Uruguay bought goods from Canada valued at \$4,445,000; \$321,000 and \$286,000 respectively. During the twelve months ending August 1929 these purchases amounted in value to \$17,335,000; \$2,780,000 and \$1,205,000. In the space of six and one half years, Canadian exports to these three Southern republics grew from \$5,052,000 to \$21,320,000. Some of the commodities which made up this value were agricultural implements, automobiles, aluminum, binder twine, electrical equipment, fish, lead, iron pipe, musical instruments, expanded metal lath, paper, rubber shoes, rubber elastic web, sewing machines, tools and hardware. We are doing our best to introduce Canadian eggs, apples, potatoes, lumber

and many other products. Sample shipments have been made and prospects for increased business are encouraging.

My efforts to place Canadian goods are of a very definite nature. I am personally acquainted with the best importers in my territory and I visit them with samples, catalogues and prices of the products which our firms manufacture. I am personally acquainted with many retailers who are willing to place showroom or window space at my disposal for the display of Canadian samples. This privilege is being constantly made use of. We do everything possible to sell Canadian goods and we do our best to advertise in Canada that we want enquiries from our producers. The number of Canadian firms who are building up big business on the Southern continent should be an inducement to others to embark upon such profitable adventure.

I come home every three years to visit our industries from coast to coast to ferret out those products which I think can be sold. For example, Argentina buys during March, April and May three million dollars worth of fresh eggs. I had received sixteen cases and had placed them on the market in front of the wholesale distributors. I had newspaper men on hand who reported in the press the favourable comment which our eggs received. But when I cabled Canada for prices I found our shippers could not compete. The lowest quotations came from British Columbia but they were three cents a dozen too high. When I went to British Columbia I learned that there was not yet a sufficient surplus of eggs to allow Argentina a quota. However, exports from the province have grown in the last ten years from a few cars a year to one car a day and I was led to believe that next Spring fifteen to twenty thousand cases would be available for Argentina. This is just an example of one of the hundreds of prospects for Canadian export which I have investigated.

The Canadian producer who has developed some foreign business and believes that his goods should be competitive in South America might well reflect upon the desirability of making a combined pleasure and business trip to South America to study at close range exactly what is imported, the endemic customs of the people and the contrasts of temperament between North and South America which give

rise to different tastes and different points of view, and to make the personal acquaintance of importers in the general centres of distribution. A visit to the countries of South America by one of the principals of a factory, one who holds a position of sufficient importance to permit him to adjust the foreign policy of his company from abroad to suit the varying conditions he might find, would prove an effective tonic to its export department. On such a trip a stop-over need only be made at four centres to enable the Canadian traveller to arrange business connections which will cover 90 percent of South America's buying market. These centres are the capitals and adjacent cities of Peru, Chile, Argentina and Brazil.

The Canadian National freight steamers provide a regular monthly service from Canadian Atlantic ports to Brazil and Argentina.

You may well ask what influences trade in South America. I will outline a few of the factors which affect it.

Speaking of the Spanish republics: as early colonies of Spain and later through the steady influx of Spaniards, they are predominantly Spanish, but Italian immigration, which has been heavy, has made its impress, especially in Brazil, Argentina and Uruguay. Brazil as we know is Portuguese. Amongst educated Latin-Americans, French, which is their second language, is spoken fluently. Their fondness for graceful rhetorical expression is fully gratified in the brightness, the finish and the spirit of French literature. Paris is their European home.

German trade, industry and invested capital is strong in South America.

Speaking of Argentina, and the majority of these statements apply equally to the rest of South America, British influence has been most marked in banking, commerce, invested capital, manufacturing, shipping and sport. Over 43% of the steamship tonnage entering Argentine ports from abroad is British owned. British merchants play a very important role in the import market and British controlled railways predominate. The livestock industry, which is the backbone of the country, owes its success so far as pedigreed animals are concerned, almost entirely to Great Britain. British capital is an important factor in the meat-packing industry.

The British colony has been instrumental in creating a desire for all kinds of sport, which has become general. Association football is the national game, and riding, tennis, swimming and rowing clubs are legion. "Palabra de Ingles" and "Hora de Ingles" are household words amongst Argentines and other nationalities of South America.

Many South Americans are graduates of British universities and many are students in attendance. British character and British institutions have had a formative and invigorating influence on all South American countries. On the South American continent no other nationality is treated with such confidence, respect, and friendly intimacy as the British.

Great Britain is South America's best customer, importing annually goods valued at present at \$550,000,000, while she sells annually to South America goods valued at \$300,000,000.

United States goods sent to South America annually are now in excess of \$400,000,000, while purchases by the United States from South America have passed the half billion mark.

United States prosperity, especially since the war, has produced such an abundance both of money and merchandise, that her financiers and manufacturers have turned their attention to Latin America as their best field for development. United States investments in Latin America have increased phenomenally since the war.

It is stated that American capital in Chile has grown from \$15,000,000 in 1912 to over \$400,000,000 in 1928. American interest is centred in this republic in copper and nitrate mining, electric power plants, telephone companies and shipping. There are also important textile and other factories owned and controlled by United States interests.

But the American manufacturer who builds branch factories in South America or who exports his goods from the United States, the engineer who opens up copper mines, builds roads and railways and the capitalist who takes over electric power and telephone plants, are not the only citizens of the United States who can visualize a greater Latin America. Others are the small investors in the Government bonds of the twenty republics south of the Rio Grande,

farmers, doctors and college professors, average citizens who have been at pains to read about these Southern nations until, convinced of their soundness, they have staked in them each year increasing sums with the result that in 1928 no less than \$344,000,000 went into Latin American government securities.

