

It is now evident that this recovery cannot be completely attained by the end of 1952, as was originally hoped. With the prevailing economic conditions, particularly in the United States, it has been increasingly difficult to expand or maintain present exports to the hard currency markets.

The difficulties which the United Kingdom is now experiencing have significant effects on the whole sterling area, of which New Zealand is a member. Dollar receipts from exports by sterling area countries have decreased to such an extent that the gap between receipts and payments of dollars is now too great to be covered by E.R.P. payments. The deficit has fallen on the slender gold and dollar reserves of the sterling area, of which the United Kingdom is custodian. If the present rate of decline of these reserves continues, they will be exhausted within twelve months.

It is vital that this should not occur, for such a development would severely impede the functioning of the sterling area system, and the achievement of multilateral trade for the world as a whole would be drastically retarded.

The drain on the gold and convertible currency reserves of the sterling area must be arrested. To ensure the continuity of operation of the sterling area system, these reserves must be built up. Urgency therefore dictates that sterling area countries must achieve an immediate increase in earnings from exports to dollar countries; and that sterling area countries must carefully review their imports from hard currency sources.

Ministerial Conference—Dollar Difficulties

The whole problem was the subject of discussions in London on 8th, 9th, and 10th July between the United Kingdom Chancellor of the Exchequer (Sir Stafford Cripps), the President of the Board of Trade (Mr. Harold Wilson), the Secretary to the United States Treasury (Mr. John W. Snyder), and the Canadian Minister of Finance (Mr. Douglas Abbott). At the conclusion of this meeting, a communique was issued giving a general outline of the discussions, the main points of which may be summarised as follows:—

- (a) Particular stress was laid on the necessity of finding solutions which would maintain high levels of employment and enable world trade and international payments to develop on a multilateral basis.
- (b) The aim must be the achievement of a pattern of world trade in which the dollar and non-dollar countries can operate within one single multilateral system.