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for the Post-War Global Economy, 1941–1947

Hector Mackenzie<sup>1,\*</sup>

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\*Correspondence: [hector.m.mackenzie@gmail.com](mailto:hector.m.mackenzie@gmail.com)

<sup>1</sup>Carleton University, Ottawa, Canada

# North Atlantic World: Canada and the Wartime Plans for the Post-War Global Economy, 1941–1947

*Hector Mackenzie*

## Abstract

There were numerous bilateral financial and commercial measures in the 1940s within the North Atlantic Triangle of the United States, the United Kingdom and Canada, in wartime and thereafter.<sup>1</sup> However, the focus of this article is on Canada's interest in the multilateral economic proposals for the post-war world. As the following account demonstrates, that option for Canadian policymakers was likewise defined and framed within the North Atlantic Triangle. As for the long-standing but elusive goal of diversification of markets for Canadian exports, the initial benefits to Canada of the multilateral alternative tended to reinforce rather than contradict the trend – evident in Canada's bilateral deals – for its fortunes to be identified with its commerce with its North Atlantic partners. In other words, Canada's economic world was fundamentally a North Atlantic world, and its multilateral plans and actions took that reality into account.

**Keywords** Canada; United Kingdom; United States; North Atlantic Triangle; Second World War; finance; trade; global economy; post-war plans.

## Depression, recovery and trade prospects

Canada's approach to the global economy during and after the Second World War was shaped by experience, including the devastating impact of the Great Depression, as well as hopes for a prosperous future. No country in the world had suffered more than Canada from the breakdown of international finance, the erection of trade barriers and the collapse of markets and prices for food and natural resources in the 1930s. Canada's gross national product (GNP) had fallen by 42 per cent at market prices, or 29 per cent in real or constant dollars, from 1929 to 1933; economic output fell by about 40 per cent in those years, with industrial production less than half of what it had been. Unemployment increased as much as tenfold (figures were inexact and unreliable) – affecting an estimated one-third to one-quarter of Canada's non-agricultural workforce. The agricultural economy of the prairie provinces was devastated, with an extraordinary sequence of accumulated surpluses, lost markets and crops depleted by drought and ravaged by pests. The impact of this collapse was particularly significant in the transportation and construction sectors, as well as associated manufacturing and industrial fields.

Recovery in Canada had been slow and incomplete, so that on the eve of the war, the previous heights of 1929 had still not been scaled. The demands of war revived agricultural and industrial production, with effective full employment in the Canadian economy. The national budget grew sixfold as the war effort replaced unemployment relief and public works as the focus of government expenditures. By 1944, government spending had reached the unprecedented level of \$4.4 billion, or 37.6 per cent of GNP, with remarkable popular support for the significant role of government in the wartime and post-war economy. Meanwhile, Canada's GNP had more than doubled in six years of war.<sup>2</sup> That positive wartime experience and the apparent determination of the victorious Allies to reconstruct the global economy after the war prompted a hopeful perception of post-war possibilities.

Before, during and after the Second World War, Canada's prospects for international trade and consequently its potential prosperity were largely determined by its financial and commercial relations with the United Kingdom and the United States. As the report of the Rowell–Sirois Royal Commission on Dominion–Provincial Relations so memorably put it in 1940:

Canada's position in both her world trade and other financial relations with the outside world is largely that of her position in relation to the United States and the United Kingdom. This position

is similar to that of a small man sitting in a big poker game. He must play for the full stakes, but with only a fraction of the capital resources of his two substantial opponents; if he wins, his profits in relation to his capital are very large, and if he loses, he may be cleaned out.<sup>3</sup>

Before the war, Canada had offset a chronic deficit in merchandise trade with the United States with a surplus largely earned from exports to the United Kingdom. As R. S. Sayers so aptly put it, Canada's 'pre-war economy was based on bilateral imbalance within a balanced "North Atlantic Triangle"'.<sup>4</sup> Of necessity, the Canadian government pursued a wary and pragmatic approach to external economic policy. Bilateral measures to deal with immediate needs often trumped multilateral aspirations for the longer term.<sup>5</sup> In fact, that dualistic heresy was shared with the British and American governments.

