

Canada and the United States have felt that the needs of our common security have required the construction of three parallel early warning lines in the Canadian North; and this construction is adding greatly to our knowledge of the North.

Because all this activity in the North has given a new depth to Canada, our country can no longer be described as a thin fringe of people just across the border from the United States.

In 1935, Canada was very largely dependent on the United States for three of the most important sources of industrial growth: coal, petroleum products and iron ore.

In twenty years that picture has changed in an almost revolutionary way.

We are already large net exporters of iron ore; we can look forward to the day when we will be net exporters of petroleum products; and great new developments of water power and increased and increasing use of petroleum products has greatly reduced the relative importance of coal in our industrial economy.

Natural gas is likely to reduce still further the place of coal in the economy and the consequent dependence of Canada on imports of industrial and domestic fuel.

Developments such as these are gradually changing the pattern of Canada's external trade and our trade with the United States is coming into somewhat better balance than before the war. In absolute terms, however, Canada's trade deficit with the United States is still very substantial. Over the last four years it has averaged more than \$600 million a year.

Canada continues to be a very large importer of the agricultural products of warmer climates, such as citrus fruits and cotton, and of capital equipment and parts for production as well as manufactured goods for consumption.

The great increase in our exports has been concentrated in a relatively small number of basic commodities.

One reason for this situation is that the growth of Canadian exports of processed materials and manufactured goods which we can produce efficiently have been held back by high tariffs and other trade barriers from entry into the United States and other countries where we could otherwise compete.

First, the war and then the full employment of the post-war years have drawn workers away from the Canadian farms and speeded up the mechanization of agriculture at a tremendous rate.

Forty per cent fewer farmers are producing 45 per cent more farm products than the larger number did before the war.

The export of farm products and particularly of wheat is still a matter of prime concern in the functioning of our national economy and the whole of Canada retains its historic sensitiveness to the well-being of the wheat growers.