

This is, of course, the major financial problem of the modern world. Many attempts have been made and more are now being made to overcome it. This problem has a particular aspect in relation to the NATO countries and the development of trade, however, and we wish to deal with it in that connection.

Many of Europe's essential imports must come from the dollar area. Since the war the internal conditions in European countries plus this need for dollar imports has resulted in annual unfavourable trade balances with the dollar countries. This gap has been kept as low as it has been through careful control of imports. In the light of the facts presented in preceding paragraphs—the greater feasibility of increasing European exports to non-dollar countries and the continued difficulties for all exporters to enter the United States, the major dollar market—the gap is not likely to narrow in the immediate future.

On the contrary, it would seem more likely that the gap would widen as European production and exports increased. This would certainly be the case if European exporters sought the most accessible markets and continued to require imports from the dollar countries. And this widening would be further encouraged if the countries of Europe endeavoured to raise, as anyone would expect they would, the living standards of their people, since this would involve an increase in imports, mainly from the highly industrialized dollar countries.

With the real impediments, already discussed, to substantial increases in trade between the dollar and non-dollar areas, it is quite apparent that further significant removing of trade barriers, however important and desirable this would be, would not in itself provide a solution to the European payments problem nor allow of the attainment of the objectives envisaged in Article 2 of the North Atlantic Treaty. Collaboration among the OEEC countries of Europe and the creation of a single market with its encouragement of production, competitive capacity, and exports; opening of the United States market to imports on a broader and more stable basis; and a further general revision of tariff and trade conditions through such mechanisms as the General Agreement on Tariffs and Trade would not singly or in combination, in themselves, provide a stable and continuing basis for the free convertibility of national currencies. The competitive capacity of the United States plus the vagaries of this vast market and economy would still remain the overwhelming factors in world trade, and the outlook for countries outside of the United States would at no time be sufficiently encouraging to create the incentives necessary to expand their internal production and exports. Thus the balance wheel of international trade must be found elsewhere.

Canada has a particular interest in the establishment of stable and freely convertible national currencies, and this Congress can fully support moves in this direction since convertibility would increase our ability to sell where we can and buy needed imports where desirable thus reducing the threat to employment of members of our affiliated organizations in the development and expansion of our international trade. In this connection, however, we do not wish to leave the impression that we view convertibility as a panacea but rather as a prime necessity to effective and constructive expansion in world trade.

The major barrier to extension of world trade on a stable and long term basis is the continuous net export position of the United States. This, coupled with the failure of that country to devise or encourage a consistent and constructive policy for the reinvestment of these annual net balances accruing from its external trading activities, provides for continuous frustration among the other trading nations especially those among the OEEC group.

The slogan now being used by European countries and the leading members of OEEC is "Trade not Aid". This is a good slogan but like many other cryptic phrases tells only the superficial part of the story. Europe