

\$3.8 billion. This improvement in their total deficit has been the result of a five per cent increase in total imports and a 40 per cent increase in total exports, though in respect of the dollar areas the deficit has been reduced by a drop of one-third in imports and an increase of one-quarter in exports. Reductions in imports by European countries were made possible by their improvements in home production and hence their reduced need for the abnormal volume of imports which was essential just after the war, but are also the result of deliberate administrative measures designed to keep their imports within the dollar resources that are available to them.

Hon. members will realize, of course, that while these improvements are very considerable, Europe still has a difficult road to traverse before viability at a tolerable level can be reached. Hon. members will also realize that, while we stand to benefit very substantially in the longer run by the restoration of a sound balance in world trade, in the shorter run we shall have posed to us in Canada a number of difficult problems, and the adjustments that we may be required to make in our economy will not always be easy or entirely painless.

Canadian economic activity is heavily influenced by conditions throughout the world, but it is particularly influenced by economic conditions and prospects in the United States.

Economic activity in that country experienced a moderate setback during the spring and early summer of 1949, but recovered during the second half of the year. The decline in United States industrial production during the first half of the year amounted to about 16 per cent, and the later recovery regained about half of this lost ground. While we can never escape the effects of sustained changes in United States business conditions, it is evidence of the current strength of the Canadian economy that we were so little affected by the United States recession. Taking 1949 as a whole, United States industrial production declined about eight per cent and Canadian output advanced about two per cent.

I turn now to a general review of our external trade.

Exports from Canada to all countries have been sustained at a high level throughout 1949. From a post-war low of about \$2,300 million at the end of 1946 exports increased steadily and rapidly until the annual rate reached \$3,000 million toward the end of 1948. During the first eight months of 1949 there continued to be an upward trend and the peak twelve-months figure of \$3,120 million was reached in August. Since that month there has been some falling off and the exports for the twelve months ended February 28, 1950, were just under the \$3 billion mark.

There have, however, been some significant changes in the direction of our exports, and having regard to our exchange problem, these changes have been in a satisfactory direction. Exports to the United States, which reached a post-war low of just under \$900 million in 1946, climbed slowly through 1947 but very rapidly during 1948 to reach \$1½ billion at the end of that year. They have remained at this level, with only minor fluctuations, for the past fifteen months.

This remarkable increase of \$600 million in our exports to the United States in three years has been spread over all our principal industries, but the chief contributors to the increase have been farm and livestock products, wood and paper products,