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The pattern of Canada's foreign trade up to World War II was determined largely in the years around the beginning of the Twentieth Century. This pattern still persists, but the impact of World War II both on Canada and the rest of the world will necessitate a fundamental readjustment of the pattern in the years immediately ahead.

The Growth of Foreign Trade

Canada's foreign trade, historically, represents the adaptation of a rapidly expanding, undeveloped economy to a generally favourable past pattern of world trade. In the years around the turn of the century railway building opened a vast frontier of land, forest and mineralized rock while heavy immigration and foreign investment provided the manpower and equipment needed to start exploitation of these resources on a large scale. The emphasis of economic development was placed on the production of a limited number of types of commodities that would command a ready world market. The funds realized from the sale of exports were used to purchase a wide variety of goods not produced in Canada. Canada became and still is an exporter of specialized products and a large world trader.

Canada's Resources

The fact that Canada possesses in great abundance a number of important resources has had a tremendous influence on her economic development. Climate and physiography have also influenced that development. The great masses of Precambrian rock comprising large parts of Canada are covered with a layer of soil too shallow to support agriculture but favourable to the growth of forest and fur-bearing animals. Trading in furs developed in the Sixteenth Century and later the timber trade was started to provide the long, square pine timber needed to build wooden sailing vessels. The fishing trade grew early out of the presence on both coasts of a wide continental shelf with water shallow enough to provide ample feeding grounds for large numbers of fish and cold enough to assure their firm flesh and fine flavour. The great central plain, composed of deep brown silt laid down by pre-historic floods, was open to cultivation in the latter part of the Nineteenth Century when the trans-continental railways were built, thus beginning Canada's wheat and grain trade. The Laurentian shield, widespread base of old, worn-down Precambrian mountains curving in a broad horseshoe around Hudson Bay, are studded with minerals both precious and base, making Canada a foremost exporter of these raw materials.

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* Incorporating information previously issued in Reference Papers No.14 ("Background of Canada's Foreign Trade" July 1946) and 21 ("Canada's Interest in Geneva Trade Conference March 1947").

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With the expansion of industrialization brought about by the introduction of steam power in 1850 and electric power at the turn of the century, the nature of Canada's stock-in-trade began to change and grow more diverse. Canadians undertook a certain amount of processing of their raw materials before exporting them. Wood was turned into pulp and paper, metals were smelted and refined, wheat was milled into flour, coarse grains fed to hogs and turned into bacon.

Canada has tended to concentrate on the production of a few basic commodities for export, partly because certain natural advantages allowed her to produce them efficiently and partly because there was a ready market for them abroad in normal times. Thus she produces newsprint, wheat, lumber, meat, nickel, woodpulp, copper and aluminum in much greater quantities than the people of Canada use. The one highly manufactured article that is an important export is the automobile. The following table shows the value of trade over nearly three decades in the exports of most importance since the end of World War II.

Important Canadian Exports
(in millions of dollars)

	1920	1930	1940	1947
Newsprint	54	133	151	342
Wheat	185	185	119	265
Lumber	75	37	68	208
Wheat flour	94	38	26	197
Woodpulp	41	39	61	177
Meats	96	8	63	103
Automobiles and parts	18	20	55	93
Fish	41	30	30	82
Aluminum	6	8	33	55
Nickel	9	21	61	60
Copper	1	1	40	45

This specialization on a few important products means that Canada does not produce or produces only in limited quantities a large variety of other products. Such items as natural rubber, tea and cotton are not produced because the climate is unsuitable; others, like wool, silk, china and certain types of machinery because they can be produced more cheaply in other countries. These commodities Canada buys abroad. As a result, the Canadian economy is based fundamentally on the ability to export its surplus product to pay for the imports of commodities lacking within its own borders. In the wide variety of goods coming into Canada, the following groups of commodities have predominated since the end of World War II.

