

The third main element of a general character in our international economic and financial position is the great importance of international transactions in Canada's economic life. I am sure that this aspect of our position is well known to all of you and all I want to do is to underline it heavily. As compared with countries such as the U.S. or the U.K. a much greater proportion of Canadian energy is devoted to the production of goods for which we are obliged to seek a market outside our own territory. In the same way, a very large proportion of each unit of goods used in this country, whether for consumption or investment purposes, is imported from abroad. Unfortunately it is not easy to measure Canada's dependence on international trade. Attempts to measure it statistically indicate that something of the order of 25% of gross goods and services produced in Canada are sold to non-residents; similarly something like 25% of the goods and services bought by Canadians are produced abroad. By way of comparison a very rough approximation of the comparable figure for the United States would probably be something around 5%.

But this arithmetical measure of the importance of trade to Canada does not tell the whole story. A great part of what we import is both vital to our welfare and could not be produced in Canada except at costs which would be generally regarded as exorbitant. In many cases it is not so much that we lack the natural resources as it is that those resources are for one reason or another very difficult to exploit. This is, for example, the situation for both coal and petroleum. Whatever the reason, it is undoubtedly the case that many of our imports are of such a nature that we should find it extremely difficult to get along without them.

On the other side of the coin, much of what we export we could find no use for in Canada. We produce, for example, much more wheat, newsprint and base metals than we could make any reasonable use of at home. The continued existence of many of our industries in anything like their present form depends on adequate export markets.

All this is by way of emphasizing Canada's dependence on international trade. I do not wish to be taken to mean that any reduction in either our imports or our exports would involve us in serious economic difficulties. What I do suggest is that really large reduction in either imports or exports would bear heavily upon us. It would involve much redistribution of population and much scrapping of plant and equipment with, probably, a good deal of unemployment in the process. And any substantial reduction of our dependence on foreign trade could probably not be achieved without bringing with it an appreciable reduction in our standard of living.

These then are the main background elements in the Canadian position. During the War, Canada by dint of her economic development and her removal from the scene of actual hostilities was able to make a very large net contribution in the form of goods. There is no need for me to dwell on the nature of this contribution which is as well known to you as it is to me. The general object of Canada's foreign economic policy during the war was to make Canadian production available for war purposes on terms which would not result in the enrichment of Canada, or create unmanageable postwar problems which might impede world economic recovery. Problems of international financing during the war arose mainly in connection with our transactions with the U.K. and our other Western European allies. The amount of goods which we were in a position to supply to them and which they were anxious to get from us greatly exceeded the amounts which they could pay for currently in cash obtained either from their direct exports of goods and services to Canada or by drawing on their attenuated reserves of gold and U.S. dollars. The general magnitude of this financing problem during the war was in the neighbourhood of \$6,000 millions. This was the net deficiency of