

Subsection 5.—Trade with the United States and Other Foreign Countries.

Trade with the United States.—In the period immediately following Confederation, the United States was Canada's chief customer, trade still following its accustomed channels in spite of the denunciation of the Reciprocity Treaty, which had expired on Mar. 17, 1866. On the other hand, Canada bought more from the United Kingdom than from the United States. (See Tables 5 and 6 for a record of trade with the United States since 1868.)

In the '70's, however, the proportion of Canadian exports to the United States, which had been over 50 p.c. in the first few years of Confederation, declined materially, but for the most part remained at over 40 p.c. until after the enactment of the McKinley Tariff of 1890, when it fell to 35 p.c. in 1892 and as low as 27 p.c. in 1898. In the first decade of the twentieth century it averaged about 35 p.c., but fell off considerably in the war years. Since the War, the average has been about 40 p.c., although in 1934 under the influence of the depression and high tariffs in the United States the proportion dropped to 33 p.c. (See Statement VII, p. 516).

Imports from the United States exceeded half of total Canadian imports for the first time in the years from 1877 to 1879, while in the 1880's they were approximately equivalent to those from the United Kingdom, at from 40 to 45 p.c. from either country. By 1896, however, imports from the United States again reached half of the total, and subsequently have never fallen below that point, increasing both absolutely and relatively during the great period of expansion until 1913, when they were 65.0 p.c. of all imports. In the extraordinary circumstances of the Great War they rose as high as 82.3 p.c. in 1918, and throughout the 1920's stood at about two-thirds of the total. They declined to less than three-fifths of the total since 1932 as shown in Statement VII, p. 516. The reduced demand for capital goods was an important factor in the depression years.

The commodities of Canadian export and import trade with the United States are shown in summary form in Tables 10 and 11 and in detail in Tables 12 and 13 of this chapter.

Trade with the United States by main groups of commodities for three recent fiscal years compared with 1927 and 1914 is shown in Statement V, p. 512. Non-metallic minerals (chiefly coal and petroleum products) and chemicals are an increasingly important factor in imports from the United States, although iron products became again in 1935 the most important group and there are still large imports of textiles which include raw cotton, and of vegetable products largely comprised of tropical or out-of-season fruits and vegetables. Aside from the effects of the Ottawa Agreements with their purpose of increasing intra-Empire trade and of the at-times heavy discount against Canadian funds in the United States, a factor in the fluctuation of the United States' share in imports into Canada which should not be overlooked is the influence of capital expenditures here. The United States is the principal external source for machinery, equipment, and structural materials. The almost complete cessation of capital expenditures in the depression therefore affected imports from the United States more than from any other country.

Another important factor influencing imports from the United States is Canadian purchasing power which is very directly affected by exports to the United States. These were seriously curtailed by the very high rates on many important Canadian products introduced by the Hawley-Smoot Tariff of June, 1930, and thereafter imports from the United States showed a greater decline than Canadian exports to that country. (See the 1936 Year Book, p. 508.)