Important Canadian Imports
(in millions of dollars)

	1920	1930	1940	1947
Machinery, except farm	37	50	71	249
Coal	60	57	50	139
Petroleum, crude	20	41	48	127
Cotton goods	49	22	19	120
Farm implements	15	22	31	106
Fruits	33	31	28	77
Electrical apparatus	16	30	21	63
Rolling mill products	40	47	57	60
Cotton, raw	34	14	25	59
Sugar and products	74	26	29	47
Engines and boilers	13	11	12	44

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Canada's Trade Pattern

The pattern of world trade in the years preceding World War I was probably of greater significance than the natural resources of the country in determining the degree to which different Canadian industries developed and the extent to which Canada became dependent on world trade for its livelihood. At this time there was a well recognized pattern of world trade, and it was one that Canada could use to its advantage. There was a preponderant flow of goods from all parts of the world to Europe and a preponderant outflow of capital and services from Europe to the rest of the world. The centre of gravity of Europe in trade matters was the United Kingdom, Canada, as it came to maturity, oriented itself to Europe, and particularly to the United Kingdom, and benefitted greatly by the arrangement.

In the first place, the United Kingdom could provide the capital needed to develop Canada's economy and, in the second place, it was a ready market for the disposal of Canada's growing volume of exports of basic materials. It also provided a good source of imports, but Canada depended on the United States as the principal supplier of goods which it did not produce. After World War I the United States also became a principal source of capital for the development of Canadian industry. Both in terms of imports and exports, Canada's trade reflects this dominating triangular pattern. The United Kingdom and the United States each take about one-third of Canada's exports. The United States is the largest source of Canada's imports, with about two-thirds of the total. The United Kingdom is second with about half of the remaining third.

Out of this triangular pattern of trade developed a characteristic disequilibrium in the balance of international payment of Canada with both the sterling area and the United States. Canada had large credit balances with the sterling area (from an excess of exports over imports) and large current account deficits with the United States (from an excess of imports over exports and large payments of income on United States investments in Canada). This situation is well illustrated by the following table:

Canada's Balance of Payments
(in millions of dollars)

Year	U.K.	U.S.A.	Other Countries	Net Balance
1926	+ 58	- 231	+ 300	+ 127
1930	- 106	- 334	+ 113	- 337
1938	+ 127	- 149	+ 122	+ 100
1943	+1149	- 19	+ 76	+1206
1947	+ 632	-1138	+ 421	+ 85

Importance of Trade to Canada

Up to 1914, Canadian trade had grown steadily through the export of staples and the import of capital equipment and manufactured consumers goods. During World War I, the growth of trade was accelerated, while wartime demand provided a stimulus to industrialization. This industrialization proceeded apace in the inter-war period. One of the principal causes of this was the establishment of branch plants of foreign companies, particularly those of the United States. The increase in production resulting from this inflow of foreign capital was reflected in a steady growth of exports up to 1930. During the 1930's trade fell off greatly in terms of value because of the precipitous decline in prices and in terms of volume because of poor business conditions throughout the world. World War II once again placed emphasis on the desirability of expanding Canadian manufacturing activity.

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The industrialization and diversification taking place over this period of time is shown by the relative importance of agriculture, manufacturing and all other industries:

Net Value of Production
(percentages)

	1919	1929	1939	1943
Agriculture	44	28	23	20
Manufacturing	33	39	41	54
Other industries	23	33	36	26
Total	100	100	100	100

The share of total net value of production resulting from manufacturing since the end of the war is less than the 54 per cent shown for 1943, but is higher than the 1939 level, since the manufacturing industries have been very successful in consolidating wartime gains. An indication of this is the fact that manufacturing employment for the first time exceeded that of agriculture in 1947.

With about one-half of one per cent of the world's population, Canada was surpassed as a trading nation by only the United Kingdom, the United States, Germany and France before the war. During the war, she moved up to second place behind the United States and now ranks next to the United States and the United Kingdom. However, on a per capita basis, Canadian trade exceeds that of any of the leading world traders. Thus in 1937, Canadian per capita exports amounted to $91, compared with $62 for the United Kingdom and $25 for the United States, while imports amounted to $73 compared with $97 for the United Kingdom and $23 for the United States. During World War II Canada's per capita exports reached $287 in 1944.

An idea of Canada's trading picture from the end of World War I to the present time emerges from the following table:

Canada's External Trade (excluding gold)
(in millions of dollars)

Year	Exports	Imports	Visible Balance of Trade
1919	$ 1,290	$ 941	+ $ 349
1929	1,178	1,299	- 121
1934	656	513	+ 143
1939	936	751	+ 185
1944	3,483	1,759	+ 1,724
1947	2,812	2,574	+ 238

Canada's total commodity trade in 1947 was of about the same magnitude as that of the United States in the years immediately preceding World War II.

