

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

For convenience of comparison and to avoid repetition, the relative importance of the United Kingdom and the United States in the trade of Canada is discussed in connection with the United Kingdom under Subsection 4, p. 488. A record of the value and proportion of trade with the United States in each year since 1868 is given in Tables 5 and 6 of this chapter, pp. 506 and 507.

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 two recent fiscal years compared with 1933, 1927, and 1914 is shown in Statement VI, p. 487. Non-metallic minerals (chiefly coal and petroleum products) and chemicals are an increasingly important factor in imports from the United States, although iron products again became the most important group in 1935 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, while recovery tends to cause them to rise more rapidly again.

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 latter were seriously curtailed by the very high rates on 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.)

However, this situation has been relieved by the trade agreements. The influence of the economic recovery in both Canada and the United States should not be overlooked as a factor in the recent increases of trade, while shipments of gold to the United States have augmented exports to that country.

**Canadian Trade via the United States.**—Imports from overseas countries via the United States have steadily declined in recent years, especially those from the British Empire. This decrease has followed: (1) general propaganda to utilize Canadian sea and river ports; (2) additional concessions to goods imported under the preferential tariff if they come direct. Provision has been made, in trade treaties and agreements negotiated with foreign countries, that goods must be imported via a Canadian sea or river port in order to obtain the full benefits of special rates of duty. Between 1920 and 1938 imports via the United States have decreased from 9.5 p.c. to 2.0 p.c. of the total imports from overseas countries.

The proportion of exports from Canada to overseas countries going via the United States shows a considerable decline since 1927, the percentages by fiscal years being: 1927, 39.4; 1928, 38.7; 1929, 36.6; 1930, 33.7; 1931, 27.3; 1932, 18.7; 1933, 14.2; 1934, 14.4; 1935, 17.3; 1936, 18.4; 1937, 16.5; 1938, 11.4. An important factor in the decline for recent years was the requirement of direct shipment for goods to qualify under the Empire preferences introduced in Britain,