

Subsection 4.—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 3, p. 414. A record of the value and proportion of trade with the United States since 1886 is given in Table 8. The commodities of Canadian export and import trade with the United States are shown in Tables 16 and 17.

Trade with the United States by main groups of commodities for two recent fiscal years compared with 1932, 1926, and 1914 is shown in Table 13, p. 424. The development of the pulp and paper industry has exercised an important influence on the increase of Canadian exports to the United States since the early years of the century. Non-metallic minerals (chiefly coal and petroleum products) and chemicals are increasingly important factors 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 that 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 during the depression of 1930-35, affected imports from the United States more than from any other country, while recovery tended 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. 503.) However, this situation was later relieved by trade agreements with the United States. The influence of the economic recovery in both Canada and the United States should not be overlooked as a factor in the increases of trade that occurred before the outbreak of war.

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. This provision was cancelled so far as wheat is concerned, under the United Kingdom-United States Trade Agreement that came into effect Jan. 1, 1939. Between 1920 and 1939 imports via the United States have decreased from 9.5 p.c. to 2.7 p.c. of the total imports from overseas countries.

* Tables at pp. 84-116 of the "Condensed Preliminary Report on the Trade of Canada, 1939", published by the Dominion Bureau of Statistics, show the trade of Canada in leading commodities with 86 British and foreign countries for the calendar years 1938 and 1939.