least $25 millions annually to meet the net interest payments due in New York. Further, it may not be found possible to continue the shipment of the entire Canadian gold output to the United States.

(*f*) *Capital Movements*

It may be stated, in general terms, that in recent years the net Canadian credits from tourist expenditures and gold shipments have offset the net debits to the United States from interest, dividends, and freight, while the adverse Canadian balance on commodity trade has been met by the net movement of capital from the United States to Canada. Capital has moved both by new long-term investments in Canada and by the purchase of existing Canadian securities. In 1931 the flotation of new capital issues in New York virtually ceased, and the meeting of Canadian obligations in the United States became much more difficult; in fact, it was necessary in some instances to raise capital in Canada and transfer it to the United States to meet maturing obligations there. A reduction in imports therefore became urgently necessary if Canadian obligations were to be promptly and fully paid at maturity. The fall in commodity prices, the decline in Canadian exports to the United States, which was accentuated first by the United States Tariff Act of 1930 and later by the imposition in 1932 of a heavy tax on imported lumber, the discount against the Canadian dollar, and the heavy falling off in tourist expenditures, combined to make the situation still more difficult. Most of the factors responsible for this difficult situation still persist.

Since the beginning of the depression, amongst countries heavily indebted to the United States, Canada stands almost alone in having promptly discharged in full its obligations payable in the United States. If this record is to be maintained, it is clear, in view of the uncertainty as to international capital movements, that the exports of Canadian goods to the United States must be increased or the imports of goods from the United States into Canada decreased.

It should be realized that certain formidable obstacles to the lowering of tariff barriers now prevailing in other parts of the world are not present between the United States and Canada. The opportunities of a new continent have resulted in a parallel economic and social development almost without precedent. Standards of living and working conditions are similar on both sides of the international boundary. The measures of protection which each Government has imposed against the products of the other country have not been determined by a desire to exclude the products of cheap labour. In these difficult times, countries seeking to maintain high domestic standards of living have a common interest in expanding trade with each other. For the past year, also, the Canadian dollar has been close to parity with the United States dollar, and the disturbing effects of exchange instability have in large part disappeared. Even if the desired general revival of international trade should still be