

the third market normally for Newfoundland exports, Canada enjoys a very favorable trade balance with Newfoundland, because Newfoundland's principal exports are mainly competitive with those of Canada.

The economy of Newfoundland rests primarily upon three industries-- fishing, pulp and paper, and mining--which are based upon its main resources. It is a commercial economy: the production of its basic industries, which is far in excess of domestic requirements, is geared to demand in export markets. The volume of Newfoundland's exports is indicated in the following table, which gives the approximate values:

	<u>1930</u>	<u>1933</u>	<u>1945</u>
Sea Products	\$15,000,000	\$ 7,000,000	\$22,000,000
Forest Products	17,000,000	12,000,000	16,000,000
Mining Products	6,000,000	3,000,000	7,000,000
All others	<u>1,000,000</u>	<u>500,000</u>	<u>1,000,000</u>
Total exports	\$39,000,000	\$22,500,000	\$46,000,000

One of Newfoundland's main trading difficulties is that its principal exports, dried cod, newsprint and iron ore, must be sold at a competitive price in a world market, whereas the bulk of its imports are from the protected markets of Canada and the United States, and are thus less subject to violent price fluctuations. This situation was aggravated during the 1930's by the breakdown of international exchange. In the decade before the war, Newfoundland sold about two-thirds of its exports in countries other than the United States and Canada, and mainly in the sterling area. On the other hand, about 70% (about 90% in 1945-46) of her imports came from Canada and the United States. The difficulty of many of Newfoundland's overseas customers in finding dollars to pay for imports from Newfoundland, has on occasion adversely affected the demand, and hence, price, of its products.

The Fishing Industry

The proximity to the abundant fishery of the North Atlantic is the dominant factor in Newfoundland's economic life. Until little more than fifty years ago, the island's economy was based exclusively upon the fishery. Since then, following the construction of a railway and the opening up of timber and mineral resources, considerable economic diversification has taken place: by 1939, the fishing industry accounted for only one-quarter of total export returns, though in 1945, it was again in first place in exports--accounting for about 45% of their value. The fishing industry retains its key position in the economy, with at least one-half of the population directly dependent upon it for a livelihood.

The cod fishery is of greatest importance; the historic markets for its main product, dried salt cod, have been Spain and Portugal, and Brazil. The demand for dried cod declined during the period between the two wars, due largely to the marketing difficulties in the principal consuming areas, and partly, to the development of other cheap protein foods. The Newfoundland industry had also to meet increasingly strong competition from Iceland and Norway, whose fishing industries are more concentrated and therefore more easily adapted to modern techniques. In consequence, the Newfoundland product began to invade the West Indian market, in competition with Canada's exports of dried cod.

There has been a growing emphasis in Newfoundland on the marketing of frozen fish, especially since 1939. During 1946, over 16% of total fish exports came from the expanded cold storage industry producing fillets. Although the United Kingdom was an important market for the new product during the war, the revival of the British fishing industry, and exchange difficulties, are likely to restrict sales there;