

greater importance than before the war as exporters and others as importers. We must adjust our trade to these changes. The relationship between our own merchandise exports and imports will also be affected by the fact that we are now becoming an important creditor nation, as witnessed by the large-scale financial help we have been able to give war-time allies both during and since the war.

The changes in the pattern of international trade that are particularly important for this country are these: The United Kingdom has suffered greatly in an immediate and direct way as a result of the war, so that it has become relatively more important as an exporter and relatively less important as an importer than before the war. Conversely, as the United States takes on the obligations of world banker, it becomes relatively more important as an importer and relatively less important as an exporter, except as it exports capital. In other words, the United Kingdom has become a less favourable export market and a more favourable import market for Canada, and the United States is becoming a more favourable export market. In the long run, our trade with these two countries should come into better balance. Because of our difficult foreign exchange position, the Government is making a strong effort to speed up the process by attempting to increase our exports to the United States. The drive to enlarge our export trade with the United States, therefore, is not a short-run emergency measure, even though it is not free of the element of urgency at this time.

Not only must we adjust our trade on the basis of the export and import potentials of other countries, but an additional adjustment will have to be made on the basis of what we have to sell and what we need from abroad. Thus, while manufactured goods have constituted between 79 and 80 per cent of our imports since the First World War, the proportion of manufactured goods among our exports has climbed from around 55 per cent to 75 per cent. Behind this development lies the industrialization of our economy. This has been going on at a very rapid rate during the past eight or nine years of war and post-war adjustments and is still continuing at a record level.

This industrialization means that we can make more of the things we use and process to a greater degree the things we export. The first development will tend to make us less dependent on imports of the more important kinds of manufactured goods and more dependent on imports of raw and basic materials to be processed. It should also increase the volume of imports of luxury and semi-luxury goods as long as a high level of income and employment can be maintained. The ability to process more of our exports means that their total value will increase faster than their volume. This, in turn, increases the ability to import. The most likely result of the changed content of our exports and imports will be a widening of our market. In other words, we will become less dependent on the United States and the United Kingdom for exports and imports.

The world now has a backlog of nine years of adjustments in trade to make up, and during that nine years the economies of most countries have been greatly changed. The post-war recovery in Western Europe has been slower than was anticipated. This is due to a number of factors, among which is the physical destruction of plant and equipment which was greater than had been realized. The political difficulties in the various countries during the reconstruction period have also been a