of commodities and the tremendous potentialities of expansion under favourable conditions. But no useful purpose can be served by calculating the relative shares retained by each country in a total world trade that for four years has been steadily shrinking, until in 1933 it fell in value to approximately one-third of the level of 1929. If peace and prosperity are to be established on an enduring basis, it is essential to increase the absolute volume of world trade. No better beginning can be made than by taking steps to increase without delay the volume of trade between two countries which offer the most notable opportunity.

Recent trends in the balance of international payments emphasize the necessity of increasing the volume of trade between Canada and the United States. There are six major factors which chiefly determine the nature and extent of the current balance between the two countries. These are: (*a*) commodity trade; (*b*) interest and dividends; (*c*) freight payments; (*d*) tourist expenditures; (*e*) gold shipments, and (*f*) capital movements. On the first three items there has been for many years a heavy balance against Canada, which has been met by a favourable balance on tourist expenditures, by the shipment of gold, and by the movement of capital. An approximate annual balance between the two countries is normally achieved on such other items of international payments as insurance, advertising, royalties, and immigrant remittances, when these items are added together.

(*a*) *Commodity Trade*

In no year since 1882 have Canadian exports to the United States exceeded in value Canadian imports from the United States. During the thirty years ending in 1933, Canada purchased in the United States almost 70 per cent of all her imports, and sold in the United States only 37 per cent of all her exports. In the last decade, Canadians have spent over $1.60 in buying products of the United States for every dollar spent on Canadian products by purchasers in the United States. Canada has therefore been obliged to meet the debit balance thus arising by other means of payment. In the decade 1921 to 1930, according to the Department of Commerce of the United States, the balance payable by Canada to the United States on exchange of commodities averaged $287 millions a year. In 1932 and 1933—which were the acute years of the depression—the balance was more nearly equated; but in the first nine months of 1934 Canadian imports from the United States have increased more rapidly than Canadian exports to the United States, and the ratio between them currently stands at about 10:7.

(*b*) *Interest and Dividends*

The long-term investments in Canada of United States capital have been estimated at a total of about four billion dollars, offset by about one billion dollars of Canadian capital invested in the United States.