

come merely "hewers of wood and drawers of water". Unquestionably this is a danger for any undeveloped country and one to which attention should constantly be directed.

The Canadian Statistical Review has analyzed Canada's foreign trade by stage of fabrication. It divided products into three classes—crude materials such as pulp wood, ores, undressed furs—fabricated materials such as plywood, ingots and dressed fur skins—and end products such as magazines, machinery and fur coats. The analysis indicated that imports to Canada of crude materials dropped from 32% of the total in 1948 to 14% in 1968 and imports of fabricated materials from 32% of the total in 1948 to 21% of the total in 1968. On the other hand, imports of end products increased from 36% of the total in 1948 to 65% of the total in 1968. A similar tendency, however, is found in our export trade. Canada's exports of crude materials from 1948 to 1968 declined from 28% of the total in 1948 to 26% of the total in 1968, our exports of fabricated materials decreased from 52% of the total in 1948 to 38% of the total in 1968 and our exports of end products increased from 20% in 1948 to 35% in 1968.

The Canadian Statistical Review concludes that the Canadian economy over this period has seen a rapid process of diversification and that primary products are becoming progressively less important in Canada's foreign trade. It notes however that while the major share of total domestic exports represented by partially finished goods (i.e. fabricated materials) narrowed substantially during the period, they still remained first in 1968 among commodities by stages of fabrication, slightly ahead of end products. It also notes that while the initial impetus of the Canada-U.S. automotive agreement in bringing trade in vehicles and parts into better balance is nearing its end, it can be observed that the trend towards more fully manufactured goods will be a steady influence in Canada's exports as well as auguring buoyancy in the future. The review concludes that Canada has obviously attained a high degree of sophistication in its industrial development and the home market has grown to sufficient size to support a fairly broad spectrum of industrial activity.

Nevertheless, in view of the high proportion of the total imports from the United States represented by highly processed end products, it is apparent that continuing emphasis must be placed upon increasing the percentage of the total of Canadian exports consisting of end products and increasing the proportion of the Canadian market for such products served by Canadian manufacturers.

*2.02 Capital requirement* For a large underpopulated and relatively undeveloped country such as Canada, the supply of adequate capital for resource and industrial development is clearly of vital importance. It can be provided out of national savings, i.e. the difference between national production and total consumer expenditure, or, alternatively, the necessary capital for development can be imported from abroad. Evidence presented to the Committee indicated that Canadians save quite a high percentage of their national income, but they also have had to import a great deal of capital from abroad.

As indicated earlier, since 1948 Canada's imports from the United States have exceeded her exports to the United States by a large amount. Part of this deficit has been financed by an export surplus with overseas countries but the remainder has been met by large capital imports, mostly from the United States. There appears to be a difference of opinion between experts as to whether Canada's trade deficit with the United States has caused the importation of capital from the United States or whether, on the contrary, Canada's importation of capital from the United States has been the cause of the deficit