

In 1947 Canada for the first time since the war also faced a dollar crisis. The Hyde Park agreement of 1941, under which the United States had agreed in effect to increase its purchases from Canada to an extent necessary to match Canada's purchases from the United States, did not extend to ordinary civilian goods for peacetime use. With the Hyde Park Agreement no longer effective United States purchases from Canada fell far below Canada's purchases from the United States, and Canada's customers could not provide U.S. dollars in settlement of their accounts with Canada in sufficient quantity to enable Canada to settle its accounts with the United States. For the time being, Canada had to stop the drain on its foreign exchange reserves by slowing down the rate of its assistance to Europe, and restricting certain Canadian expenditures in the United States.

In 1949 we have just seen another crisis, affecting particularly the United Kingdom and sterling area. Once more the sterling area's reserves of gold and dollars were seen to be declining at an alarming rate, despite the receipt of aid under the Marshall Plan. Certain steps were taken by the United Kingdom and other countries concerned to stem the drain, and tripartite conferences were held among representatives of the United Kingdom, the United States, and Canada, first in London and later in Washington, to discuss the sterling-dollar problem and see what each of these countries could do to help solve that problem on a more enduring basis than any hitherto adopted.

On this occasion, unlike all previous occasions, no plans were made for further gifts or loans from the dollar countries to the others. All concerned are beginning to see that such measures, while they temporarily fill the dollar gap, do little or nothing to reduce the gap for the future. They have financed the continuation of the North American export surplus, and perhaps distracted attention from the fact that that export surplus must be eliminated or at least greatly reduced by increased imports into North America.

I have spoken of 'the North American export surplus'. Some distinction must be made, however, between Canada and the United States. Both countries have an export surplus with the non-North American world, but only the United States has an export surplus with the whole world. Canada has no over-all export surplus, or at any rate not a large one, because Canada normally has an import surplus with the United States of approximately the same size as Canada's export surplus with the rest of the world.

Canada imports about as much as it exports, and any reduction in its export surplus with the outside world would have to be counterbalanced by a similar reduction in its import surplus with the United States. Unless the United States by increased imports reduces its export surplus to the point where Canada's customers overseas have enough dollar income to settle for our export surplus with them, Canada will be faced with the loss of necessary export markets when the temporary support of gifts and loans comes to an end. Canada in such circumstances would be driven to a restriction of imports from the United States and would have to find alternative sources of supply, in Europe and elsewhere, among the countries which take our exports. Neither of our countries would wish to see such a departure from normal multilateral trade channels, if it can be avoided. It will be appreciated, therefore, both that Canada has a special interest in United States trade relations with the rest of the world, and that the problem of reducing the North American export surplus to manageable proportions is very largely