The Place of Foreign Trade in the Canadian Economy

The special nature of Canadian resources and the country's geographical position have made foreign trade basic to its prosperity. Indeed, about one-quarter of Canada's gross national production is exported.

First, consider the importance of exports. The very *raison d'être* of Canadian development was export trade starting from furs and developing into a variety of products. The great primary industries of Canada, if they were to be expanded up to their maximum efficiency, required outlets much larger than the domestic market. Foreign markets became available because Canada was able to supply abundantly and cheaply the goods required for the huge industrial expansions of the twentieth century.

It is notable that Canada's bulk exports in 1948 and 1949, while derived from the same sources as they were at the time of Confederation now take many different forms. At Confederation, furs, lumber, fish and cheese were Canada's principal exports. These products are still important but others have been added: wheat and flour, pulpwood and wood-pulp, newsprint, and minerals. These latter products came later into export trade for their manufacture required heavy capital expenditures—expenditures which were not possible in the early stages of Canadian development.

It is also important to note, when considering Canadian exports, that although there has been a large expansion of the domestic manufacturing industries since Confederation there has not been an equivalent change in the export pattern. The most important exports remain those of the basic industries, but there have been some changes in the degree of processing: there is now a greater proportion of flour to wheat, more newsprint than wood-pulp or pulpwood, more metals in ingot than in ore. In addition, in recent years Canada has been an important exporter of a few secondary goods, notably agricultural machinery. Nevertheless, these changes, although of considerable importance, do not parallel the extent of the twentieth century industrialization that has taken place in Canada.

The same general circumstances govern the Canadian import pattern. Specifically, Canada imports for three reasons. The first of these is that a large volume of coal, iron ore and petroleum is needed to keep the industrial machine running. At the present rate of consumption, Canada has enough coal in Alberta and Nova Scotia to last 2,700 years. But this coal when transported to Central Canada becomes considerably more expensive than coal imported from the United States. Although Canada's import requirement of iron ore is not nearly as large as that of coal, it is still considerable. The iron-ore deposits of Quebec and Labrador will not be in production for a number of years and even then it may still be necessary for Canada to import specific types of ore. It is for reasons such as this that Canada exports ore from the Steep Rock mines of Ontario and imports other ores for domestic use. In addition, despite the developments in Alberta, Canada has not yet sufficient refined petroleum to meet its needs. Although the absence, maldistribution or under-development of these three commodities have had profound effects on Canada's foreign trade in the past, it is obvious that in the future the changes taking place in their development will also effect equally profound changes in the export and import pattern.

Secondly, Canada's location in the north temperate and sub-arctic zones means that there are many commodities, mostly agricultural in character, which Canada cannot produce: such goods as citrus fruit, natural rubber, semi-tropical grains,