Canada, with a small population in relation to vast natural resources, has found it profitable to specialize in the production of goods for export and in this way to obtain the means of payment for the heavy importation of commodities, the domestic supplies of which are lacking or insufficient for the country's high standard of living. Large investments on plant and equipment have been combined with Canadian skills and natural resources to produce a relatively small number of more or less basic commodities on a scale very much larger than domestic markets can absorb even at the low costs thereby achieved. Despite the increasing production of highly manufactured goods, the bulk of exports still consists of agricultural commodities, wood and paper products and non-ferrous metals.

A highly mechanized agricultural industry, operating under favourable natural conditions, has enabled the low cost production and export of large quantities of agricultural products—especially wheat. Similarly, heavy investments in hydro-electric power, plant and equipment for the pulp, paper and non-ferrous metal industries have contributed to Canada's competitive position in the export of these products. These large outlays on fixed capital equipment are profitable only when there is a high degree of utilization of the plant concerned, because the industries involved are vulnerable to a decline in world demand.

Canada lacks various commodities required by modern industry and the import statistics reveal many such items that are not being produced domestically or, due to geographical and other factors, are not produced in sufficient quantities. Certain specialized types of machinery, cotton, coal, petroleum and wool are the more important of industrial imports; commodities more directly important to the consumer, include large quantities of sugar, certain fruits, fresh vegetables in winter, cocoa, tea, and coffee from warmer climates.

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 imports from that country. Under the conditions of currency convertibility prevailing before the War, the surplus on United Kingdom account more than financed the deficit on United States account.

Canadian trade grew rapidly during the Second World War and, although the type of goods exchanged has since been altered, the over-all value of trade in 1947 just exceeded that of 1944—formerly the peak trading year. This increase in trade has been due to such factors as the greatly increased levels of employment and income in the Western Hemisphere, and the need for the relief, rehabilitation and reconstruction of war-devastated countries advanced partly through the medium of UNRRA and the extension of loans and credits by the United States and Canada. Post-war loans and credits made by Canada total approximately $2,000,000,000 including a $154,000,000 contribution through UNRRA. These loans and credits to the United Kingdom and other countries are shown on p. 860 with the net amounts drawn in the years 1945, 1946 and 1947 and the amounts remaining to be drawn at Dec. 31, 1947.