

If we do not get United States dollars for most of our net earnings overseas we soon run into difficulty paying for our imports from the United States. On the other hand, if we ask for United States dollars, overseas countries are reluctant to buy in Canada. This is the Canadian dilemma.

There is no denying that this Canadian position is an awkward one. The mere fact that we rely heavily on export markets for so much of what we produce leaves us exposed to developments abroad which, of course, we cannot control. If, in addition we have to rely, as to a considerable extent we do, on having to earn dollars overseas to finance a deficit with the United States, our position is the more vulnerable. These are the facts and there is no overlooking them.

But it is possible to overemphasize our vulnerability. One may observe some important developments which are very favourable to our international economic position.

One of these is that the gaps in our accounts with the sterling area and the United States have, in fact, been substantially reduced during the past few years. In 1947, when our exports to the sterling area were at the postwar peak, they exceeded our imports from that part of the world by as much as \$770 million; in the last 12 month period for which statistics are available this gap had been reduced to slightly more than \$500 million. And it is worth noting that only the smaller part of this narrowing of the gap resulted from a reduction in exports from Canada. By far the major contribution was made by increases in our imports from the sterling area and particularly from the United Kingdom.

There has also been a narrowing of the gap in our merchandise transactions with the United States. The trade statistics show that in 1947 our imports from that country exceeded our exports by over \$900 million. In 1948 this figure was reduced to \$300 million. The rise in our imports this year has again increased this figure to over \$450 million, but it is still considerably below the 1947 level. Here too the narrowing of the gap was achieved primarily through expansion rather than through contraction - in fact in this case the entire credit goes to an increase in our exports to the United States, as our imports, in spite of controls, have been running during the past year at about the same level as in 1947.

Another favourable factor in our situation is the increased size of the Canadian economy. As the national family grows (and ours in Canada has grown a third since 1929) it eats more of the surplus from the vegetable garden and uses more of the things the family makes. And more people in the family make more varieties of things. I am sure that many of you could quote instances where the increased size of the home market has enabled you to sell at home those foods and manufactured goods which are now shut out of other markets.

Turning from the past to the present and the foreseeable future one finds in progress in Canada various developments which promise to have important favourable consequences on our balance of payments. To return to our analogy between the income and outgo of a person and the income and outgo of a nation, I mentioned that there were a number of devices that an individual whose expenditures threatened to run beyond his income could use, such as drawing on past savings, cashing in bonds, arranging for a loan or promoting a gift. He may, of course, not find it necessary to have recourse to any of these devices if he finds himself able simply to increase his income. In