Transportation

Transportation has played a very important role in the development of Canadian industry and trade. Canada is nearly 4,000 miles wide. The moving of goods from one region of Canada to another and of foreign commerce to and from tide-water involves a network of railways totalling about 42,000 miles of track.

In addition, canals in the St. Lawrence River system make it possible to ship goods from almost 2,000 miles inland down to the sea. The inland water system is used principally to move grain to the seaboard in the fall of the year and to move coal and iron ore from the United States into Canada during the summer season. For shipping on these inland waters, Canada has a shallow draft fleet of 650,000 tons. For deep-sea carrying there is a merchant fleet of about 1,000,000 gross tons, placing Canada fourth among the world's maritime countries.

The water-borne movement of goods in Canada is conditioned to a considerable extent by climate. Of six major Canadian ports, three are ice-bound for five months of the year. Ice conditions also restrict utilization of the shortest route to Europe through Churchill on the Hudson Bay.

Canadian Tariff Structure

As in most countries with a mixed economy Canada's trade policy has been marked by a conflict between low-tariff and protectionist views. Two interests in Canada have had to be considered. The food and raw material export industries (agriculture, lumbering, mining, fishing, etc.) desire freedom to import low-cost machinery, equipment, clothing and consumer goods. The developing secondary industries have sought protection against the competition of the large-scale established industries of the United States and Great Britain.

Canadian tariff policy has to a considerable degree been influenced by American tariff policy. There has been a tendency to increase tariff rates when the Americans have done so while attempting repeatedly to bring about reciprocal trading with the United States. For the ten years prior to Confederation in 1867 there was a free exchange of goods with the United States, but the treaty was not renewed by the United States. At Confederation, the prevailing tariff rate was about 15 per cent. Rates increased irregularly and substantially during the 1870's and 1880's and were lowered somewhat in the 1890's.

In 1897, Canada introduced a preferential tariff in favour of Empire countries. From then until 1930 the tariff level proved very stable, in spite of numerous changes in individual rates. Fairly extensive revisions of rates took place in 1903 and 1907. In the latter year, intermediate tariff rates were introduced but these have not been applied widely. The present tariff structure and the classification of commodities for duty purposes in use today is basically the one provided in 1907. The only substantial change in the tariff level until 1930 was during World War I when rates were raised temporarily for revenue purposes.

From 1930 to 1933, tariff rates increased sharply. In part this was a reaction to the depression and in part a retaliation against the increased rates applied by the United States in the Smoot-Hawley tariff of 1930. In 1932, as a result of a Commonwealth trade conference, there was a substantial widening of the margins of preference in favour of Commonwealth countries accomplished in many cases by raising rates applicable to non-Commonwealth countries. In 1935 and again in 1939, the general tariff level was lowered as the result of the successful negotiation of reciprocal trade treaties with the United States on a most-favoured-nation basis. The trade treaty of 1935 was the first with the United States since the reciprocal trade treaty of 1855 was abrogated in 1866. In spite of the absence of a treaty, the trade between the two countries had become the greatest in the world between two countries, and each was the other's best single customer.

Canada has pursued a policy of differentiated tariff rate. The rate on each article has been fixed with a view to the amount of fabrication performed in Canada, the extent and character of the market, the

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importance of the industry, the relative costs of production, revenue aspects, trade agreements and other relevant considerations. The present tariff structure is built on three main levels:

British preferential rates apply generally to most countries within the Commonwealth. Canada was first to introduce this method of preferred treatment for the goods of the United Kingdom and British Dominions. Among the countries accorded this special treatment under specific trade treaties are the United Kingdom, Eire, Australia, New Zealand, Union of South Africa and the British West Indies.

Intermediate rates are applied under trade agreements. They have been granted to some countries not entitled to the British preferential rate and are lower than the general rate. There are instances of rates lower than the intermediate tariff under the Canada-France, Canada-Poland and Canada-United States agreements. Most-favoured-nation countries are entitled to all intermediate and lower than intermediate rates that have been granted.

General rates are duties levied on all imports not covered by the above two categories.

