

- (c) The general approach to existing problems must be based upon full recognition of their profound and long-term character.
- (d) The difficulties were an aggravation of deep seated maladjustments; and remedies other than financial assistance from Canada and the United States must be explored.
- (e) It was proposed that fact-finding discussions should take place between the three Governments in preparation for a further meeting of Ministers at Washington in September next.
- (f) The necessity for action to meet immediate problems was recognized, but no suggestion was made that sterling should be devalued.

It was against this general background and with a view to giving them a factual picture of the position and seeking their co-operation in finding a solution to the problem, which is of major concern to all, that Commonwealth Governments were invited to send their Finance Ministers to a Conference in London.

At the Conference, Ministers were present from the United Kingdom, Canada, Australia, South Africa, India, Pakistan, Ceylon, Southern Rhodesia, and New Zealand.

The meetings of Ministers commenced on 13th July and concluded on 18th July when the text of a press communique was agreed to. Meetings continued between officials for some days subsequently, and it was arranged that there should later be continuous consultation and exchange of information at the official level between Commonwealth representatives in London. It was agreed that the Commonwealth Liaison Committee, which has been functioning in London for some time in connection with the European Recovery Programme and related matters, would be an appropriate body to undertake such work.

The crisis was precipitated by a sharp fall in United States imports, brought about mostly by a decline in business activity in that country. Owing to a fall in sales to the United States the reserves held in dollars and gold by the United Kingdom on behalf of the sterling area were decreasing so rapidly that immediate action to stop it was essential. On the best information available it appeared that dollar earnings during 1949-50 would be sufficient for 75 per cent. only of the value of imports from the dollar area during 1948. Great Britain took immediate action to reduce imports accordingly and the New Zealand Government has agreed to reducing its demand upon dollar resources by reprogramming of imports and where appropriate by other means.