



dustry. Between 1919 and 1939, many new industries were established and new skills acquired. During the Second World War secondary industry expanded very rapidly. The continued expansion of the Canadian economy is illustrated by the rise in the gross national product from \$12,000 million in 1948 to \$29,000 million in 1956 and by the increase of the index of industrial production from 171.9 to 284.4 during the same period. The annual value of Canadian manufactured products is now more than the combined value of the products of agriculture, forestry, fisheries, mines and electric power. In 1956, the manufacturing industries employed 1,436,000 workers out of a total labour force of 5,674,000 people; agriculture, at one time the largest employer of labour in Canada, had a total of only 794,000 workers in the same year. Canada's manufacturing depends to a large extent on its own natural resources and many types of processing industries are located close to the source of the original product. However, the main centres of Canadian industry are the southern parts of Ontario, Quebec and British Columbia.

Canadian prosperity still depends on export trade, though by no means to the extent that it did a generation ago. Twenty-three cents out of every dollar earned by Canadians comes from the production of raw materials or manufactured goods for export and this means that Canada is acutely sensitive to any shift in the prosperity of those countries which are its customers. A serious depression or substantial tariff increases in these countries can still hurt Canada badly.

Steel production in central Canada

There are two other important features of Canada's trading position. One is that Canada has almost always bought more goods than it has sold; this unfavourable balance of trade has resulted in annual deficits as large as \$1,250 million. Another is its increasing dependence on the United States as its greatest single customer. Until recent years the United Kingdom bought two-thirds of Canada's exported goods, but following the Second World War, when sterling was no longer convertible into dollars, this trade diminished. Ten years after the war the United States was taking sixty per cent of Canada's exports and the United Kingdom less than twenty per cent. Canada in 1957 made about three-quarters of its total purchases in the United States and only about ten per cent in the United Kingdom. The two North American neighbours have become the world's greatest mutual customers.

A shift in the United States economy, then, would be felt instantly in Canada and it is for this reason that Canada has been doing its best to increase its trade with the United Kingdom and to establish new trade outlets in Europe, Asia and South America.

In recent years trade with both Western Germany and Japan has assumed an increasing importance. These two countries now rank third and fourth among the nations with which Canada does business.

Obviously Canada's imports and exports are governed also by its climate and geographical position. It does not need to import any large quantities of grain, beef, fish, furs or wood products, all of which are major exports. But the produce of warmer climates, such as coffee, oranges, cot-