

Canada has maintained commodity and area controls over many exports, to assure supplies of these commodities to the domestic market, to facilitate directing exports to Western European countries under the United States Economic Cooperation Administration program, and for national security reasons. At the end of 1949, 91 items were under export control, 323 had been removed from control during the year, and 11 had been added. Area controls extended to all commodities going to a list of 64 countries. However, to facilitate trade, an open general licence was issued permitting exports to these countries of commodities which Canada was not particularly interested in controlling.

Several international developments in 1949 that may have considerable direct economic significance for Canada in the future are worthy of note. The first was the North Atlantic Treaty, signed in April, 1949. At its second session, in November, 1949, the Council of the North Atlantic Treaty Organization established a Defence Financial and Economic Committee with a permanent working staff of experts located at London. Also in June, 1949, a Joint United States-Canada Industrial Mobilization Planning Committee held its first meeting. The Committee was established to exchange information on problems of mutual interest concerning industrial mobilization planning activities of the two countries. In January, 1950, the first Commonwealth conference on foreign affairs met at Colombo, Ceylon. Although not primarily concerned with economic matters, the Conference established a consultative committee on south and southeast Asia, the primary concern of which is economic development in this region. Arrangements were made for the consultative committee to meet at Sydney, Australia, in May, 1950, with Canada represented. Trade officials were also on the delegation that attended the Colombo Conference and held talks both during and after the Conference with officials in a number of Asiatic countries.

Domestic Economic Policies.—An analysis of economic conditions in Canada and abroad early in 1949 indicated a weakening of export prospects and of inflationary pressures. The Federal Government then took steps to offset any serious slackening in demand by reinforcing purchasing power in Canada. The principal means used have already been indicated: personal income tax rates were lowered and exemptions raised, two years payments of the refundable portion of wartime income taxes were paid in one year, indirect taxes on numerous consumer goods and services were reduced, and retroactive grain payments accumulated by the Federal Government in the operation of the four-year United Kingdom wheat contract were disbursed to farmers. Because it was not considered opportune to stimulate increased capital expenditures at a time when the supply of capital goods was tight, no general reductions in corporation taxes were made. Important fiscal measures to encourage resource development were renewed and extended. The Income Tax Act permitted a deduction for income-tax purposes on expenditures on oil, mineral and gas exploration. This was due to expire at the end of 1949 but was extended to the end of 1952. An extra tax credit on expenditures on deep test wells was extended to the end of 1950, and the three-year extension for metal mines was extended to cover mines brought into production during 1950-52. No important tax rate changes were made in the 1950 Budget, but the two above-mentioned extensions of time with respect to oil development were continued for an additional year.

With minor modifications, the Continuation of Transitional Measures Act, 1947, under which the Federal Government exercised certain extraordinary powers to effect an orderly transition to a peacetime basis, was extended into 1950 by