

defer drawings on the credit until in need of additional funds. The United Kingdom Government did so, thereby leaving an unexpended balance of \$65 million in the credit.

87. When the Canada-United Kingdom Continuing Committee on Trade and Economic Affairs met in June, 1950, to review trade prospects, the discussions proceeded more easily than on the last occasion. The chief reason was the great improvement in the United Kingdom balance of payments, and the further fact that the sterling area and Canada were pretty well in balance. One United Kingdom estimate placed the deficit for the sterling area for the current year at about \$56 million. For that reason the estimates submitted of imports from Canada for 1950-51 were satisfactory. They included probable contracts for bacon and cheese, some purchases of salmon, and orders for zinc, asbestos, newsprint, nickel and lumber which Canadian exporters might have difficulty in filling. The Canadian decision to end shortly the waiver on dumping duties, except on motor cars (under certain conditions) and glass, was accepted without much protest. The same was true when it was announced that Canada intended to proceed in the near future to remove further import restrictions which in some cases had operated in favour of the United Kingdom against the United States. The United Kingdom group was ready to accept suggestions for more liberal treatment of Canadian exports to the British West Indies by broadening the list of token imports, although not prepared for a system of general licences. The Canadians announced a relaxation of regulations for purchase of supplies by Government contract which would help United Kingdom exporters.

88. The last major flurry in United Kingdom-Canadian trade relations in the period under review occurred over the ill-fated "have regard to" clause of the Wheat Agreement. Departmental records are incomplete, but it is known that the Prime Minister raised the question during his visit to London for the Meeting of Prime Ministers in January, 1951. There is on the file an aide-memoire of January 9, which points out that the Canadian Government does not consider that the United Kingdom is under any further obligation "in a strictly legal sense" to make an additional payment under the "have regard to" clause. The note then describes the sentiments of the wheat growers of Canada and argues that from the United Kingdom standpoint

"we feel there would be great importance in retaining the good will and support for policies of cooperation in the future of something like a quarter of the Canadian population which is traditionally well-disposed to the United Kingdom".

The note pointed out that any payment under the clause of a reasonable amount would still leave the total price paid for wheat under the Agreement a favourable one for the United Kingdom Treasury, and "... would constitute a profitable investment by the United Kingdom in Canadian goodwill." After the Prime Minister returned to Ottawa he received word that the United Kingdom preferred to consider the matter closed. On February 15, Mr. Pearson, Mr. Robertson and Mr. Heeney saw the United Kingdom High Commissioner and described the anxiety with which the Government noticed the growing resentment among the Western wheat farmers (undoubtedly heightened by the crop losses from frost) because no action, in their view, had been taken to secure additional compensation under the "have regard to" clause. Sir Alexander took the position that the obligation of the United Kingdom