Thus, during the Second World War and in the uncertain peace that followed, the Canadian government employed bilateral methods to maximise Canada's exports. There were commitments to finance British imports from Canada, including the Billion Dollar Gift of 1942, Mutual Aid from 1943 to 1945, and the Reconstruction Loan of \$1,250 million which was negotiated in March 1946.<sup>6</sup> On a lesser scale, credits to Western Europe and Asia also underwrote Canada's exports to specific countries. Under the Export Credits Insurance Act of 1944, the Canadian government attempted to restore its trade and diversify its markets through loans to actual and potential trading partners. More than \$500 million was expended by 1948, with France as the single-largest recipient.<sup>7</sup> The post-war financial measures were depicted as interim expedients to assist reconstruction for wartime allies and to ease the transition to freer global commerce. As for financial dealings with the United States, the continental understanding was symbolised by the Hyde Park Declaration of April 1941 and sustained by subsequent bilateral arrangements, so that Canada's reserves of gold and American dollars actually increased during the war and cross-border trade soared to previously unheard-of levels.<sup>8</sup>

The need for secure markets for Canada's key exports likewise shaped Canadian commercial policy. During and after the war, to assure Canadian producers of sales abroad, bulk purchase contracts were signed with the United Kingdom, most famously the multi-year wheat contract of July 1946. Other commodities, including bacon, beef, eggs and cheese, were also covered by bilateral deals between British and Canadian authorities. 'From our point of view', Canadian Prime Minister William Lyon Mackenzie King observed in December 1944, 'the whole

business [of bilateral finance and contracts] relates back to making sure of our holding a place in the British market'.<sup>9</sup>

## Canada and Anglo-American talks about the post-war world

At the same time, the Canadian government professed its abiding faith in the multilateral creed and collaborated closely with its North Atlantic trading partners to reach common aims in external economic policy. Throughout a period of fundamental change and uncertainty, what mattered most in Ottawa was achieving and maintaining a high level of exports, seen as the key to Canada's prosperity, by whatever means were available. Moreover, its commitment to the multilateral ideal was bolstered by fear of any serious split between the British and the Americans. 'No country stood to gain more than Canada', A. F. W. Plumptre has observed, 'from the reduction of prewar and wartime trade barriers, from the establishment of codes of rules for international trade, payments and exchange rates, and from the introduction of more stable arrangements for international lending.'<sup>10</sup> That quest for better order and greater stability governed the Canadian approach to global finance and trade.

Motivated by enlightened self-interest, therefore, Canadian policymakers devoted considerable attention to multilateral instruments in wartime plans and policies for peacetime. With respect to global finance, that prompted keen attention to and support for the development of the so-called Bretton Woods institutions, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) or World Bank. To facilitate world trade, the Canadian government was actively engaged in the negotiation of the General Agreement on Tariffs and Trade (GATT) as well as the ill-fated International Trade Organization (ITO).

These were the most prominent bodies in an elaborate alphabet of international agencies dealing directly or indirectly with the global political economy in wartime and after, including the United Nations Relief and Rehabilitation Administration, the Food and Agriculture Organization, the International Labour Organization, the International Civil Aviation Organization, the World Health Organization, the International Wheat Agreement, the United Nations Economic Social and Cultural Organization, the United Nations International Children's Emergency Fund and others, most of which were associated with the development of the United Nations, first as the wartime title and then as the peacetime reincarnation of the victorious alliance.<sup>11</sup> In the

formation, elaboration and implementation of these various bodies, Canadians and their government played significant roles, individually and collectively.<sup>12</sup>

Not only did the pre-eminent commercial and monetary bodies originate in Anglo-American discussions and commitments, but also Canada defined its approach to this concerted effort to restructure international economic relations primarily on the basis of the potential impact of these multilateral instruments on Canada's transactions with its principal economic partners, the United States and the United Kingdom. Moreover, as one scholar has observed, 'a multilateral global economy founded on Anglo-American cooperation would allow Canada not to have to choose between its two most important markets and its two most important relationships'.<sup>13</sup> So long as the United States and the United Kingdom both aimed and collaborated in that direction, multilateralism was effectively also the only option available to Canada to further its external economic interests and thereby to secure its prosperity.<sup>14</sup>

Canadian policymakers welcomed the Anglo-American emphasis on rebuilding and reordering the international economy and attempted to influence attitudes and plans in a direction favourable to Canada's interests. The Roosevelt administration initiated this reassessment of global economic policy – beginning with the Atlantic Charter, to which the American and British leaders subscribed in August 1941. That declaration pledged the neutral and the belligerent under Point 4 'to further the enjoyment by all States, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity' and, under Point 5, 'to bring about the fullest collaboration between all nations in the economic field with the object of securing for all, improved labour standards, economic advancement, and social security'.<sup>15</sup> As Canadian Under-Secretary of State for External Affairs Norman Robertson advised King, 'there is nothing very new or spectacular' in the text, though 'it is clearly well worth while at this particular juncture having an authoritative restatement of the general principles of international relations which will have to govern any tolerable post-war world'. Overall, he regarded it as effective propaganda, though with one conspicuous flaw:

To my mind its most serious defect is the reservation in Point 4, under cover of the phrase 'with due respect to their existing obligations', of the whole system of Imperial Preference. This must weaken the force and scope of the promise of free access for all countries to markets and materials, and makes it difficult to say much about the free trade implications of the Declaration.<sup>16</sup>

Robertson's doubts were evidently shared in Washington.

