world export market, and 40 p.c. of the non-ferrous metals in the world export market. Canadian production of each of these products is a very much smaller fraction of the total world production.

In other words, Canada, in spite of her comparative productive advantages is forced into the position of being a marginal source of supply for many of these commodities. If a country that is producing 90 p.c. of its requirements and importing 10 p.c. is forced, or deliberately chooses, to reduce consumption, the imported 10 p.c. is likely to be the first sacrifice. Any substantial reduction in the proportion of the world market supplied by Canada is evidently bound to have profound effects on her ability to maintain competitive prices and support the huge investment made in anticipation of large-volume production. In a period of world depression, of reduced purchasing power, and of increasing trade restrictions, the relative status of industries in this position suffers. There are weaknesses, not only because such a small proportion of their production is consumed locally, but also because such a large proportion of the total international market is supplied by Canadian exports. Control of the marginal supply normally gives a bargaining advantage to the seller on a rising market but reacts to his disadvantage on a falling market. The situation has been intensified by the continual narrowing of the international trading world in recent years, which has led to more abrupt and extreme price fluctuations than would occur in a broader market. When protected domestic industries develop in former markets, or when depression or war restricts demand for Canadian export staples, there will be excess productive capacity, and far more than the proportionate share of such excess capacity will inevitably appear in Canada.

The import staples, however, are in a somewhat different position. Large as are Canada's imports of basic industrial raw materials (such as coal, oil and iron) in relation to Canadian consumption and even in relation to total world trade in these commodities, they are only a very small fraction of the total production and of the consumption in the domestic markets of the chief producers. A fall in the Canadian demand is important but is not likely to have the same shattering effect on prices as a fall in the foreign demand for the chief Canadian staples.

The fact that the great bulk of Canada's trade is with the United States and the United Kingdom is a natural corollary of the distribution of resources and organization of the economy in each of those countries and in Canada, and is intensified by the virtual withdrawal of most of the rest of the world from the former system of international trade. Canada's geographical position and special relations with each of these countries give her certain advantages and elements of strength, but there are also liabilities. Canada's trade with both the United States and the United Kingdom is of vastly greater importance to Canada than their trade with Canada is to them; Canadian exports to the United Kingdom and the United States are between \$30 and \$40 per capita in each case as compared with their exports to Canada of between \$2·50 and \$4 per capita. Canadian trade with the United Kingdom is 30 p.c. of total Canadian trade, while United Kingdom's trade with Canada is only 5 p.c. of her total trade. Canadian trade with the United States is 50 p.c. of Canada's total trade, while trade of United States with Canada is only 15 p.c. of total United States trade. This great degree of concentration of Canadian trade has elements of weakness and danger, and changes in the trading policies of