At the present time Canada carries on trade with the following non-Commonwealth countries under trade agreements, conventions of commerce or by participation in treaties made by the United Kingdom: Argentina; Benelux (Belgium, Luxembourg and the Netherlands) Belgian Colonies, Surinam and Curacao; Bolivia; Brazil; Chile; China; Colombia; Costa Rica; Cuba; Czechoslovakia; Denmark; Dominican Republic; Ecuador; France and French Colonies; Greece; Guatemala; Haiti; Italy; Lebanon; Mexico; Nicaragua; Norway; Panama; Paraguay; Poland; Portugal, including Madeira, Porto Santo and Azores; Salvador; Spain; Sweden; Switzerland; Syria; Turkey; United States; Uruguay; Venezuela and Yuguslavia. All these countries except Paraguay enjoy most-favoured-nation treatment in Canada, i.e., there is a mutual agreement that the two nations involved will give each other, either generally or on specific commodities, rates which are as low as those given to any other country.

Canada's Post-War Trading Problems

Although Canada's external trade, both in exports and imports, has been at record peace-time levels since the end of World War II, she must nevertheless make a fundamental adjustment in her foreign commerce in the years immediately ahead. In the first place, the pattern of world trade that prevailed in the years before World War I and persisted on an unstable footing in the inter-war period has gone forever, and a new pattern must be worked out. In the second place, the Canadian economy was subject to material changes during the war which will reflect themselves in a different disposition to export and to import goods. Thirdly, Canada emerged from the war not only as one of the world's most important exporters of goods but potentially as an exporter of capital.

These three factors and what Canada is doing to deal with the problems they present will be dealt with in the sections that follow.

The New Pattern of World Trade

The fact that Western Europe as a whole is no longer a world creditor means that in future its commodity exports and imports must be more nearly in balance. There is also a possibility that there will be a greater interchange of goods between its countries, particularly if present exploratory consultations into the advantages of custom union and free-trading areas come to fruition. Bringing exports and imports into better balance means that commodity exports must in future be larger

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relative to imports than in the past. If the Western European countries are to regain or exceed their pre-war standard of living, it is almost imperative that the absolute level of exports exceed previous levels so as to offset the burden of increased national debts. At the same time, many non-European countries, and particularly the United States and Canada, have increased their industrial potential greatly and consequently their ability to export has gone up. If both groups of countries have to increase their exports to maintain their prosperity then collectively they will have to increase their imports. The alternative is to gear economic activity to a low level of employment and income.

Canada must adapt itself to these conditions. In the relative, if not the absolute sense, Western Europe has now become a less favourable area for her to export to and a more favourable area from which to import. Consequently, Canada must bring her trade in the non-European market into better balance, which, in the last analysis, means she must bring her trade with the United States into better balance.

Canada's Increased Industrial Potential

Canada's ability to export and import goods, and the types of goods she can export and that she will wish to import has been subject to change in the nine years since World War II started. The most important reason for this is that the high rate of investment in plant and equipment in these years has altered materially Canada's industrial potential. The investments of the war period of a strictly business nature are estimated to have amounted to $4.5 billion. About $3.5 billion of this was used directly or indirectly in prosecuting the war, of which $1.7 billion was for plant and equipment to produce munitions items. It is considered that two-thirds of the $3.5 billion investment has been converted to peacetime purposes. Approximately $2 billion more was spent on plant and equipment in the first two years after the war. Another record investment is being made in 1948.

The increase in ability to produce is somewhat greater than the investment outlay would indicate. Before the war, Canadian manufacturing concentrated on primary processing of goods for export and the final processing of consumers goods for domestic consumption. A goodly part of the wartime and post-war investment represents the acquisition of production facilities in the field of intermediate processing. The Canadian manufacturing industries have thereby become better adapted to process goods from raw materials to finished product, a development already evidenced by a marked increase in the variety of goods being produced.

In a general way the large investment of the war period with a survival value took place in the exporting industries and the manufacturing industries. The most important spheres of expansion of the manufacturing industries were the broad group of metal-working trades and the chemical and allied industries. This development has gone a long way to rounding out Canada's industrial production structure. Since the end of the war the heaviest investment in manufacturing has been in the wood, pulp and paper, vegetable and animal foods, iron and steel, textile and textile products, non-metallic minerals, chemicals and commercial shipping, in that order.

