

A new element of considerable significance affecting world trade in 1948 was the establishment by the United States of the Economic Co-operation Administration within the framework of the European Recovery Program (E.R.P.). The effects of the operations of this Administration helped to prevent a more severe contraction of exports to Europe although world-wide exchange difficulties, which persisted from the previous year into 1948, had their undermining effect on the purchases of all countries including those receiving direct or indirect assistance from the United States.

Restrictions on expenditures by such outside countries became particularly wide-spread and affected Canadian export trade very materially, but there were other developments and tendencies adversely affecting Canadian trade during 1948. Because of the inability to earn dollars, many countries outside the dollar areas have, aside from the European Recovery Program, had to restrict imports still further below normal and there has been a strong tendency for them to develop trade among themselves even on such artificial bases as special arrangements and bilateral deals.

In the face of all the factors and changes in direction of trade mentioned above, Canada achieved a peacetime record of foreign trade when viewed on a dollar basis. Even from the standpoint of volume there was a slight increase in exports against the 1947 level although, in this comparison, a decline of 9 p.c. in imports was shown. In comparison with 1938, the volume of Canadian trade in 1948 stood at an amount almost double the pre-war level and at prevailing prices the turn-over had increased almost fourfold (see value-volume relationships of trade on the new basis at pp. 942-943).*

Government policies took an active part in moulding the pattern of Canadian foreign trade. Canada took part in the Geneva Conference of 1948 as a result of which tariff reductions were agreed upon by various countries including the United States. As noted above these had a favourable effect on the subsequent development of Canadian exports.

The United States and Canada have extended considerable financial aid to Britain along with Continental European countries in the form of vast loans (Canada's loans to other countries as at the end of 1948 are shown in the statement on p. 901) made after the First and the Second World Wars but these loans have failed to achieve the desired objective.

Much has been done to tide the United Kingdom and Western Europe over the worst stage of post-war adjustment. However, the stage was reached in the middle of 1949 when the fundamental unbalance of British trade with the Dollar Area called for drastic action. The crisis deepened during the summer and an Anglo-American-Canadian economic conference met at Washington in September to examine the problem. This conference considered means to expand United Kingdom and sterling exports to North America and decided upon some measures which might be taken to achieve this end. A short time after the conference, the United Kingdom Chancellor of the Exchequer announced the devaluation of sterling by 30.5 p.c. in order to bring United Kingdom prices more into line with those in

* References to the difficulty of devising a uniform price denominator are to be found in Dominion Bureau of Statistics Reference Papers, 1949, No. 5, price 50 cents.