

The corresponding percentages for 1947 were 22, 28 and 50. Not only must Canada re-adjust the volume of exports entering the different channels of trade, but must make the adjustment in terms of more exports and of different kinds of exports if she is to maintain her prosperity.

The greater diversification of Canada's production means that she will no longer need many types of goods formerly imported. In future, there is likely to be a greater emphasis on the import of raw materials, goods that have received only primary processing, and on finished goods of the semi-luxury and luxury types. Since the level of exports needed to maintain prosperity will have to be higher, the level of imports should also be higher.

#### Canada's Ability to Export Capital

Although Canada is a debtor country in the sense that there is more foreign capital invested in Canada (\$7.1 billion in 1946) than Canadians have invested abroad (\$3.9 billion), Canada has been a creditor country from 1934 in the sense that each year the net balance of international payments has been in her favour.

Since the beginning of World War II, the Canadian people have made gifts and loans abroad of about \$6 billion -- \$2.4 billion in mutual aid to wartime allies, \$175 million in UNRRA and post-UNRRA assistance and \$3.6 billion in loans to various governments. Although the circumstances that called forth this foreign "investment" in victory were abnormal, the ability to do it indicates that under favourable peacetime conditions, Canada will be able to continue the pre-war pattern of reducing her international indebtedness and undertaking some investment abroad.

#### Canada's Post-War Trading Policy

One-third of Canada's national income is derived from foreign trade, a degree of dependence that only two or three countries in the world can match. Under the circumstances, Canada is vitally interested that a favourable atmosphere be established and maintained in which world commerce can be carried on. Both her short-run and long-run trading policies are shaped to this end.

The two most important short-run policies have been aimed, firstly, at assisting Western European countries to stabilize their economies, and secondly, at protecting Canada's own foreign exchange position, which is insecure as long as Western Europe is unable to trade on a cash basis. Some \$1.8 billion of the \$3.6 billion of loans to other governments mentioned above have been extended since the end of the war to nine countries, of which \$1.25 billion is for the United Kingdom. The other countries are Belgium, China, Czechoslovakia, France, Netherlands, Netherlands Indies, Norway and the U.S.S.R. Most of these loans have now been used or pledged against orders with the exception of some \$235 million of the United Kingdom loan. Canada's contribution to European recovery is realized when it is pointed out that the loan to the United Kingdom was four times as large in relation to population as the \$3.75 billion loan to that country made by the United States at the same time and possibly five or six times as great in relation to per capita income.

Canada's long-run external trade policy seeks the establishment of international commerce at the highest level possible on a multi-lateral basis. Canada has good reason to recognize the mutuality of benefit accruing from a high level of trade. She was more penalized than helped by the marked increase in trade protectionism that occurred in the inter-war period and is vitally interested in seeing the trend reversed. As one of the largest per capita exporters of goods in the world, any percentage decrease in her trade resulting from the imposition of trade