

STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 49/36

THE NEW ROLE OF NORTH AMERICA

An address by Mr. Donald Gordon, Deputy Governor of the Bank of Canada, to the Thirty-Sixth National Foreign Trade Convention, in New York City, on October 31, 1949.

Since 1939 we have witnessed a series of crises in the field of international trade and foreign exchange. These crises had the common feature that they related to the ability of foreign countries, in Europe and elsewhere, to find sufficient resources of gold and dollars to pay for the goods which they needed to get from North America, and which North America could produce and supply. This created a crisis for North America as well as for the countries which were short of dollars, for it was realized that it was vital to the security of North America that the countries of western Europe, and others closely connected with them, should not be defeated in war, nor collapse into chaos afterwards.

The action taken to meet each such crisis, except the latest, was for the United States and Canada to make loans and gifts to finance the purchase of our goods. During the war the United States did it by way of Lend-Lease, and in Canada we did the same thing, on no less a scale proportionately, under the name of Mutual Aid.

After the war, to assist the transition from war to peace, as we thought, our two countries again tried to meet the dollar shortage by making large sums available to our wartime allies, both in Europe and in Asia. Your Export-Import Bank, and our Department of Finance were given broad authority and large appropriations to make rehabilitation and reconstruction loans in 1945 and 1946 to a number of European countries and to China. The United Kingdom did not come within those general arrangements. In recognition of its special position and of the magnitude of the sums involved, provision was made by special legislation for loans to Britain of five billion dollars, of which three-quarters was undertaken by the United States and one-quarter by Canada.

The crisis of 1945-46 passed, but a new one developed in 1947-48. The United Kingdom found that the attempt to make sterling convertible into U.S. dollars caused a rapid depletion of its reserves, including the funds made available under the U.S. loan, and the attempt at convertibility had to be abandoned. The drain on the reserves of Britain and other western European countries continued into 1948, and led to the adoption by the United States of the Marshall Plan for European recovery, which envisaged the provision of goods over a four-year period amounting to some 17 billion dollars, largely by way of gift.