What the war and post-war investment can do to Canada's production and export was revealed in a survey of some 4,200 companies undertaking post-war investment. These companies expected, when their investment program was completed, to turn out $1\frac{3}{4}$ times and to export $2\frac{1}{2}$ times the volume of goods they produced and exported before the war. Although the showing of all Canadian industries would not be as impressive as this, the indications are that the ability to produce and to export is a comparatively strong one. The war and post-war investment in manufacturing facilities has also accelerated changes in the type of commodities being exported. In 1920, exports were 44 per cent raw materials, 16 per cent partially manufactured goods and 40 per cent fully manufactured goods.

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The corresponding percentages for 1947 were 22, 28 and 50. Not only must Canada re-adjust the volume of exports entering the different channels of trade, but must make the adjustment in terms of more exports and of different kinds of exports if she is to maintain her prosperity.

The greater diversification of Canada's production means that she will no longer need many types of goods formerly imported. In future, there is likely to be a greater emphasis on the import of raw materials, goods that have received only primary processing, and on finished goods of the semi-luxury and luxury types. Since the level of exports needed to maintain prosperity will have to be higher, the level of imports should also be higher.

Canada's Ability to Export Capital

Although Canada is a debtor country in the sense that there is more foreign capital invested in Canada ($7.1 billion in 1946) than Canadians have invested abroad ($3.9 billion), Canada has been a creditor country from 1934 in the sense that each year the net balance of international payments has been in her favour.

Since the beginning of World War II, the Canadian people have made gifts and loans abroad of about $6 billion -- $2.4 billion in mutual aid to wartime allies, $175 million in UNRRA and post-UNRRA assistance and $3.6 billion in loans to various governments. Although the circumstances that called forth this foreign "investment" in victory were abnormal, the ability to do it indicates that under favourable peacetime conditions, Canada will be able to continue the pre-war pattern of reducing her international indebtedness and undertaking some investment abroad.

Canada's Post-War Trading Policy

One-third of Canada's national income is derived from foreign trade, a degree of dependence that only two or three countries in the world can match. Under the circumstances, Canada is vitally interested that a favourable atmosphere be established and maintained in which world commerce can be carried on. Both her short-run and long-run trading policies are shaped to this end.

The two most important short-run policies have been aimed, firstly, at assisting Western European countries to stabilize their economies, and secondly, at protecting Canada's own foreign exchange position, which is insecure as long as Western Europe is unable to trade on a cash basis. Some $1.8 billion of the $3.6 billion of loans to other governments mentioned above have been extended since the end of the war to nine countries, of which $1.25 billion is for the United Kingdom. The other countries are Belgium, China, Czechoslovakia, France, Netherlands, Netherlands Indies, Norway and the U.S.S.R. Most of these loans have now been used or pledged against orders with the exception of some $235 million of the United Kingdom loan. Canada's contribution to European recovery is realized when it is pointed out that the loan to the United Kingdom was four times as large in relation to population as the $3.75 billion loan to that country made by the United States at the same time and possibly five or six times as great in relation to per capita income.

Canada's long-run external trade policy seeks the establishment of international commerce at the highest level possible on a multilateral basis. Canada has good reason to recognize the mutuality of benefit accruing from a high level of trade. She was more penalized than helped by the marked increase in trade protectionism that occurred in the inter-war period and is vitally interested in seeing the trend reversed. As one of the largest per capita exporters of goods in the world, any percentage decrease in her trade resulting from the imposition of trade

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barriers represents a greater percentage decrease in national income than for almost any other country in the world. Canada is interested in having these barriers removed on a multilateral basis because of the wider benefits conferred and because her own dependence on external trade makes her a weak bargainer in bilateral negotiations. For this reason, Canada has supported strongly international efforts under the United Nations to unfetter world trade, as will be pointed out in later sections.

Canada is now in the process of making fundamental adjustments in her internal economy and her external trade to meet the emerging post-war pattern of world trade. At present these adjustments receive their most concrete expression in the steps being taken to meet Canada's foreign exchange difficulties.

