

ments of the United States, the United Kingdom, and Canada to external economic questions arguably provided a more comprehensive and more equilateral articulation of that image. Though the "ABC" talks on finance and trade in September 1949 tended to confirm Canadian anxieties about the unfavourable drift and likely negative impact of British policy, Canada's participation in those discussions was an important manifestation of its significant role in sterling-dollar trade as well as a recognition of the economic and political contribution that Canada had made to British and European recovery. Those deliberations, however, took place as Canada's financial aid to Britain neared its end, thus concluding a phase in Anglo-Canadian economic relations that had begun ten years before, when the Canadian government had embarked tentatively on what became the most ambitious program of financial assistance in Canada's history, both to help win the war and to secure Canada's postwar trade.

For Canada, the persistent and ultimately decisive problem that defined its approach to external economic relations before, during, and after the Second World War was its chronic trading deficit with the United States. Before the war, that had been offset by Canada's surplus of exports over imports in its trade with the United Kingdom. During the 1930s, Canadian exports to Britain had risen steadily, with Britain importing over 40 percent of Canada's exports from 1934 to 1938, while about 35 percent flowed to the United States. Income from Canada's favourable balance of merchandise trade with Britain helped to cover the loss in trade with the United States, from which Canada increasingly obtained its imports (more than 62 percent by 1938, compared to less than 18 percent from the United Kingdom). The demands of the wartime alliance, and the measures taken by Canada and the United States to remove "the dollar sign" from the vital flow of goods across the North Atlantic, dealt with immediate needs but did not reverse the unfavourable longer-term trend in Canada's exchange position.³

The sense of interdependence and mutual interest within the North Atlantic economic triangle, not surprisingly, was perceived most acutely in Canada, which had the greatest proportionate stake in trilateral harmony and consequently the most to lose from a breakdown in relations between dollar and sterling economies.⁴ Such a rupture was feared immediately after the war, not only for its economic consequences but also because of its implications for the developing confrontation in a bi-polar world, the Cold War. But an examination of Canadian policy in this period demonstrates that while the Cold War provided the context (and occasionally the rhetorical justifi-