

Since the United Kingdom and the United States have loomed so large on Canada's pre-war trade horizon, it is of special significance that the influences affecting post-war trade with these two nations should be analysed in more detail.

**Influences Affecting Post-War Trade with the United Kingdom.**—It is probable that sterling will not be freely convertible for a period after the War. If this proves to be the case, there must continue to be some special financial provisions for meeting the difficulties which this situation creates in Canada's international accounts. This inconvertibility of sterling, which first occurred at the beginning of the War, has required that close attention be given to the balance of all payments between Canada and the Sterling Area, and to means of settling that balance.

Pre-war trade with the United Kingdom and other parts of the Empire was very important because it provided an outlet for many of Canada's surplus commodities particularly in the field of agricultural and other primary commodities.

A large part of the munitions production of the Dominion has been for British account. The great expansion in agricultural production also has been mainly to provide the United Kingdom with food, some of which was formerly obtained from other countries. The financial problems that have accompanied this contribution by Canada to the War have been successfully met by a series of specially designed financial measures which have been part of the wartime financial background of the Dominion. These are reviewed briefly.

Outstanding among these measures have been Canada's \$1,000,000,000 contribution of 1942 to the United Kingdom and the Canadian Mutual Aid program of the latter years of the War. The appropriations for these two forms of aid to all countries totalled \$2,800,000,000 by 1944. During the earlier years of war the repatriation of Canadian securities from the United Kingdom totalling about \$700,000,000, and the accumulation of sterling balances, later converted into a \$700,000,000 loan to the United Kingdom, were among the prominent methods employed in balancing Canada's accounts with the United Kingdom. Another important contributing factor was the high level of overseas war expenditures of the Dominion Government in connection with the Canadian Forces operating abroad. Other wartime factors have also contributed to the successful financing of the record level of exports during the War.

The Mutual Aid program first introduced in 1943 is the most recent method of ensuring that the requirements of the Allies for Canadian war supplies will be met. It is a recognition of the necessity of providing a method of financing Allied needs for Canadian goods and services which it is decided should be supplied for the prosecution of the War. The Canadian Mutual Aid Board disburses the funds to the Canadian producers and arranges for the transfer of the goods or services to the Allies. A feature distinguishing Mutual Aid from earlier forms of Canadian financial assistance is that under Mutual Aid Canada makes arrangements directly with each nation receiving Canadian supplies, whereas earlier procedures were to assist Britain to obtain Canadian dollars to purchase her own requirements in Canada, and also to purchase some supplies in Canada which were later turned over to Russia and other countries.

The variety of commodities shipped to the Allies under Mutual Aid is very great. While the bulk of the commodities fall in the categories of food and munitions, there are also shipments of some of the materials that are essential in carrying