When the commitments in the Atlantic Charter proved insufficient to bind the British government to what they regarded as a favourable course in international trade, American authorities supplemented its provisions with the more firmly worded Article VII of the Mutual Aid Agreements in January 1942, the 'consideration' for Lend-Lease. That stipulated that the settlement for Lend-Lease

shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end ... [the terms and conditions] shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers.<sup>17</sup>

Although the overall aim of attaining the economic objectives of the Atlantic Charter was welcomed by Canadian ministers and officials, one financial adviser condemned what he regarded as 'vicious Chicago tactics to attach non-discrimination as a consideration to lease-lend rather than to discuss it as part of all trade policy'.<sup>18</sup>

As British and American ministers and officials attempted to translate the lofty rhetoric into specific and practicable proposals, the Canadians were keenly interested. 'We need both the UK and the US as customers but we need them both under a multilateral arrangement whereby neither can apply undue pressure to us,' one Canadian economic adviser observed as the plans developed. 'There would be no net gain in any move which would merely substitute one market for the other. A multilateral convention is also our best chance of re-entry into the European market from which we would probably be excluded under regional arrangements.'<sup>19</sup> There was also some anxiety in Ottawa about 'the disposition on the part of the United States to determine, by bilateral negotiations with the United Kingdom, questions of policy intimately affecting us'. Even so, there was hope 'that these Lease-Lend negotiations could be used in order to secure an agreement helpful in resisting the onset of post-war economic nationalism'.<sup>20</sup>

Canada was not a direct recipient of Lend–Lease, so it was not initially a signatory of a Mutual Aid Agreement nor obliged by its provisions. However, the aims of those accords, particularly the commitments in Article VII, were sufficiently in Ottawa’s interest that its agreement was conveyed in an exchange of letters with Washington that was seen by the Canadian government as formal justification for its participation in discussion of the post-war economic world.<sup>21</sup> ‘We are the extreme case of the effects of the repercussions of U.K. and U.S. relations,’ insisted the Deputy Minister of Finance W. C. Clark. ‘We can do more to help those relations and much more to injure them than any other country. We are a substantial industrial power.’<sup>22</sup>

At key points in the Anglo-American talks, Canadian experts attempted to sway their British and American counterparts. Before and after a British delegation travelled to Washington, Canadian experts met with colleagues from the British and other Commonwealth governments in London.<sup>23</sup> In late October 1943, on their way back home, some of the British delegates visited Ottawa to brief Canadian economic officials about their lengthy talks in the American capital.<sup>24</sup> In early 1944, after the Anglo-American discussions on the implications of Article VII, Canadian and American officials met in Washington and New York. Those talks attested to a broad sense of common purpose, with the Canadians keen to sustain the progress of post-war planning.<sup>25</sup> ‘In general, the exploratory discussions of post-war international economic policy began on a hopeful and courageous note and were based on a broad international approach,’ a Canadian commentary observed. ‘However, a number of important difficulties have been encountered, particularly in the vitally important field of commercial policy.’ The Canadian interest in a positive outcome was stressed. ‘The alternatives for Canada to timely action on a broad international basis are not attractive. Canada would have to look principally to special bilateral arrangements with the United States and the United Kingdom.’ In neither case would the benefit to Canada match that potentially available in a multi-lateral agreement.<sup>26</sup>

Thus, the Canadian perspective was distinct – not surprisingly, it was a compromise between the British and American views – and it was articulated gradually as policymakers in Ottawa responded to stances adopted in Washington and London and contemplated the significant change in the international economy which was anticipated for the post-war world.<sup>27</sup> In other words, the Canadian government developed a North Atlantic perspective which responded to the plans of its economic partners and to the prospects for transatlantic finance and trade in the aftermath of the Second World War.



## Sterling, dollars and a new global financial order

On financial policy, Canada's interest as a trading nation was to avoid the corrosive phenomenon of competitive devaluation of currencies, which had exacerbated the effects of the pre-war depression. That threat to Canadian prosperity was compounded by the possibility of sterling-dollar convertibility problems after the exceptional wartime financial arrangements came to an end. The need to overcome exchange barriers through generous assistance to the United Kingdom and other countries in the sterling area had already been demonstrated to the Canadian government, so that any multilateral regime which could help to avoid the division of the economic world and the disruption of Canada's familiar triangular pattern of trade would be welcome to authorities in Ottawa.

