

Kingdom import regulations as they affect United States and Canadian products would be the subject of continuing review by representatives of the three Governments through continuing facilities for consultation.

13. (a) A further subject which was discussed was the United Kingdom liability represented by the sterling balances of other countries. A large number of countries have been accustomed to hold either all or a part of their foreign reserves in the form of sterling. The existence and availability of such holdings is an integral feature of the widespread multilateral use of sterling for the purpose of financing international trade. One of the problems of the post-war period has been the existence of exceptionally large accumulations of sterling which were built up mainly during the war as the result of payments by the United Kingdom for goods and services purchased overseas in furtherance of the common war effort. In June, 1945, these balances amounted to thirteen and a half billion dollars. Since then there have been considerable fluctuations both in the total and in the holdings of individual countries, though the amount outstanding at the end of 1948 was approximately the same as at June, 1945.

(b) In principle, the whole of these balances represents a charge on United Kingdom production of goods and services. In practice, however, a substantial proportion will continue to be held as reserves by the countries concerned. To the extent that the balances are liquidated some proportion of United Kingdom production of goods and services is used to discharge this liability instead of to pay for current imports of goods and services.

(c) This whole problem in its various aspects, including the necessity to provide capital goods for development, was discussed in a preliminary way on the basis of prior technical examination by the experts of the three Governments. It was agreed that this was one of the subjects which concerned other countries and would require further study.

14. Investigation of the ways in which the sterling area could move toward a position in which it could earn its own way led to the discussion of other special problems, including petroleum and shipping--two important elements in the sterling area balance of payments picture. The United Kingdom representatives set forth the facts of the very large dollar deficit which the sterling area presently incurs because of oil transactions and their desire to reduce this deficit to the minimum possible level. It was mutually recognized that the question of oil production and refining and geographical distribution raised problems of extreme complexity involving the protection of legitimate interests of the major producing countries and companies. The Ministers recognized that these two questions of petroleum and shipping could not be resolved in the short time available to them and that further study