relative to imports than in the past. If the Western European countries are to regain or exceed their pre-war standard of living, it is almost imperative that the absolute level of exports exceed previous levels so as to offset the burden of increased national debts. At the same time, many non-European countries, and particularly the United States and Canada, have increased their industrial potential greatly and consequently their ability to export has gone up. If both groups of countries have to increase their exports to maintain their prosperity then collectively they will have to increase their imports. The alternative is to gear economic activity to a low level of employment and income.

Canada must adapt itself to these conditions. In the relative, if not the absolute sense, Western Europe has now become a less favourable area for her to export to and a more favourable area from which to import. Consequently, Canada must bring her trade in the non-European market into better balance, which, in the last analysis, means she must bring her trade with the United States into better balance.

Canada's Increased Industrial Potential

Canada's ability to export and import goods, and the types of goods she can export and that she will wish to import has been subject to change in the nine years since World War II started. The most important reason for this is that the high rate of investment in plant and equipment in these years has altered materially Canada's industrial potential. The investments of the war period of a strictly business nature are estimated to have amounted to $4.5 billion. About $3.5 billion of this was used directly or indirectly in prosecuting the war, of which $1.7 billion was for plant and equipment to produce munitions items. It is considered that two-thirds of the $3.5 billion investment has been converted to peacetime purposes. Approximately $2 billion more was spent on plant and equipment in the first two years after the war. Another record investment is being made in 1948.

The increase in ability to produce is somewhat greater than the investment outlay would indicate. Before the war, Canadian manufacturing concentrated on primary processing of goods for export and the final processing of consumers goods for domestic consumption. A goodly part of the wartime and post-war investment represents the acquisition of production facilities in the field of intermediate processing. The Canadian manufacturing industries have thereby become better adapted to process goods from raw materials to finished product, a development already evidenced by a marked increase in the variety of goods being produced.

In a general way the large investment of the war period with a survival value took place in the exporting industries and the manufacturing industries. The most important spheres of expansion of the manufacturing industries were the broad group of metal-working trades and the chemical and allied industries. This development has gone a long way to rounding out Canada's industrial production structure. Since the end of the war the heaviest investment in manufacturing has been in the wood, pulp and paper, vegetable and animal foods, iron and steel, textile and textile products, non-metallic minerals, chemicals and commercial shipping, in that order.

What the war and post-war investment can do to Canada's production and export was revealed in a survey of some 4,200 companies undertaking post-war investment. These companies expected, when their investment program was completed, to turn out $1\frac{3}{4}$ times and to export $2\frac{1}{2}$ times the volume of goods they produced and exported before the war. Although the showing of all Canadian industries would not be as impressive as this, the indications are that the ability to produce and to export is a comparatively strong one. The war and post-war investment in manufacturing facilities has also accelerated changes in the type of commodities being exported. In 1920, exports were 44 per cent raw materials, 16 per cent partially manufactured goods and 40 per cent fully manufactured goods.

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