Canada's Foreign Exchange Difficulties

Since the end of the war, Canada has had to face, in common with practically all other countries of the world, a serious foreign exchange problem. There are three reasons for this. In the first place, the value of imports in 1947 was about $3\frac{1}{2}$ times its 1939 level compared with a threefold increase for exports. Secondly, and more serious, about four-fifths of the imports came from the United States and had to be paid for in hard currency as against two-thirds before the war. Thirdly, the volume of exports to the United States is now one-quarter of total exports against more than one-third before the war. In relative terms, therefore, Canada is now obtaining less foreign exchange on current account than before the war to pay for imports from the United States. To aggravate the situation, Canada is financing a substantial part of the exports to wartime allies under reconstruction loans, so the amount of hard currency received from her exports is correspondingly less.

From the end of the war to November, 1947, the gap between income and expenditures on international commodity trade was filled through use of American funds left to Canada by American tourists, by drawing on a reserve of gold and American dollars built up during the war and a few minor sources. The gap was so great in 1947 that the reserve of gold and American dollars was reduced by $750 million and at the end of the year only $500 million was left. Under the circumstances it was necessary to take emergency action to protect Canada's credit standing abroad.

The course of action decided on was aimed not only at meeting the immediate emergency but at meeting it in terms of long-run adjustments that would have to be made if foreign trade is to serve adequately Canada's needs. The object was to increase foreign exchange balances, firstly, by importing less from the United States where payment has to be made in U.S. dollars; secondly, by importing more from countries where payments are made in other currencies, particularly pounds sterling; thirdly, by exporting more to areas where payments are made in U.S. dollars; and, fourthly, by reducing the amount of credit extended to other countries. The effect of this policy will be to re-orient Canada's internal and external trade, consumers' purchases, investment program, and production program. This indicates clearly that Canada recognizes the fundamental changes that she must make if she is to maintain a high and stable level of income and employment.

The emergency elements in the program, which will be dropped as soon as possible, are control of imports, restrictions on extension of credit to foreign governments, and permitting Canadian tourists to take only a limited amount of money out of the country. The start on the European Recovery Program in mid-year 1948 provides an additional form of foreign exchange assistance to Canada, by financing part of her overseas shipments that have been financed by means of Canada's reconstruction loans.

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The import control consists of prohibition of certain types of imports, admitting others under quotas and the licensing of imports of capital goods and certain other goods. As a result of restrictions placed on the extension of credit to foreign governments, it is expected that loans abroad will be down substantially in 1948 compared with 1947.

Off-shore purchases made under the European Recovery Program are not expected to increase directly the total volume on Canadian exports. However, at least for the time being, payment in dollars will be received for the full amount of the exports. This will assist in halting the drain on Canadian dollar reserves that previously resulted to a large extent from sales to Europe on credit. Without resort to borrowing, actual improvement in the dollar reserves can only be achieved to the extent that Canada is able to sell for cash more goods and services than she buys.

Canada's emergency dollar savings program, however, cannot provide a long-term solution for her balance of payment difficulties. Thus, as U.S. assistance to Europe draws to an end there is a strong possibility that Canada's cash sales to Europe will decline. Meanwhile assuming continuous prosperity in Canada, there is no assurance of any decline in demand for types of goods now procured in the United States. Under such circumstances, and excluding continued recourse to import restrictions, the only way Canada's foreign exchange reserve can be maintained is by increasing exports to dollar area markets, or through greater dependence on domestic sources of supply.

Direct Efforts to Increase Canadian Trade

The Canadian Government has been engaged actively in encouraging foreign trade. The Department of Trade and Commerce, which is primarily responsible for this work, has been strengthened since the end of the war. In particular, the scope of its functions have been widened by the incorporating of certain units from the Department of Reconstruction and Supply, and its Foreign Trade Service has been expanded by numerous additions to staff and by the establishment of a new division.

The important units taken over from the Department of Reconstruction and Supply were the Economic Research and the Public Projects Branches. The Economic Research Branch was set up late in the war to help formulate a program for maintaining a high level of employment and income in the country. It undertakes to forecast levels of employment and income, exports and imports, investment and consumer expenditures, supply of labour and materials, progress of industrial development, changes in cost-price and supply-demand relations, productivity, inventory holdings and savings habits of the Canadian people. This information is assembled into national forecasts of employment and income and supplemented by special reviews of the outlook for development of major economic regions and the more important industries. It is now proposed to add a section to the Branch which will concern itself primarily with the domestic effects of economic developments abroad. The Public Projects Branch supplements the work of the Economic Research Branch in the engineering field. It is building up a shelf of fully-planned projects that can be undertaken when unemployment and low income threaten.

