

VERNMENT



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STATEMENTS AND SPEECHES

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CANADA AND WORLD AFFAIRS

Statement by Mr. L.B. Pearson, Secretary of State
for External Affairs, in the House of Commons on
November 16 and 17, 1949.

International Economic Developments

...In April, 1948, when the last comprehensive survey of world affairs was given in this house, the Marshall Plan had just been accepted in principle by the United States congress and was beginning to be put into effect. Over the next twelve months the world made rapid progress. Production climbed; prices levelled off, and inflation was brought largely under control. Everywhere overseas the financial balance was being restored, though it proved to be rather precarious. Meanwhile United States prosperity and United States imports continued to climb.

Canada, of course, is always influenced by what happens abroad, and naturally we shared in the general revival, to which I think our own policies made a modest contribution. Our reserves of gold and United States dollars were at a very low ebb, as hon. members know, at the beginning of 1948; but during that year the tide turned, and by the end of the year our reserves were approximately twice as high as they had been at the beginning. Therefore our emergency import restrictions, introduced in November, 1947, could be slightly relaxed. During the same period we began to benefit from new tariff rates agreed to at Geneva. These came into force on January 1, 1948, and our exports to the United States rose to new heights.

Unfortunately the financial balance overseas proved to be pretty precarious, as I have suggested; and it was upset. In April of this year the trading position of the sterling area began to get worse for a variety of reasons which I need not go into here, though one of them was the generally disturbed international political situation. The central reserves of gold and dollars in London began to drop sharply, and by the end of June the losses in such reserves had become very serious. So three international conferences were called in quick succession to check the recession and to make advances toward recovery and prosperity.

Canada was invited to all three conferences, the only country to attend them all apart from the United Kingdom, which of course was at the very centre of the crisis. My colleague the Minister of Finance (Mr. Abbott) was at all these conferences. First was the preliminary tripartite discussions in London during July between the United Kingdom, the United States and ourselves; second was the conference of commonwealth finance ministers held in London later in the same month, and third was the tripartite conference held in Washington in September. The United Kingdom crisis was, of course, financial, and has been described as the sterling crisis or the sterling-dollar crisis, although it had very grave international political and economic implications. The commonwealth countries other than Canada found themselves so short of dollars that they felt they had to cut down further their imports from Canada and the United States. At the London Commonwealth meeting late in July they agreed to aim at a cut of 25 per cent, which came on top of substantial reductions previously made. There