

WASHINGTON ECONOMIC CONFERENCE

SUMMARY OF COMMUNIQUE: The following is a summary of the text of the joint communique issued on September 12 at the conclusion of the Tripartite Economic Discussions held at Washington, between Canada, the United Kingdom and the United States.

"It was agreed that the common aim is to work toward an ultimate solution" of the problems involved in the trade and financial relationships between the sterling area and the dollar area which would "maintain employment and establish equilibrium of international trade on a mutually profitable basis at high levels.

"Note was taken by the three Governments of the emergency action which sterling area countries have decided to take.... These measures are not pleasant ones; they will cause difficulties and sacrifices for everyone concerned. Nevertheless, they are a temporary necessity, and are recognized as such by all three Governments," the communique said, adding:

"The Ministers were in complete agreement that no permanent solution to the problem could be found in the emergency steps contemplated. A more fundamental attempt would have to be made by all concerned to expand the dollar earnings of the sterling area and to increase the flow of investment from the North American continent to the rest of the world, including the sterling area.

END OF EXTRAORDINARY AID

"This more fundamental attempt would involve both separate actions of the three countries operating individually, and joint action by the three acting in co-operation with each other. In approaching these possibilities of individual and joint action on the sterling-dollar problem, there was common agreement that this action should be based on the assumption that extraordinary aid from the North American continent would have to come to an end by the middle of 1952. This would require that the sterling area increase its dollar earnings so as to pay its way by 1952. This would require in the sterling area the creation of appropriate incentives to exporters to the dollar area and a vigorous attack upon costs of production to enhance the competitive position of sterling area products. Maximum efforts would be made to direct exports to the dollar area and build up earnings from tourism and other services. As a part of this export campaign by the sterling area countries, it was recognized that an essential element was the creation of a feeling of confidence on the part of sterling area exporters. They must feel that they will be afforded the opportunity to remain in the markets of the United States and Canada in which they will have gained a place, and that the maximum of difficulties

will be placed in their way in entering these markets.

"On their part the creditor countries undertook to facilitate, to the greatest extent feasible, an expansion of dollar earnings by debtor countries, including the sterling area. It was agreed that the United States and Canada should reduce obstacles to the entry of goods and services from debtor countries, in order to provide as wide an opportunity as possible for those countries to earn dollars through the export of goods and the provision of services, including tourism. It was recognized that such a policy would be in the interest of producers in the United States and Canada, for only in this way can the future level of trade provide adequately for those sectors of the American and Canadian economies which depend in considerable part upon foreign markets."

VARIETY OF SUBJECTS

The Ministers, proceeds the communique, gave special attention to the following subjects: overseas investments, commodity arrangements and stockpiling, limitations on items which may be financed under present E.C.A. procedures, customs procedures, tariff policy, liberalization of inter-European trade and payments, sterling balances, petroleum, shipping, and provisions for continuing consultation.

"A Working Group on overseas investment reviewed both recent experiences and future prospects for the flow of productive investment, both private and public, from North America to overseas areas, especially underdeveloped countries....

"A Working Group on commodity arrangements and stockpiling gave special attention to rubber and tin. The Canadian representatives stated that the Canadian Government was prepared to take steps to increase reserve stocks of rubber and tin in Canada. The United States representatives reported that the United States Government was prepared to open to natural rubber a substantial additional area of competition, including a modification of the government order relating to the consumption of synthetic rubber. The United States would review its stockpiling programme, with particular reference to rubber and tin.

"Special attention was given by another group," the communique announced, "to the practical difficulty being experienced by the United Kingdom in making fully effective use of its E.C.A. aid to cover its dollar deficit. This difficulty arises out of the fact that, although the United Kingdom needs dollars to pay for goods in the United States, to make settlements with other countries, to pay for services, and for other purposes, the types of transactions which may be financed by E.C.A.

dollars have been definitely limited. It has been agreed that, in order to carry out the basic purposes of the Economic Co-operation Act, it will be necessary for the United Kingdom to finance with its share of E.C.A. funds a wider range of dollar expenditures than has hitherto been eligible, both within and outside of the United States. After careful examination of the dollar expenditures proposed to be made or authorized by the United Kingdom, it appears that eligibility requirements can be broadened to the extent required within the limits set by the Economic Co-operation Act. This would broaden the use but not increase the amount of E.C.A. funds allocated to the United Kingdom.

"In the consideration of measures which creditor countries might take to reduce barriers to trade, it was recognized that customs procedures may create obstacles, psychological as well as actual. Technical discussions of this subject disclosed that the United States, through administrative action and proposed legislation, was already contemplating constructive steps in this field. Canadian representatives stated that the Canadian Government would undertake a further review of the administrative operation of its Customs Act in the light of these discussions....

WIDENING OF AREA

"There was agreement", continued the communique, "that one of the ways in which the competitive position of United Kingdom products might be improved was by a widening of the area in which such products competed freely with those of other countries....

"A further subject which was discussed was the United Kingdom liability represented by the sterling balances of other countries", amounting in June, 1945, to \$13½ billion, and to approximately the same at the end of 1948.

Among other special problems discussed were those of petroleum and shipping - two important elements in the sterling area balance of payments picture. There were a number of questions, the communique noted, which required closer examination than this short conference had allowed and it was proposed, therefore, to continue the examinations initiated during the conference.

"In establishing these arrangements for continuing consultation," the communique

stated, "the three Governments wish to emphasize that these arrangements underline rather than diminish their interest in the development of economic co-operation within the entire community of western nations. The tripartite arrangements will not in any way encroach upon or detract from the area of competence of the O.E.E.C. and other existing organs of international economic collaboration. On the contrary these arrangements for continuing consultation, by contributing materially to the solution of problems which today adversely affect the working of the entire O.E.E.C. group and yet are not susceptible of solution within that group, will facilitate the progress of economic collaboration in the wider field."

The concluding paragraph of the communique expressed the satisfaction of the Ministers of the three countries concerned that a real contribution to the solution of the sterling-dollar difficulties had been made.

ATOMIC ENERGY TALKS SEPT. 20: It was announced in Ottawa, London and Washington on September 15, that the exploratory talks referred to by President Truman in his statement of July 28, 1949, regarding American, British and Canadian relations in the field of atomic energy, will commence on September 20, 1949. The talks will be conducted by the Combined Policy Committee, which supervises Anglo-American-Canadian relations in the field of atomic energy.

The Canadian Government will be represented by the Minister of Trade and Commerce, Mr. Howe.

ATTACHÉS TO VISIT HALIFAX AREA: Foreign Naval, Military and Air Attachés accredited to Canada, and military representatives of the United Kingdom in Ottawa, will visit defence installations in the Halifax area during the period between September 18 and 22, at the invitation of the Minister of National Defence.

The party will leave Rockcliffe by RCAF aircraft on Sept. 18 and spend the next three days visiting naval, military and air establishments at the Eastern Canadian seaport and neighbouring locales. The attachés will return to Ottawa on Sept. 22.