

The War had somewhat less of a dynamic effect on the volume and structure of imports than it did on exports. A rapid increase was shown in 1940 to 1942 as Canadian factories tooled up for war production. By 1942 wartime imports were valued at more than twice the 1938 level, although the peak was not reached until 1944.

Throughout the War an increasingly larger proportion of Canadian imports came from the United States. For many years the United States had been the principal source of Canadian imports, and wartime factors combined to enhance its already strong position. The industrial segment of economy in particular leaned heavily on United States goods, and imports of iron and steel machinery, heavy capital equipment, producers materials for war equipment, coal and petroleum reached unprecedented levels. With rising incomes in Canada, consumer goods imports also showed gains, and the elimination of some of the normal sources cut off by the War increased the already strong demand for these products. Table 2 shows the increased percentage of goods imported from the United States during the War. Allowance should be made for the fact that some goods from other foreign countries were routed through United States ports to avoid the dangers of the longer sea route to Canada, and were attributed to the United States in the trade figures.

### Subsection 3.—Recent Developments in Foreign Trade

By 1946, post-war trends in Canadian trade had begun to emerge. The volume of exports held up well and was, in fact, only 20 p.c. below the wartime peak in 1944. Canadian products continued high in world demand to alleviate the urgent needs of areas devastated during the War, with food products, approximately 37 p.c. of total exports, the greatest single group in importance. Exports of forest products, at 27 p.c. of the total and base metals, at 10 p.c., illustrate the continuing importance of primary products in Canadian export trade.

In spite of the almost unlimited foreign demand for Canadian goods, that demand in many instances has not been backed by effective purchasing power. The need for maintaining a high level of employment in the great export industries which form the backbone of the Canadian economy, in addition to the humanitarian reasons for supplying countries ravaged by the War, has resulted in Government action to bridge this gap between Canadian capacity to produce and foreign demand. A series of loans and credits, with the United Kingdom the principal beneficiary, have underwritten a substantial portion of the exports.

The two countries which have dominated Canadian trade since exports and imports for the Dominion were first recorded maintained that position in 1946. Thirty-eight p.c. of Canadian exports went to the United States and 26 p.c. to the United Kingdom. One-half of purchases by the United States were forest products, with one item, newsprint, making up over one-quarter of the total exports to that country. Two-thirds of United Kingdom purchases were foodstuffs, one-half of which were wheat and flour. The balance of Canadian export trade can be divided into three main groups: countries whose trade balances with Canada were financed by loans or UNRRA contributions, British Empire countries in whose market Canada has a tariff preference, and Latin American countries.