There are also other groups which are playing important roles. The Rockefeller Foundation is operating in many parts of Latin America, combating disease and doing an incalculable amount of good. The Y.M.C.A. is in every important center working for the physical and moral uplift of the youth. In isolated parts of the Andes and other remote places American missionaries are devoting their lives to lighten the burden of those about them.

A United States group of financial experts, headed by Professor E. W. Kemmerer, has been advantageously employed by a number of Latin American Pacific Coast countries to reorganize their finances and in some cases to rewrite the tariff and create a new monetary system. To the great advantage of some of the republics, American experts were left behind as counsellors in the different branches of these governments. Additional to these special men, there are present in many departments of most South American countries United States experts in finance, engineering, architecture, geology, live stock, cotton, cereals, fruit, canning and other branches of agriculture.

The knowledge, which is widespread in South America, of the facilities for education which the United States offers is diverting an important and influential stream of students from the main current, which heretofore flowed to Europe, to the universities of the great Northern Republic. These young men return as specialists in their respective spheres imbued with loyal admiration for their Alma Mater.

The foreign influences outlined above are potent factors which direct trade to a very marked degree. What can Canada do to make herself not only known but respected and loved by the people of these growing nations? We cannot win their friendship, their love and their esteem until we make known to them our country, our people, our customs and our institutions. Until we make an effort, until we do something about it we cannot make any progress

towards achieving such a desirable end and until then all their knowledge of us, all their ideas and opinions of us, will be of an indifferent, hazy and nebulous nature.

My conviction is that the best solution to this problem, the best way to make our country genuinely known to our friends of the Southern continent is by bringing a few of their young men to our universities. These Latin American students while here would write to their relatives and to their friends about Canada and their home newspapers would often feature the Dominion. The advantages of a Canadian University education should be placed before the Latin American youth through the medium of a few students brought to our principal universities by means of scholarships. Latin-American students while in Canada would learn much that was wholesome about her laws and their administration, her resources, industries and progress. Returning to their southern homes they would take with them a respectful and admiring regard for the Dominion. It would be an invaluable asset to Canada to have, here and there in South America, Latin-American graduates of Canadian universities as engineers, architects, lawyers, doctors, professors, journalists, judges, and statesmen. Canada needs influential friends amongst those who are to direct the destinies of these growing nations.

Manufacturing rights for Canada of articles controlled by foreign patent play a very important part in Canadian industry. When acquiring Dominion rights for the making and sale of any product, the purchaser should immediately visualize export possibilities. If he does not do so he will find later on when he has surplus production that the outside world is closed against him either because the agreement allows for the sale of the article only in Canada or from a handicap due to high royalties or again, although the rights do not restrict the purchaser to Canada, yet the foreign manufacturer may be first in the field and have the article protected in all worth-while foreign markets. Many Canadian firms find, too late, that they have been working in a *cul-de-sac*. What I am saying now does not apply to all Canadian firms. It does apply to many on whose behalf I am trying in vain to sell; and they are in the great majority.

Too many Canadian firms are depending upon buying

limited rights on foreign patents after they have been commercialized, which, insofar as foreign trade is concerned, places them in a blind alley. We who are abroad endeavouring to sell Canadian goods are in a peculiarly advantageous position to measure exactly where Canadian factories stand in relation to those of other countries. There are many compelling facts which both indicate and prove that Canadian industry, seen against the background of its own problems and its own possibilities, is making phenomenal progress. The increasing variety and quantity of exports form abundant and conclusive proof of this statement. Nevertheless, the unsolved difficulties of some industries seem too retardent to be permitted to persist. Under the ordeal of competition the last word in progress is demanded if a manufacturer is to succeed in foreign markets. So fast does invention follow upon invention that there is scarcely an industry that can keep step. It is apparent that many Canadian branches of industry would profit if the different manufacturing concerns would pool resources and establish a research bureau of scientific experts, divided into several departments to cover such fields as costs, standards, pure and applied science, and patents.

The heads of these departments should visit the leading industrial countries of the world to acquaint themselves with the most advanced facts and ideas concerning their particular field. The costs expert, having standardised the component costs which complete a given product, should be able to advise manufacturers where they are at fault. The bureau of standards would work hand in hand with the costs department. The patents branch would co-operate with the pure and applied science experts. Such an industrial association would be in touch with the front line of progress, with inventors and their yet unapplied processes. Such an association would become known as a market for "ideas in the rough". Its scientists would be on hand to try out, adjust and apply new uncommercialized patents which would be offering. In their search for solutions to problems they, too, would become inventors. These men need not have any laboratory equipment of their own. They can take all their problems to the Canadian National Research Council at Ottawa, which in a short time will have one of the finest

equipped laboratories in the world, where they can cooperate with the corps of highly trained specialists who will be in charge.

The fact that only a very small proportion of the manufacturing firms of Canada are in a position to export furnishes ample proof of the necessity of developing a cooperative spirit which will result in the formation of research councils by industries.

The Canadian Government at Ottawa, the Provincial Governments, backed by the people, will raise their present grants for research to any required amount if industry will take full advantage, even to crowding, of the facilities now being offered.

I wish again to express my very great appreciation for the honour extended to me today.