

in occupied areas, have amounted to \$1.6 billion. Loans and other recoverable aid, including net loans to other ERP countries under the Intra-European Payments Agreement, have totalled nearly \$2.2 billion. Liabilities incurred during the war in the form of sterling balances were added to substantially in the early post-war period, but since the end of 1945 have been repaid to the extent of about \$1.8 billion. There has also been a substantial export of capital in other forms, mainly to sterling area countries. All of these transactions involved directly or indirectly the provision of goods and services or dollars to other countries by the people of the United Kingdom. Of course these contributions to others would not have been possible if the United Kingdom had not itself been receiving very substantial assistance, mainly from the United States and Canada.

The assistance so far given by the United Kingdom to others has, in the main, represented a contribution to world recovery and political stability. Nevertheless, provision of this aid has over-strained the United Kingdom's productive resources, heavily burdened as they already were with commitments involved in the cold war. Moreover the provision of aid on this scale has had unfortunate effects on sterling area price levels. Countries which possessed, or which have been provided with, ample supplies of sterling have in the main been expected to spend that money in the sterling area and to restrict dollar purchases as much as possible. One result has been - and there I quote from the Foreign Exchange Control Board's Report to the Minister of Finance, dated March 1, 1949:

'Trade with the group of countries concerned does not move entirely on the basis of competitive price and quality. The tendency for trade within the protected area to take place at a higher level of prices than that prevailing for similar commodities in outside countries cannot fail . . . to make it more profitable for the individual producer in the countries concerned to sell within the area than in dollar countries. And a general consequence of the developments outlined is to raise the price and cost structure of the countries inside the area and so reduce their capacity to export to dollar markets.'

This was one of the factors which produced devaluation. It is now the task of the United Kingdom to prevent the process repeating itself, a task which the United Kingdom can hardly accomplish without co-operation from this side of the Atlantic.

Our best form of co-operation, from every point of view, is for Canadians to buy more goods from the United Kingdom, and from overseas countries generally, which are having difficulty in financing their purchases from us. Canadian imports from the rest of the world outside the Western Hemisphere rose from \$440 million in 1947 to \$610 million in 1948. Partly because of the situation which preceded the September devaluations, progress was less marked in 1949, but there is now a fresh opportunity to see what can be accomplished in this field. Certainly those of us who are interested in overseas export trade should support efforts such as those of the Dollar - Sterling Trade Board, to help overseas producers break into the Canadian market or expand their existing business with Canada.