

The international environment in which Canada trades has improved considerably in the post-war period. Reconstruction of the wartime damage in European and other countries has increased production in those countries and with greater production their exports have grown and, with exports, their capacity to pay for their imports. The exchange rate readjustments of September 1949 also contributed significantly to the improvement of trading conditions by bringing prices in various countries into more realistic relationships. The rapid rise in raw material prices after the Korean outbreak of hostilities temporarily eased the balance-of-payments difficulties of many countries in Asia, Oceania and South America. Incomes and inflationary pressures in these countries were also increased by the price rise and, when prices fell, severe payments problems developed for some countries in the latter half of 1951. Subsequent to a conference at London in January 1952, many Sterling Area countries announced new import restrictions, and some other countries have also intensified their trade controls. Nevertheless, barriers to the international exchange of goods were generally less at the beginning of 1952 than in most earlier post-war years, and the problems arising from inconvertible currencies were eased by greater imports of the dollar countries and by the operations of the European Payments Union.

Post-war Canadian Trade Policy.—Throughout the post-war period the Canadian Government has worked for the reduction and removal of the network of barriers to foreign trade which developed during and immediately after the War. To this end, Canada extended assistance to overseas countries which facilitated their post-war reconstruction. Canada has also participated in multilateral and bilateral negotiations on tariff matters and trade practices and has taken unilateral action to reduce and remove Canadian trade controls.

Loans to overseas countries were particularly large in 1946 and 1947. Under the Export Credits Insurance Act, 1944, the Government provided loans to foreign governments for the purchase of needed Canadian goods and, under the United Kingdom Financial Agreement Act, 1946, a credit of \$1,250,000,000 was extended to the United Kingdom for the purchase of Canadian goods in the reconstruction period. Net drawings on these credits totalled \$105,000,000 in 1945, \$750,000,000 in 1946, \$563,000,000 in 1947, and \$126,000,000 in 1948. In 1949, net credits used were \$107,000,000, and in 1950 only \$27,000,000. At the same time as Canada was providing large exports on credit, it was necessary to pay currently for current imports. This contributed to a sharp decline in Canada's exchange reserves, which necessitated the temporary imposition of emergency exchange conservation controls in November 1947 and prevented further commitments to overseas loans.

Repayment of Canada's post-war loans began in 1947 with the receipt of \$2,100,000 from Belgium, and most of the countries to which loans were made are now making regular repayments. The repayment of these loans implies a willingness on Canada's part to accept the imported goods in which alone real payment can be made. Table 2 shows the post-war loans authorized by the Canadian Government, net drawings on these loans, and repayments of principal received to the end of 1951 (all credits not drawn have now lapsed).