Canada's Foreign Trade Service has been strengthened to cope with expanding Canadian trade. Its Trade Commissioner Service today has representatives serving in 45 offices in different parts of the world. The functions of these officers is to keep the industries in foreign lands in close touch with those of Canada and to watch for and report opportunity for export or import trade. In recognition of the saying that trade is a two-way street, the Foreign Trade Service has added an import division which concerns itself with the solution of problems involved in this special aspect of trading. The division's duties include procuring desirable imports into Canada, arranging adequate shipping space for essential imports, and seeing that Canada receives her fair share of any goods that are

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subject to international allocation.

The Department of Trade and Commerce sponsored in 1948 the first World Trade Fair to be held on the North American Continent. The prospects are that this fair may become an annual event.

Mention has already been made of the extensive credits Canada has made available to wartime allies since the end of the war. It should also be noted that Canadian exporters can now insure against losses on exports or agreements to export commodities or capital goods. The insurance corporation carrying these risks is a Canadian crown company.

Both during and after the war, the Canadian Government has made commitments to the United Kingdom Government to deliver large quantities of various types of agricultural products. To assure delivery, the Government has taken an active interest in encouraging the kinds of agricultural production needed to meet these commitments and still retains a measure of control over the marketing of some agricultural products, particularly those entering export channels in large quantities.

Canada's Support of International Organizations

Because of the strong sentiment in Canada in favour of a multilateral approach to the solution of international trading problems, active support has been given to the various organizations in the commercial field sponsored by the United Nations.

Canada was host to the first session of the conference of the Food and Agricultural Organization. It is a member of the permanent organization and has taken an active part in the work of the Organization and of its subsequent conferences.

Canada participated in the formulation of the Bretton Woods Agreement and supports its basic assumption that all countries should do their utmost, in both the national and international fields, to ward off major depressions. Canada is a member of the International Bank for Reconstruction and Development and the International Monetary Fund established under the Bretton Woods Agreement.

Canada was one of the "Big Three" in the deliberations at Geneva and Havana that resulted respectively in the General Agreement on Tariffs and Trade and the Charter of the International Trade Organization. The ratification of both these international agreements would materially assist Canada in re-adjusting her post-war trade, since the basic idea behind both is that international trade should be conducted as far as possible on a non-discriminatory, most-favoured-nation basis.

At Geneva, Canada undertook to make extensive concessions to the Contracting Parties to the General Agreement and has received the promise of extensive concessions from many of them. She is prepared to extend, and has provisionally extended, concessions on about 1,000 out of 2,000 items in her list of tariffs, of which 600 represent reductions in most-favoured-nation rates and over 500 a binding of existing rates against increase. On the basis of 1946 trade, nearly two-thirds of her imports will be affected in some way by these concessions. In return, three-quarters of her exports will receive favourable treatement at the hand of one or more of the Contracting Parties to the General Agreement.

Of particular importance are the concessions given and received on the trade between Canada and the United States. This is not only because of its volume, which is greater than that between any other two countries in the world, but also because of Canada's current foreign

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exchange difficulties. In terms of 1939 trade, it is found that 90 per cent of exports to the United States will be affected by concessions granted. Two-thirds of the trade will be affected by an undertaking on the part of the United States not to raise tariff rates while nearly one-quarter will be subject to tariff reductions. However, two-thirds of Canada's exports to the United States in 1939 entered duty free. If the dutiable trade only is considered, the concessions that the United States Government is prepared to grant to Canada are far more impressive. Only 5 per cent of the 1939 dutiable exports would not have been subject to concessions; 25 per cent of the exports would enjoy bound tariff rates; and 70 per cent would be subject to tariff reductions. What is more important, about 60 per cent of the dutiable exports would be entitled to reductions from present levels of from 36 to 50 per cent. In return, Canada has made concession by way of tariff reductions or bindings on 70 per cent of imports from the United States. Forty-five per cent of the dutiable imports from the United States would be subject to rate reductions.

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