

In matters of trade Canada is the foreign country which has by far the greatest importance for the United States and, I dare say, for the New England region as well. The total trade that passes over our border exceeds that between any other two countries in the world. Canada is your best customer--and by the way it is a cash customer. In 1947 you sold Canada \$2 billion of exports, almost 80 per cent of our total imports. This is more than you sell to the whole of South America and considerably more than to all Asia; more than your exports to the United Kingdom, France, Soviet Russia and China combined. During the same year the United States purchased from Canada no less than 1 billion dollars of goods, about 37 per cent of our total exports. This is a significant level of purchases but only half of what you sell to us. Perhaps the most significant feature of our trade relations is that Canada with 12½ million people purchases twice as much from the United States as your 145 million people purchase from us. The average Canadian purchased \$160 of United States goods in 1947; the average American purchased less than \$7 from Canada.

Underlying these cold figures is the simple truth that our economies are mutually interdependent and largely complementary. We could not get along without large-scale imports from you of such things as coal, oil, iron and steel, machinery and textiles. Your New England region has for a long time found an important market in Canada for the products of your highly developed industries. I doubt whether you could get along without large-scale imports from Canada of newsprint, woodpulp, timber, pulp-wood, nickel, asbestos, lead, zinc and a host of other vital raw materials. It is this mutual interdependence which has been and will continue to be the mainstay of our high level of trade.

Perhaps more important than the level of trade in understanding present trade problems in Canada, is the direction of our trade. Canada's exports are distributed all over the world, with a significant proportion, about 50 per cent, traditionally going to the United Kingdom and the Commonwealth. Less than 40 per cent of our exports are sold in the United States. The vast bulk of Canadian exports of manufactured goods have depended on Commonwealth markets. On the side of imports, although we normally purchase large quantities from the United Kingdom and the Commonwealth, about two-thirds has come from the United States. We sell much more to the United Kingdom and the Commonwealth than we buy from them. We buy much more from the United States than we sell to you. The wide disparity in our trade balance with the U. S. A., on the one hand, and with the United Kingdom and the Commonwealth, on the other, is the nub of our trade and exchange problem today.

Before the war free convertibility of sterling permitted an easy solution of the Canadian dollar deficit with your country. It was clear that with the cessation of hostilities trade and currency relationships could not be expected to revert quickly to their pre-war pattern. The widespread devastation in Europe meant that for a long transitional period the old countries would require vast supplies of raw materials, food and equipment. At the same time the capacity of these countries to pay for imports, either out of current production or exchange reserves was greatly reduced. Canada could not, under these circumstances, depend on her surpluses earned in the United Kingdom, the Commonwealth and Europe to pay for her deficits in the U. S. A. To help solve this basic difficulty, the foreign economic policy of Canada has been directed to two related goals:

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