area weaken and break up, but we also do not wish it to become exclusive and discriminatory. Canada has a particular interest in this matter because we have one foot in the sterling and the other in the dollar pool. We depend on both for our exports. To put it another way, in trade and monetary - and, indeed, in some other matters - we stand midway between the United States and the United Kingdom. The middle is a very satisfactory place to be if those on either side support, rather than squeeze you! But, for better or for worse, that is where we are; in the middle, linked to each side. We rationalize that position - at times we idealize it, by saying that it makes us the interpreter between London and Washington!

Between Confederation and World War II, more than three quarters of all our exports normally went to these two countries. Further, our exports were once divided fairly equally between them - but in 1949 only 23 per cent went to the United Kingdom and 50 per cent to the United States. Those figures tell the story of the Canadian export problem.

That problem itself is about as easy to state as it is difficult to solve. It is certainly not enough to say that it is merely a shortage of dollars which causes all the trouble. The dollar shortage is, of course, real enough but it is the result, not the cause, of the present difficulties. The difficulties themselves arise out of the present lack of balance between world production and world distribution. This, in turn, is largely due, either directly or indirectly, to the war; or rather to the uneven impact of the destruction and dislocations brought about by the war, which left certain countries - normally great importing countries - much more crippled and shaken than the great North American supplying countries. The old European world was smashed; the new world hardly dented by war. And in the old world the smashing was uneven and the recovery consequently uneven.

The roots of the crisis go much deeper, in fact, than anything in recent history. From about 1870 until the first world war, genuine international economic equilibrium was achieved by an expanding, delicately balanced and highly complex system of trade and finance involving capital and gold movements and semi-automatic internal adjustments in the participating economies to meet developments as they occurred. The system was originally made possible by the operation of the gold standard, by easy trading conditions, by technical improvements in transport and production, and was based on the classical division of labour. Through its operation, industrialized countries imported raw materials and exported a large part of the resulting manufactured products to the primary producing countries. The United Kingdom more than any other country followed this economic trend to its logical conclusion by becoming dependent to a very high degree on food and raw materials from abroad.

It is at least half a century since the growth of new industrial areas outside of Western Europe created the first stresses and strains upon this complicated structure of international trade. The first world war gave it a tremendous jolt, and greatly accelerated the processes which were undermining it. The depression, of course, hit it with the force of a sledge hammer, and when the second world war followed, it was not possible to patch up the wide cracks which by this time had appeared. For the British, in particular, the two wars brought real economic distress because they forced the United Kingdom government to liquidate rapidly and without hesitating over the long-term consequences, the great financial reserves and assets which it held abroad. The British, more than any other people -