During the war, Canada had become the second leading international creditor, after only the United States, so it sympathised with the American preference for a regulatory institution (Harry White's Stabilization Fund) that favoured lenders. At the same time, its hopes to export to the British market, as well as its long-standing ties with the United Kingdom, prompted an understanding of the British concern about the vulnerability of borrowers and the need for a well-funded institution to help maximise global commerce (represented by Lord Keynes' International Clearing Union).<sup>28</sup>

Not surprisingly, the convertibility of currencies and monetary questions generally were viewed by Canadian policymakers principally through the lens of sterling-dollar relations. At the same time, Canada identified its self-interest with a positive outcome, necessarily involving Anglo-American agreement and thus likely a compromise between the stances of its most important trading partners.<sup>29</sup> 'Canada's diplomacy reflected its need for a postwar monetary regime that included both the United States and the United Kingdom.'<sup>30</sup> At a relatively early stage in the deliberations, Canadian officials put forward 'General Observations of Canadian Experts on Plans for Post-War Monetary Organization', which were designed to bridge the differences between the American and British schemes.<sup>31</sup> However well intentioned, that initiative was apparently resented in London, where it was perceived as undermining the prospects for acceptance of the plan advanced by Keynes.<sup>32</sup>

That appreciation certainly characterised its approach to the institutions created at Bretton Woods, New Hampshire – the IMF and the IBRD. The Canadian delegation of key ministers and senior officials in July 1944 strove to bridge Anglo-American differences, serve Canada's interests and bring order and stability to international financial transactions

through a multilateral accord.<sup>33</sup> From a British perspective, the Canadian experts, most notably Louis Rasminsky of the Bank of Canada, sided most often with their American colleagues. That difference of views, interests and tactics memorably culminated in a 'fierce' clash between Rasminsky and Keynes, though ultimately the North Americans drew back from a damaging 'break' with the British.<sup>34</sup> A distinguished and effective group of representatives from Canada 'contributed forcefully and incisively to the technical deliberations' during the conference.<sup>35</sup> A British delegate reported that 'the Canadian Delegation included some of the most competent technicians at the Conference', who 'earned the highest praise from all sides'. Their performance at Bretton Woods had 'served once again to demonstrate that Canada is fully alive to the responsibilities of her newly-found status as an almost-great Power, and that she possesses officials with breadth of vision and intellectual equipment equal to the role which she is assuming'.<sup>36</sup> Ultimately, however, it was the American government and its representatives who exercised decisive influence on the IMF and the IBRD. 'The British could not afford to disagree', Robert Bothwell has observed, 'and so the conference reached an accord on what were basically American terms.'<sup>37</sup>

As the Canadian minister of finance, J. L. Ilsley, observed one year later, the Canadian government was convinced that the IMF and the IBRD 'can play a very important part in facilitating the economic reconstruction of the world. They can minimize economic friction among nations and can help to provide the monetary conditions necessary to attaining a high level of world trade on a non-discriminatory basis.' That would be especially helpful in the immediate task of post-war reconstruction. Ilsley acknowledged that Canada's interest was 'not solely altruistic' and his explanation of the potential benefit to Canada was firmly situated within the North Atlantic Triangle. 'When the Fund is fully functioning', he forecast,

it should be of assistance to us in enabling us to use our surplus with the United Kingdom to cover our deficiency with the United States. To attempt to balance our accounts bilaterally with both the United Kingdom and the United States would only result in great economic disorganization and a lower standard of living in this country.<sup>38</sup>

Consequently, as Ilsley's successor, D. C. Abbott, argued, "'multilateral convertibility of currencies" is of special significance to Canada', and the 'new international institutions' promised 'a practical approach to a solution of our problems'.<sup>39</sup>

Curiously, in the early years of the IMF, Canada's conduct did not conform to its earlier rhetoric. Though Canada's economic stature as a major creditor had earned it a seat on the board for the IMF, and consequently it was intimately involved in its proceedings, the Canadian government failed to notify the IMF before it revalued the Canadian dollar to parity with the American dollar in July 1946.<sup>40</sup> When that evaluation ultimately proved unsustainable, the Canadian authorities arbitrarily revalued Canada's currency in September 1949 in association with British and American authorities but again without prior IMF sanction. Instead, the Executive Board of the IMF was simply informed of the Canadian government's decision to reduce the par value of the Canadian dollar by 10 per cent on the eve of its implementation.<sup>41</sup> That decision was overshadowed by the devaluation of the British pound, which had dominated tripartite discussions in Washington.<sup>42</sup>

That straying from the true faith of multilateralism was compounded when Canada floated its dollar in 1950, once more with minimal notice or consultation with the IMF, and on this occasion without the gloss of tripartite discussions, as a 'temporary' expedient that lasted 12 years.<sup>43</sup> Of course, there were much greater problems for international exchange in the 1940s and 1950s than Canadian infidelity to the agreed rules, but the willingness of the Canadian government to go its own way certainly indicated the limits of its multilateral zeal when it came to monetary policy. Moreover, the circumstances that prompted Canada's transgressions were inextricably linked to its own shortage of American dollars, as well as British convertibility problems.<sup>44</sup>

## **The quest for markets: wartime plans for post-war commerce**

A similar contradiction between word and deed marked Canada's approach to commercial institutions and trading policies. As was the case with financial institutions and monetary policies, Canadian expectations were not met with respect to the immediate impact of the new external economic regime, whatever its longer-term significance.

