A brief review of Canada's resources in relation to the international economy will make clear why Canada plays such a relatively large part in that system, and is so profoundly dependent on it. Canada can and does produce large surpluses of many agricultural products (cereals, potatoes, apples, cattle, pork and dairy products), of many forest products (pine and fir lumber, and spruce, poplar and balsam pulpwood), of many mineral products (gold, silver, copper, nickel, lead and zinc), and hydro-electric power more cheaply, i.e., with the application of relatively less capital and labour, than can be done in most other countries. On the other hand, Canada either cannot produce or is at a disadvantage in producing her own requirements of such essential industrial raw materials as iron, coal, oil, rubber and tin; of tropical fruits, fibres, and other natural products; and of many iron and steel, chemical and textile manufactures based on special local resources and techniques. Every country could, of course, display a list of surplus and deficit resources, but in few would both sides of the balance sheet contain such basically important products in such volume, and in few would the extremes be so great. Thus, Canada is at once the world's largest exporter of wheat, newsprint and non-ferrous metals, and one of the world's largest importers of coal, oil and steel products. It is in this distribution and peculiar character of Canada's resources, and in her lack of resources, that can be found the explanation for many of Canada's distinctive economic and public-finance problems.

Some of the salient features of Canada's trade are that both the staple imports and exports are mainly bulky, relatively low-value commodities and the sources of supply are distant from the markets and, therefore, cheap transportation is of vital importance. Of the chief staple exports, wheat required a very large capital investment in handling and shipping facilities and, to-day, requires an increasing capital investment in facilities for mechanized production. The forest and metal products, partly because of the technical character of Canadian resources, also required a very large capital investment in plant and in associated hydro-electric power developments. If these resources were to be developed at all, they had to be developed on the largest possible scale in order to secure the economies of mass production and to contribute to the support of the heavy initial overhead. But, in order to achieve this end, very large foreign markets were necessary; Canada produces five times her own consumption of wheat (excluding seed requirements); ten times her own consumption of her chief forest product—newsprint; and twenty times her own consumption of her non-ferrous metal production. Production of these large surpluses is necessary in order to give a wider distribution of the total overhead cost of developing these industries and to keep unit prices down to competitive levels. As a result of this kind of development, Canada before the War supplied about 40 p.c. of the world export wheat market, two-thirds of the newsprint in the 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 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 de-