

the pent-up demand for both investment and consumer goods as well as with an uneven rate of recovery and growth especially between the industrial and non-industrial countries. While these problems, as reflected in strong world-wide inflationary pressures and widespread balance of payments difficulties particularly among non-dollar countries, caused serious concern, the basic growth factors were also in evidence even in the immediate postwar years. Following the boom and collapse in raw materials which accompanied the Korean hostilities and the subsequent period of readjustment, the world economy has entered since 1953 on a more broadly based phase of expansion, only briefly interrupted by the relatively mild recessions of 1945-55 and 1957-58. During 1953-57, world trade rose by nearly one-third and world industrial production by about one-fifth. The slowdown in economic activity which became apparent on an international scale in the latter part of 1957 and carried forward into 1958, resulted in some decline in industrial production and trade. But in 1959 economic conditions were again generally buoyant, the recovery being especially in evidence in Western Europe, Japan, the United States and Canada, and world trade exceeded the level of 1957 by some 6 p.c. There has also been some general improvement for the primary producing countries under the influence of the sustained flow of aid and investment and as commodity prices, in which the decline from the 1955-56 peak came to a halt in 1958, showed a moderate strengthening in 1959.

As a consequence of the over-all expansion of the world economy in recent years, there has taken place a general strengthening of the international balance of payments and a gradual disappearance of the so-called dollar shortage. In every year since 1950, with the exception of 1957, the United States has had an over-all payments deficit, the net outflow of private capital and government grants and loans exceeding the export surplus. This pattern became accentuated in the past two years as a result of declining exports and increasing imports, and in 1959 the United States export surplus fell to about \$1,000,000,000 and the over-all balance of payments deficit rose to some \$3,700,000,000. In the past ten years the gold reserves of the United States went down from almost \$25,000,000,000 to about \$19,000,000,000, while the remainder of the world increased its holdings of gold and U.S. dollars by approximately \$22,000,000,000. Although most of this gain accrued to Western Europe there was some improvement in the distribution of world reserves during the past few years. Another development tending to strengthen international liquidity was the recent decision to greatly enlarge the resources of the International Monetary Fund and the World Bank for Reconstruction and Development.

As a corollary of the general improvement in the international balance of payments, significant steps have been taken in the past few years in the direction of freer multilateral trade and payments. Many quantitative controls have been eased and tariff concessions have continued to be made among the contracting parties to the General Agreement on Tariffs and Trade. At the end of 1958 the majority of Western European countries, including the Benelux, Denmark, France, Germany, Italy, Norway, Sweden and the United Kingdom, established external convertibility of their currencies, and a few countries in other parts of the world had taken similar steps. Further progress was made in 1959 in the relaxation of trade restrictions; in particular, most Commonwealth countries, including the United Kingdom, liberalized their import controls affecting Canadian exports, pursuant to the decisions made at the Commonwealth Trade and Economic Conference in Montreal in 1958.

In view of the vital importance of free and multilateral trade to Canada's economy, the latest European developments in the field of commercial policy have been of great interest to this country. On Jan. 1, 1958, the European Economic Community (EEC), comprising the Benelux countries, France, Italy and Western Germany, came into being. The EEC is intended to become a customs union in which tariffs among the participating countries will be gradually abolished and a common external policy adopted toward the outside world, as a first step toward the ultimate integration of the respective economies into one single unit. The first reductions of tariffs and increases in quotas among the member countries of the EEC were implemented on Jan. 1, 1959, and some of the concessions were extended to Canada and other countries on a most-favoured-nation basis.