When British officials first proposed a comprehensive approach to international trade, the Canadian government's principal economic advisers firmly endorsed the initiative.

The Advisory Committee on Economic Policy is of the opinion that the negotiation of a multilateral convention of commerce, providing for tariff reductions and limitations and the removal of

other barriers to the exchange of goods, is the soundest method of securing satisfactory conditions of trade between nations after the war. It is especially in Canada's interest, first, because our trade extends over many countries and it would be difficult, if not actually impracticable, to achieve any pattern of bilateral agreements which would serve our interests so effectively, and, second, because the United States will undoubtedly press for the removal of preferences, even though under the Trade Agreements Act, should it be renewed, there is comparatively little she can offer as a *quid pro quo* to Canada.<sup>45</sup>

Unfortunately for the Canadian government, the Anglo-American negotiations on global trade soon foundered on the shoals of fundamental political divisions in the British government and American fidelity to familiar but conservative methodology (bilateral bargaining) for reducing barriers to international commerce.<sup>46</sup>

Before the meeting of Commonwealth Prime Ministers in May 1944, Canadian officials learned that the government of Prime Minister Winston Churchill was 'stuck, split and in recession on Commercial Policy', as the President of the Board of Trade, Hugh Dalton, put it. At a reception associated with the conference, Dalton met Robertson, 'who is very sad at what he calls the "confused and ignoble end of the Commercial Policy proposals"'.<sup>47</sup> As Robertson informed his colleague, Hume Wrong, the British government had

circulated a very cautious and non-committal paper summarizing without endorsement the conclusions reached by the meeting of experts in March. Internal political divisions within the United Kingdom Government which are not likely to be resolved during the next few months make it unlikely that resumed conversations with United States officials could lead to concrete and useful results.<sup>48</sup>

In February 1945, informed and disturbed about the increasing influence of protectionist sentiment in Britain's coalition government, the Canadians attempted to sway British commercial policy in a more favourable direction with an offer of post-war financial assistance as well as a generous settlement of wartime obligations.<sup>49</sup> However, the fate of that initiative, as well as the decisive influence on the external economic policies of the United Kingdom, would be determined in Washington, not Ottawa or London. Ultimately, the administration of Harry S. Truman would use its own financial clout as an inducement to commit the

peacetime Labour government to a course which the Americans regarded as consistent with the wartime pronouncements.<sup>50</sup>

From the Canadian perspective, the approach of the United States to commercial policy was also disappointing, as its emphasis, in contradiction of the wartime discussions but designed to appease congressional attitudes, was on selective rather than horizontal tariff reduction. In July 1945, Canadian officials learned that this domestic political bargain would necessitate a cumbersome, complicated, and likely less effective and comprehensive process. The American minutes of the meeting convey the Canadian reaction.

The Canadian officials had had definite hopes for the horizontal formula because they considered it as the most practicable method, politically and economically, of solving the trade-barrier problem. The proposal for horizontal tariff reduction would represent a fresh approach designed to concentrate emphasis on expanded world trade and international cooperation. Its very magnitude, and the fact that it would deal with all tariffs in all countries with an even hand would assure for it strong support and would weaken the vested minority interests in every country.

The revised American approach would instead bolster protectionism in the United States and elsewhere, and it would stall progress on the liberalisation of global trade. For Canadian policymakers, this abdication of leadership by authorities in Washington would necessitate 'a complete reappraisal of what could be expected to be accomplished in the trade-barrier field as a whole'.<sup>51</sup>

When bilateral consultations resumed in Ottawa, Norman Robertson stressed 'that the Canadians were deeply disappointed and dismayed by the change in the American position'. For their part, the visitors emphasised that 'legislative approval of the plan for horizontal tariff reduction could not be obtained and that it would be virtually useless to make the attempt'. When alternative means were then explored, the Canadian officials favoured negotiation of 'substantial tariff reductions' by bilateral agreements within a 'nuclear group' of perhaps a dozen countries, with concessions generalised.<sup>52</sup> Although it was clear that this was seen as an inferior alternative to horizontal tariff reduction, there was at least the prospect of some improvement in international trade.

