

The advantages of this policy are not confined to the present. It is anticipated that the present wide distribution of Canadian goods will, in itself, create a demand for those goods in future years, when the countries now buying from us on credit terms will be in a position to buy with their own resources. This attempt to develop a strong continuing demand for Canadian goods in the future has been reinforced by the negotiation of trade agreements with various countries.

Since Confederation, the bulk of Canadian trade has been with the United States and the United Kingdom. Prior to the War of 1939-45, Canadian exports to the United Kingdom were normally twice the value of her imports from that country, whereas her purchases from the United States exceeded her sales to that country. The surplus on United Kingdom account financed the deficit on United States account. Now, however, the United Kingdom is obliged to borrow from Canada in order to cover the bulk of her deficit here. Canada, in turn, has financed the deficit on United States account from reserves of foreign exchange or with United States dollars acquired elsewhere. The problem is further complicated by the large increases in both exports and imports, as compared with pre-war figures. The deficit on United States account has nearly quadrupled; from an average of \$11,000,000 monthly in the three years 1937-39, to \$43,000,000 monthly in 1946. The export surplus to the United Kingdom for the same periods has almost doubled.

Details of the Canadian trade figures for 1946 and earlier years are summarized in tables, charts and written analyses at pp. 867-901.

The above review has dealt almost entirely with commodity trade. However, foreign trade in commodities is only a part, though a very important part, of the broader field made up of the international exchange of values comprising goods, services, securities, etc. This relationship is shown in its proper proportions in Part III pp. 901-915. As commodity exports and imports constitute the largest factor in Canada's international transactions, and the one in which the majority of Canadians are most vitally interested, this Chapter is devoted chiefly to the consideration of commodity trade.

PART I.—THE GOVERNMENT AND FOREIGN TRADE*

Section 1.—Foreign Trade Service and Associated Agencies Concerned with the Development of Foreign Trade

During the war years the Department of Trade and Commerce reorganized and adapted its administrative machinery to war conditions. Agencies were created to control the flow of civilian commodities to and from this country and generally adapt foreign trade functions to vital needs. At the same time, the Department was, during the latter years of war, considering plans for post-war trade expansion and the foundations were then laid for the organization of the Foreign Trade Service to assist Canadian and foreign exporters and importers in every phase of foreign trade. Built around an expanded Trade Commissioner Service, new divisions were added and old divisions reorganized to cope with every angle of foreign trade. A special section was organized to foster the country's new interest in imports.

*Sections 1 and 2 of this Part, together with the General Review at pp. 848-850, have been prepared in the several Branches concerned and collated by B. C. Butler, Director, Trade Publicity Division, Department of Trade and Commerce, Ottawa.