

dollars obliged them to reduce their dollar imports and to resort to bilateral trading practices. To some extent the unfavourable repercussions of restrictions against dollar goods were alleviated by the European Recovery Program which authorizes the European countries receiving aid to make some of their purchases in Canada, or other "off-shore" countries, rather than in the United States. To Canada this has meant that a greater level of exports to Europe of such commodities as grains, metals, lumber and some capital goods, was possible than would otherwise have been the case.

The principal contributing factor to the maintenance of Canadian exports in 1948 and 1949 was, however, the heavy United States demand. The minor recession experienced by the United States economy during the first part of 1949 led to a falling-off of United States imports from overseas; but for a variety of reasons the United States demand for Canadian goods remained at high levels during the entire year. The success of Canadian commercial policy in promoting an expansion of Canadian exports to the United States may be seen from the following trade figures: in 1946 such exports amounted to \$909,000,000; in 1947 to \$1,057,000,000; in 1948 to \$1,522,000,000; and in 1949 to \$1,524,000,000.

The import side of Canadian foreign trade shows a pattern somewhat different from exports. At the end of 1947, Canada imposed restrictions on imports from the United States and other dollar countries. This was necessary because Canada was unable to obtain sufficient dollars from exports to other areas to cover the net trading deficit with the United States. The restrictions became fully operative during 1948 and were continued into 1949 but on a constantly diminishing basis. The measures adopted contributed to a reduction in imports of United States origin from \$1,975,000,000 in 1947 to \$1,806,000,000 in 1948 and \$1,952,000,000 in 1949. At the same time, imports were fostered from the United Kingdom and other soft-currency countries. For example, Canadian imports in 1947 from the United Kingdom amounted to \$189,000,000, whereas in 1948 they reached \$300,000,000 and in 1949, \$307,000,000.

Thus, because of the post-war breakdown of the world multilateral trading system, the over-all commercial policy of the Government in 1948 and 1949 was directed to achieving a better balance and composition in Canada's trade with the dollar area and with the soft-currency area. In pursuing this policy, however, the Government always recognized that constant efforts should be made to re-establish world multilateral trade and to minimize restrictive national trading practices. As a consequence, Canada has played a leading role in the discussions of the contracting parties to the General Agreement on Tariffs and Trade signed at Geneva, Switzerland, in 1947, and in the rounds of tariff negotiations which took place at Geneva in 1949 and at Annecy, France, in 1947. These negotiations have resulted in substantial advances towards freeing the movements of the world's goods. Nevertheless, the effects of tariff reductions have often been offset by quantitative import restrictions arising mainly from the world dollar shortage.

The 1949 recession in the United States had a serious effect on the Sterling Area and European sales. This factor, together with others, caused a drastic decline in dollar reserves of the Sterling Area. To meet this situation initially, Commonwealth Finance Ministers decided in July, 1949, to reduce Sterling Area imports from the Dollar Area by 25 p.c.

As the balance of payments crisis deepened a financial meeting was called at Washington, U.S.A., in September, 1949, consisting of representatives of the United States, the United Kingdom and Canada. Shortly after this conference, sterling