

The second point to be observed is the changing emphasis of Canadian manufacturing activity. By 1949 the period of post-war conversion was passed and Canada had entered a new phase of economic expansion which derived its dynamic from the discovery of new resources and the application of new processes. This meant that even the sharp recession in the United States in 1949 failed to have significant effects in Canada. The Korean conflict and the consequent rearmament program gave an added impetus to the expansion of Canadian industry and to the development of Canadian basic resources. Capital expenditures that contributed most to the defence of Canada were given priority. Additional capacity was created to meet the requirements of the specialized defence program—aircraft, electronic equipment, ships and guns—many items of which had never before been produced in Canada. Measures such as steel control, credit regulations and deferred depreciation had the desired effect. A shift gradually took place toward the further expansion of basic industrial capacity and away from investment in consumer goods and services.

It should be emphasized that Canada's development as an industrial country is based upon and not independent of her position as a trading nation. In 1952, Canada was sixth among the world's industrial powers and the world's third largest trader. Canada's exports earned a quarter of her income and Canada's per capita trade at \$571 was higher than that of any other country. At the same time, Canada's position has become more closely linked with the North American Continent and trade with the United States has grown to the point where that country took nearly two-thirds of Canada's exports in 1952.

The stability of current levels of manufacturing is indicated by the fact that such activity is the result of business assessments of resources and market potentialities. Millions of dollars are being invested in oil because the prairies can produce oil as economically as other great fields on the North American Continent. Petrochemical plants are being erected because the raw materials are readily at hand. Kitimat is based on the coincidence of abundant and cheap hydro-power and access to ocean transportation, both of which are essential to the low-cost production of aluminum. Exploitation of the Ungava iron ore deposits rests on the belief that the steel industry of the North American Continent will need the high-grade ores involved in order to meet continuing peace-time demands. No country is in a more favourable position than Canada to supply uranium for the production of atomic energy.

The manufacturing industries of Canada in 1951 again established a new record in gross value of production with a total of \$16,392,187,132. This represents an increase of 18.6 p.c. over the previous year's value. Part of the increased value was accounted for by an increase of about 6.0 p.c. in the physical volume of production and the balance by increased prices of fully and partly manufactured products. Accompanying the rise in output was an increase of 6.3 p.c. in the number of persons employed, with an increase of 18.2 p.c. in the salaries and wages paid. Salary and wage payments at \$3,276,280,917 were the highest on record and exceeded the previous high, reported in 1950, by \$505,013,482.

Not all segments of manufacturing production were affected to the same degree by the impact of the war in Korea. The greatest expansion was reported by the industries classified in the durable goods group which, according to preliminary estimates, achieved an increase of 10.4 p.c. in the physical volume of