

between Western Europe and North America that had been envisaged. What the United States delegates to OEEC were now most concerned with, was that OEEC should set to work forthwith "to deal with many of the pressing economic problems that have either been created as problems by the expansion of military expenditures, or problems whose character had already been directly altered by these political developments." The immediately emerging problem was to prevent the weakening of national economies under the strain of defence preparations. Countries whose gold and U.S. dollar reserves began to climb rapidly with rising prices were being asked, as happened in the case of the United Kingdom, to face the withdrawal of Marshall aid at the end of 1950. In Washington powerful forces were at work to see that the attention of ECA was being directed towards strengthening the armed resources of the United States partners in defence. When senior officials of OEEC visited Ottawa in December 1950, they expressed concern at "the lack of satisfactory co-operation between defence planners in NATO and economic planners in OEEC." This lag in co-operation was disturbing and Mr. Pierce reported at the end of the year that OEEC was "in a state of confusion". He foresaw that OEEC's active agenda would narrow as NATO's activities increased, and advised no long term planning in the OEEC field for the time being in Ottawa. But by the spring of this year useful studies of the scarcity of raw materials and the relations of external aid to rearmament were proceeding in Paris.

118. It was also evident by 1951 that the preoccupation of the American businessman with the booming domestic market was lessening the zeal of his Government for pressing Europe to return to multilateral trade and convertibility of currencies. Under these conditions the OEEC countries naturally proceeded to liberalize trade within Western Europe, but did not make as much progress towards the liberalization of trade with the rest of the world as Canada desired. There were some suggestions of "token" liberalization schemes. In view of the slight success of such experiments in United Kingdom, trade, the Departmental view in December 1950, was that the Canadian delegate at OEEC discussions should "lay emphasis on more general schemes based on less rigidly subdivided exchange allocations rather than on token liberalization". By April, 1951, Mr. Coyne was writing to the Department that he doubted whether "acquiescence in the present scale of intra-European discriminations can be rationalized from our point of view as an ad hoc arrangements made necessary and justified by special economic conditions of a temporary character". A practical illustration in OEEC quarters of the overriding role of defence problems on Canada was the departure of Mr. Pierce from Paris in the spring of 1951 to assume liaison duties with the Office of Defence Production in Washington. Here too the increasing pull of the expanding United States market was tending to make Canadian businessmen less alive to the danger of losing markets overseas through closed economic systems than they had been at the time of the inception of the Marshall Plan.

119. This survey of some of the chief international economic problems that have confronted Canada, incomplete as it is, does permit certain conclusions. The record, in which the gaps in departmental lists are significant, indicates that the influence of the Department in this field of external policy has been less than in any other. Such a development is to be expected when it is appreciated that the economic and financial questions involved were of major interest to other departments concerned domestically with these matters. The policies of Finance in particular, reinforced by the views of