

1939 level compared to a threefold increase in exports. Secondly, about four-fifths of the imports came from the United States and had to be paid for in hard currency, against two-thirds before the War. Thirdly, the volume of exports to the United States had dropped from the pre-war level of one-third of the total to one-quarter.

Canada's foreign exchange problem came to a head in 1947. During the course of the year the gap between receipts and payments on current international account was such that it was necessary to draw on a reserve of American dollars and gold to the extent of \$743,000,000, leaving \$502,000,000 in the reserve at the end of the year. The course of action taken in November, 1947, to meet the situation was threefold—control of imports, restrictions on extension of credit to foreign governments, and restrictions on the amount of foreign exchange that Canadian travellers could take out of the country.

The import controls consisted of prohibition of certain types of imports and the admission of others under quotas and the licensing of imports of capital goods and some basic materials and parts. The Government also sought the co-operation of business to bring about a correction of the foreign exchange position more quickly by importing wherever possible from the non-dollar area and by increasing exports to the dollar area. The result of this program is reflected in 1947 and 1948 trade with the United States. Exports to that country increased from \$1,057,000,000 in 1947 to \$1,522,000,000 in 1948, while imports dropped from \$1,975,000,000 to \$1,808,000,000, reducing the unfavourable balance of commodity trade from \$918,000,000 to \$286,000,000.

Canada's participation in the European Recovery Program, started in mid-year 1948, had the effect of maintaining the level of exports and of increasing the receipt of American dollars. To ensure supplies of exportable goods for shipment to countries participating in the European Recovery Program, a system of export controls was applied in the latter part of 1948. It operates selectively with respect to both type of export and country of destination.

Long-Term Trade Prospects.—The Government has been aware of the substantial shifts in foreign trade that are inevitable as a result of the War and is attempting to meet them, firstly, by vigorously encouraging exports and, secondly, by supporting international efforts aimed at attaining a high level of world trade.

Among the steps taken to encourage trade, and particularly exports, are: (1) strengthening the Department of Trade and Commerce by incorporating several units from the Department of Reconstruction and Supply, by establishing import and industrial development divisions, and by adding personnel to certain divisions; (2) expanding the Trade Commissioner Service, which now has representatives in 42 offices throughout the world; (3) sponsoring a World Trade Fair in 1948, the first event of its kind on this Continent, and one that may be continued as an annual event; (4) extending export credits to wartime allies; (5) providing insurance for exports or agreements to export; and (6) continuing long-term food commodity contracts with the United Kingdom.

Canada favours a multilateral approach to the solution of international trading problems and has supported actively the various organizations in the commercial field sponsored by the United Nations. Canada was host to the first session of the conference of the Food and Agriculture Organization and is one of the most active