As a consequence of the fundamental differences in outlook and strategy between British and American authorities, there had been little advance in wartime with respect to commercial policy. Not until the lengthy and acrimonious Anglo-American loan negotiations were concluded

in December 1945 did an agreed document dealing with international trade emerge. Under the circumstances, *Proposals for Consideration by an International Conference on Trade and Employment* bore the taint of a concession extracted under duress by the American negotiators from a vulnerable British government.<sup>53</sup> Even so, a course was charted for further progress. The initiative was endorsed by the Economic and Social Council of the United Nations and then elaborated by a Preparatory Committee in Geneva, which produced a Draft Charter for the ITO and negotiated the GATT prior to a world trade conference in Havana.<sup>54</sup>

## Implementing ideals: the post-war framework for global trade

Predictably, the guidance for the Canadian delegations to Geneva and Havana stressed the implications of the deliberations and the possible outcome for Canada's trade with the United Kingdom and the United States. 'In normal times, the surplus of our exports to the United Kingdom has been used to pay for the deficit in our balance of payments with the United States,' the Secretary of State for External Affairs, Louis St-Laurent, was advised. With the 'breakdown of multilateral exchanges', Canada favoured the establishment of the ITO 'to pave the way for the restoration of multilateral trade' and to avoid the division of the world into 'a number of trading blocks', with sterling and dollar countries separated.<sup>55</sup> The head of the Canadian delegation in Geneva, Dana Wilgress, affirmed at the first plenary session that

no country in the world has a more vital interest in the success of our deliberations than Canada. We have been blessed by nature with an abundance of natural resources which the industry and skill of our people have created surpluses of which the whole world stands in need. It is only through the co-operation of other countries that we can assure our people of a better way of life by exchanging our surplus products for those surplus to other lands. In this way we can make our contribution to a better life for the peoples of those lands.<sup>56</sup>

In spite of this universal language, however, his reports to Ottawa were dominated by familiar concerns about trade within the North Atlantic Triangle. Indeed, within days of his speech to the final plenary meeting of the ITO, Wilgress was reporting on the acrimonious 'tariff negotiations at Geneva between the United Kingdom and the United States', which

were complicated by the latter's renewed assault on Imperial Preferences and the former's acute anxiety about its exchange difficulties.<sup>57</sup> One month later, Lester B. Pearson, the Under-Secretary of State for External Affairs, advised the Prime Minister that 'negotiations between the United Kingdom and the United States Governments have reached a crisis', with the Americans insisting that the British accept a proposal from the American representatives.<sup>58</sup> In fact, King was sufficiently concerned about the British attitude that he expressed to Clement Attlee his

hope that the United Kingdom Government may find it possible to reach agreement in the present tariff negotiations with the United States since failure in this respect would not only imperil the future of the International Trade Organization itself but in addition might well have the gravest consequences for the entire programme of United States assistance in the reconstruction of Europe.<sup>59</sup>

Though Wilgress was generally sympathetic to the British plight, he believed that 'the United Kingdom Delegation have played their cards badly' with respect to the timing and extent of any concessions. 'Fundamentally', Wilgress added, 'the Geneva discussions are part and parcel of that attempt to secure the whole-hearted co-operation of the United States in post-war economic reconstruction, and it can only be regarded as short-sighted that the United Kingdom has failed to see the situation in this light'.<sup>60</sup> The Canadian delegation was anxious to play its part in bridging such serious differences as arose in Geneva in order to avert a breakdown and to permit the signature of the GATT, which eventually took place on 30 October 1947, with Canada as one of the original signatories.

The final report of the Canadian delegation after the conclusion of the UN Conference on Trade and Employment at Havana also stressed dealings with the British and American delegates and the impact of the accord on Canada's familiar pattern of commerce. The attitude of the United Kingdom to the ITO 'seemed to be dominated by the desire to have nothing in the Charter that would impede their programme of agricultural protection nor their freedom to discriminate for balance of payments reasons'. As for the United States, its agricultural policies, involving import quotas and export subsidies, complicated its stance at the prolonged meetings in Cuba. Moreover, the impact of the Latin American delegations was such that Wilgress complained that the conference was demonstrably 'held not only in the wrong place but at the wrong time'. Thus, Wilgress opined that 'only the Benelux countries and Canada stood for the full acceptance of the basic principles of multilateral trade', though 'Canada was not absolutely pure'

as it attempted to safeguard its own balance-of-payments position. Overall, Wilgress concluded that the ITO Charter should be ratified by the Canadian parliament as it was important 'to have some meeting place where representatives of governments can gather to consider complaints and to endeavour to remove obstacles impeding the free flow of world trade'.<sup>61</sup>

As the principal historian of Canadian commercial policy notes, Canada's delegation played a significant part in elaborating the ITO's Charter and in developing the framework and methodology for the multitude of bilateral negotiations that cumulatively provided the schedules of tariffs for the GATT.<sup>62</sup> An American delegate later recalled Wilgress as 'a very great man' and identified Canada as 'our great supporter. They ran interference, they always took the "simon pure" free trade positions and then we would make concessions, but they ran interference, so to speak.'<sup>63</sup> In spite of these efforts, however, the ITO did not withstand the scrutiny of the American Congress and thus was consigned to the dustbin of history (at least until later diplomatic dustbin-divers retrieved, revised and renamed it as the World Trade Organization).

