armies from the sweep from El Alamein to Tunis was due in large part to the timely arrival of large quantities of Canadian military vehicles. Starting from scratch, Canada produced 80,000 army vehicles in the first fifteen months of the war. Canada was among the earliest and largest producers of radar equipment, as well as a great quantity and variety of ordnance, including the most complicated types. The Canadian shipbuilding industry, which before the war had only about thirty shipyards with limited facilities, was so expanded that by the end of 1944 some 450 different types of naval escort vessels, 2800 vessels for other special war purposes and about 3,400,000 tons of cargo vessels had been launched.

When the United States entered the war in 1941, Canada was in full stride and had become Britain's arsenal as well as her granary. By the winter of 1943-44 the volume of Canadian industrial production was double that of pre-war years.

Now...these facts are all very impressive. A sales executive who might come upon them in the answer to our hypothetical questionnaire would almost certainly interpret them as evidence of a vigorous and resourceful country...in other words, a country with a bright future as an international customer.

Now let us turn to the second question. What are the highlights of Canada's economic situation today?

The change-over of our industry from war to peace-time production was accomplished with more speed and more smoothness than many had dared hope. The demobilization of armed services proceeded hand-in-hand with the re-absorption of these Canadians into business and industry. Investment in new plant capacity was speeded up tremendously.

The world wanted asbestos, wheat, lumber, automotive vehicles and many other Canadian manufactures in quantities beyond all previous experience. Heavy export demand, together with rapid capital development and high levels of consumption, have kept the "safety valves" on our economic engine near the popping point. Employment and production rose to the highest peacetime levels in our history.

Reflecting this prosperity, Canada's financial condition improved enormously. Farm income was high and farm real estate... which for years had laboured under a heavy mortgage load...worked itself all but free of this burden. Estimates show a startling change in gross national production which rose from about $5 billion in 1938 to over $13 billion in 1947 and represented an increase in physical volume of more than two-thirds. All this meant that governmental revenues remained high, and the federal budget showed surpluses, despite large reductions in taxation.

Now why...in the midst of this material well-being...this discovery and development of vast new resources...this great increase in our productive capacity and this ready market for our products... why you may well ask, why is it that Canada has been obliged to cut down its purchases of certain goods and services from countries in the U.S. dollar area? What is it that has caused <u>your</u> best customer to stop buying some things entirely and severely limit her purchases of others?

The short answer to that question is that Canada has been selling large quantities of her products on credit and at the same time has paid cash for the goods and services which she bought. To understand that more clearly, however, one needs to look at the pattern of Canada's trade and think about the way it operated in normal times.