

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

The relative importance of the United Kingdom and the United States in the trade of Canada from Confederation to the outbreak of the War of 1939-45 is discussed at pp. 414-415 of the 1941 Year Book.

Since the outbreak of war in 1939 there has been a sharp expansion in imports from the United States. To a large extent this was a reflection of the war expenditures of the Dominion Government. The large volume of British purchases in Canada also contributed to this rise since the United States was the source of many of the parts and materials required as well as of machine tools and other capital equipment employed in new kinds of production. Furthermore, the increased volume of industrial activity accompanying the War enhanced the national income with the result that the greater demands for consumer goods also led to increased imports from the United States.

While Canada's imports from the United States have increased since the start of the War, this increase has not been as great as in the case of exports, the percentage increases for 1944 as compared with 1939 being 242.1 for exports and 191.3 for imports. In 1945, however, imports declined 17 p.c. and exports 8 p.c. The exchange situation as it has developed since the War is described in the Section on the balance of international payments, pp. 560-569.

A record of the value and proportion of trade with the United States since 1886 is given in Table 6, pp. 507-509. The commodities of Canadian import and export trade with the United States are shown for the calendar years 1942-45 in Tables 14 and 15, pp. 520-551.

**Canadian Trade via the United States.**—Imports from overseas countries via the United States declined steadily in immediate pre-war years, especially those from the British Empire. This decrease has followed: (1) encouragement of the use of 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 decreased from 9.5 p.c. to 2.7 p.c. of the total imports from overseas countries. During the war years, the situation changed such imports rising from 4.6 p.c. in 1940 to 21.8 p.c. in 1944.

The proportion of exports from Canada to overseas countries going via the United States also showed a considerable decline between the fiscal years 1927 and 1938, the percentages by fiscal years being: 1927, 39.4; 1930, 33.7; 1932, 18.7; 1935, 16.7; 1936, 18.4; 1937, 16.6; 1938, 11.4; and calendar year 1939, 10.8. Owing to war conditions, they rose from 14.4 p.c. in 1940 to 43 p.c. in 1943, but showed a decline in 1944 to 30.7 p.c.