Meanwhile, the GATT, the interim organisation, was transformed into a quasi-permanent institution whose provisions included rules and regulations that had been intended for the ITO. All told, at the third session of the preparatory committee, with invited others in Geneva, 23 countries negotiated 123 agreements covering about 45,000 items in their tariff schedules. Canada made concessions affecting about two-thirds of its imports, while it benefited from reductions in tariffs on about three-quarters of its exports.<sup>64</sup> The Canadian aim of trade diversification through the multilateral accord was reflected in the fact that Canada signed 14 trade agreements, though obviously none were as important as its deals with the United Kingdom and the United States.<sup>65</sup> Six months of complex and often acrimonious negotiations, with myriad frustrations and tensions, nonetheless culminated in the first major multilateral accord on international commerce, including an interim arrangement of remarkable durability and acceptance.

Rather than diversify Canada's trade, the GATT negotiations confirmed its continental direction. 'Canada carried on bilateral discussions with many of the participants in the Geneva negotiations,' Wilgress later recalled, 'but it was chiefly with the United States that substantial results were achieved.'<sup>66</sup> Unquestionably that was the most significant and comprehensive bilateral deal struck by Canada. The success of that and other agreements reached by Canada's negotiators 'confirmed for Canadian trade officials that the multilateral framework was a potent vehicle for promoting Canadian trade objectives'.<sup>67</sup> The benefits with



other potential trading partners were limited by the 'escape clauses' in the GATT necessitated by the immediate post-war economic difficulties. At the same time, Canada's zeal to dismantle barriers to global commerce was tempered by its own exchange problems. On the same day as it announced its adherence to the GATT, the Canadian government imposed import restrictions to conserve its dwindling reserves of gold and American dollars. Wilgress had long urged that such action, which had been anticipated for months, should avoid the taint of discriminatory treatment, as that would undermine the efforts in Geneva and the credibility of the Canadian delegation there.<sup>68</sup> Though formally non-discriminatory, the measures were obviously directed at imports of American products. As one response to Canada's exchange crisis, Canadian officials negotiated a tentative free trade agreement with the United States (though that was eventually scuttled by King for political, not economic, reasons).<sup>69</sup>

Thus, the pragmatic Canadian approach to commercial policy was obvious at the end of the first round of GATT negotiations. That stance was evident as well at subsequent sessions in Havana, Ancey and Torquay, the cumulative effect of which was to confirm, not correct, the continental drift in Canada's external trade. As Bruce Muirhead has put it, 'Canadian policy was multilateral by preference, bilateral by necessity, and manifestly continental by default'.<sup>70</sup>

## Conclusion: Canada's North Atlantic world

In their early years, these multilateral financial and commercial institutions tended to increase rather than diminish Canada's dependence on trade with the United States for its prosperity. Neither organisation functioned initially in ways that promoted the diversification of Canada's international trade. Moreover, Canada's conduct in this period within and outside the international organisations that it had helped to found contradicted earlier lofty declarations of its commitment to multilateralism. Canada's rhetoric may have been global, but its policies and actions demonstrated that, in external economic policy in the early post-war years, as before, its world was the North Atlantic.

## Note on contributor

**Hector Mackenzie** has a BA (Honours) in History from the University of Toronto and a DPhil in Politics (International Relations) from

Oxford University. After a post-doctoral fellowship and teaching at the University of Toronto and the University of Western Ontario, he was employed for 30 years as an historian for what is now known as Global Affairs Canada. For most of that time, he was the Senior Departmental Historian and for several years he was also the principal departmental speech-writer. He was also the principal organiser of the annual O. D. Skelton Memorial Lectures and of an educational website directed at secondary school students, *Canadians in the World*. He is an adjunct research professor in the Department of History of Carleton University in Ottawa and he has served as President of the Association for Canadian Studies. After 30 years in the government of Canada, he retired from public service, though he remains an active scholar. He is the author of more than 40 peer-reviewed articles and book chapters and the editor of two volumes (for 1948 and 1949) in the series *Documents on Canadian External Relations*.

## Declarations and conflicts of interest

Research ethics statement

Not applicable to this article.

Consent for publication statement

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The author is the Guest Editor of *London Journal of Canadian Studies* 36(1) this article is included in. All efforts to sufficiently anonymise the author during peer review of this article have been made. The author declares no further conflicts with this article.

