

*Trade Controls and Discrimination*

10. Even assuming a high level of activity and demand for imports in the United States in the 1950's, and considerable recovery in Europe, it is very unlikely that the balances of payments of the Sterling Area group, the O.E.E.C. countries, and the rest of the world can be restored to a balance such as has been assumed without continuing restriction of imports from the Western Hemisphere. In estimating the position in 1952-53, therefore, it is assumed that dollars will continue to be generally scarce and that the Sterling Area cannot count on any net earnings of gold or dollars from countries outside the Western Hemisphere. Within the Western Hemisphere itself it seems probable that there will still be a shortage of United States dollars. In these circumstances it is probable that some discrimination against United States exports will continue to be necessary in most countries and that energetic attempts will be made to find other sources of supply of goods now obtained from the Western Hemisphere. The estimates of the United Kingdom position in 1952-53 assume that United Kingdom exports benefit both from some reduction in prices relatively to United States goods, particularly in the United States market, and from continued discrimination against United States goods in other markets. They also assume complete discrimination against the United States of America in United Kingdom import policy.

11. In these conditions, the sterling Dominions may expect a continuing strong demand for their primary products, particularly in so far as they are substitutes for Western Hemisphere goods. The demand for their exports may however be limited to some extent by the need of many European countries to achieve and maintain total balance of payments equilibrium. This may result in attempts to increase import-saving agricultural production in Europe as well as to increase exports. The actual effect of these tendencies on the export trade of the sterling Dominions will depend in part on their demand for United Kingdom and other European exports.

12. The degree of restriction of United States imports into the United Kingdom and the sterling Dominions which will be necessary in 1952-53 will depend not only on relative cost levels in the sterling area and in the United States but also on the level of United States demand both for manufactures and for primary products such as wool, rubber, tin, and cocoa, exported from the Commonwealth. The level of gold production and its value in terms of other commodities will also be exceedingly important. It seems possible on balance that the net dollar earnings of the Colonies will amount to some £80 million and that gold production will yield another £125 million. Against this the deficits of the sterling Dominions with the Western Hemisphere are estimated at some £100 million compared with about £300 million in 1947. Restriction of net dollar expenditure to these levels would probably involve continued restriction of imports from the Western Hemisphere though not restriction of the degree of severity assumed for the United Kingdom.

13. It has been assumed that United Kingdom imports from the Western Hemisphere will be restricted to about 60 per cent. of the 1947 volume and that the maximum effort will be made to find alternative sources of supply. On present estimates of exports and making some provision for debt repayment and other overseas investment, however, total imports in 1952-53 will be 10 per cent. greater in volume than in 1947 and only about 85 per cent. of the 1938 volume. Unless exports can be increased above the levels so far estimated even imports from the sterling area will have to be restricted below the levels which they might otherwise attain, and are estimated at about 130 per cent. of the 1947 volume. If, in the event, the Dominions, and other countries are prepared to take larger quantities of United Kingdom exports than it has been thought prudent at this stage to assume, our ability to import will be increased. There is little doubt that the domestic demand for imported goods in 1952-53 will be great enough to absorb much larger quantities of imports, particularly of food, than have been provided for in these estimates if our export trade can be expanded sufficiently to provide the means of payment in foreign exchange are available.

*International Payments and the Position of Sterling*

14. In the conditions of continuing dollar shortage and import restriction that seem likely to persist into the 1950s, it seems most unlikely that sterling can be made freely convertible into dollars. It remains the policy of His Majesty's Government, however to co-operate so far as possible in any arrangements which