

about 26 p.c. more wood each year than is used by the huge pulp and paper industry which provides a higher export value than any other branch of manufacturing and gave employment in 1945 to about 40,000 employees, the vital need for conservation becomes more apparent.

The national income reflects the sustained level of economic activity and has been maintained at a point that compares well with war years, partly it must be admitted, as a result of higher prices (see Chapter XXIV). No lasting solution of present problems is to be found in a mere bolstering of national income in terms of high prices, but rather in the building up of real values by high and increasing productivity and it is therefore in the direction of increased volume of production that healthy adjustment must be looked for. The demands of consumers have risen with income as goods have become available. For 1946 the national income is estimated at \$9,212,000,000 not far below the figure for 1945, viz., \$9,587,000,000. This is more than twice the average annual pre-war national income. For the first six months of 1947 all indications point to this level having been maintained.

Foreign trade—the means by which surplus production is exchanged for needed commodities from other parts of the world—is the keystone in the arch of international co-operation and is relatively more important in the case of Canada than in those countries where the production capacity is smaller, population is denser and the level of domestic consumption higher. In this country all surpluses of raw materials, agricultural products and manufactured goods must be exchanged for widely diversified imports. The widening of trade relations that is being promoted by the Department of Trade and Commerce is directed to lessening the present extreme concentration of trade and the building up of a more balanced position.

Never before in peacetime has Canada's foreign trade reached such high levels as in the months following the latest war. In 1946, Canada exported goods valued at \$2,312,215,000 while imports at the rate of \$1,927,279,000 were recorded. During that year 73 p.c. of all imports came from the United States, whereas only 38 p.c. of exports were taken by that country. Since January 1, 1947, the over-all trade position has strengthened considerably. Thus, for the six months ending June, 1947, total exports of \$1,328,459,000 have been about balanced by imports of \$1,256,735,000, but the position vis-a-vis the United States has not improved: in fact it has slightly deteriorated inasmuch as almost 80 p.c. of imports over the six-month period came from the United States, whereas only about 36 p.c. of exports were taken by that country. The seriousness of this trade picture lies in the fact that the 64 p.c. of exports taken by countries other than the United States were financed to a large extent by loans and credits made by the Federal Government to the importing countries, which are without effective purchasing power of their own. On the other hand, Canada must continue to meet the large debit balance with the United States from her diminishing United States dollar reserves.

If Canada's greatly expanded industrial capacity is to find export outlets, markets must be found for surplus production on a sound commercial basis. Canada for some time to come must reckon with an impoverished world and with great