## Notes

- 1 On the contradiction between multilateral aims and bilateral measures see Bothwell and English, 'Canadian trade policy'; Mackenzie, 'White Paper'. On the principal bilateral agreements see Pressnell, *External Economic Policy*; Mackenzie, 'Justice denied'; Mackenzie, 'Path to temptation'; Mackenzie, 'Chaff with the wheat'.
- 2 Mackenzie, 'Sinews'. All dollar amounts refer to Canadian dollars. Most economic statistics cited are from Urquhart and Buckley, *Historical*

- Statistics*. On the profound impact of the Great Depression on Canada see Safarian, *Canadian Economy*.
- 3 Royal Commission, *Report*, 182.
  - 4 Sayers, *Financial Policy*, 322–3.
  - 5 Bothwell and English, ‘Canadian trade policy’; Mackenzie, ‘White Paper’. ‘Multilateralism might have much to offer in the long run,’ Michael Hart has written, ‘but in the short run there were goods to be exported and import bills to pay. Thus, as they pursued the road to the multilateral heaven, Canadian officials ensured that no doors were closed to the more immediate benefits that might accrue from bilateral or other arrangements with Canada’s two major trading partners, the UK and the USA.’ Hart, *Also Present*, 2.
  - 6 Mackenzie, ‘Sinews’; Mackenzie, ‘Path to temptation’; Mackenzie, ‘Transatlantic generosity’.
  - 7 Spencer, *From UN to NATO*, 201–2.
  - 8 Mackenzie, “‘Little Lend–Lease’”; Mackenzie, ‘Sinews’.
  - 9 King Diary, 1 December 1944, King Papers (MG 26 J), Library and Archives Canada (LAC).
  - 10 Plumptre, *Three Decades*, 30.
  - 11 Plesch, *America, Hitler and the UN*. A pre-publication copy of the manuscript was generously provided by the author. The most comprehensive account of the Canadian approach to the development of post-war policies and institutions is Holmes, *Shaping of Peace*, Vol. 1. The establishment of the international organisations and Canada’s external policies in the aftermath of the war are analysed in Holmes, *Shaping of Peace*, Vol. 2.
  - 12 For example, see MacKenzie, *Canada and International Civil Aviation*; Armstrong-Reid and Murray, *Armies of Peace*; Farley, *Brock Chisholm*.
  - 13 Rasmussen, ‘Old wine, new bottles’, 101.
  - 14 Rasmussen, ‘Old wine, new bottles’, 91.
  - 15 The agreed text of clause four began with the words ‘they will endeavour, with due respect for their existing obligations’, which was interpreted by the British Cabinet as permitting the continuation of Imperial Preferences and the maintenance of the sterling area for exchange purposes. On the meeting at Placentia Bay and the drafting of the Atlantic Charter see Wilson, *First Summit*; Brinkley and Facey-Crowther, *Atlantic Charter*. The various drafts of points four and five may be found as appendices 3–9(b) to Pressnell, *External Economic Policy*, 373–80. See also Plumptre, *Three Decades*, 32–3.
  - 16 Memorandum from Under-Secretary of State for External Affairs [USSEA] to Prime Minister [PM], 14 August 1941, Documents on Canadian External Relations (DCER) 7, 239.
  - 17 Appendix 2, ‘The Mutual Aid Agreement of 1942: Final Version of Article VII’, Pressnell, *External Economic Policy*, 380; Eckes, *Search for Solvency*, 38–40. On the evolution of the Lend–Lease Act and the political circumstances which necessitated a ‘consideration’ for American aid to Britain, see Kimball, *Most Unsordid Act*; Dobson, *US Wartime Aid*.
  - 18 Mackintosh, Memorandum, 4 November 1941, in LAC, Records of the Department of Finance [RG19], volume 3580, file M–02. On Mackintosh see Grant, *W. A. Mackintosh*.
  - 19 [Mackintosh], Memorandum, 14 December 1943, in RG19, volume 4663, file 187–EAC–58.
  - 20 Memorandum from USSEA to PM, 30 December 1941, *DCER* 9, 604–7.
  - 21 Keating, *Canada and World Order*, 49. Special Assistant to Deputy Minister of Finance [W. A. Mackintosh] to USSEA, 5 October 1942, *DCER* 9, 620–1. To Mackintosh, the ‘agreement to enter into conversations’ in the draft exchange

- of diplomatic notes was more important than the restatement of the principles articulated in Article 7. As he put it, the proposed correspondence could 'pin the United States down to including us in post-war conversations, if not in conference with the United Kingdom and others, at least bilaterally with the United States herself'. The exchange of notes took place on 30 November 1942 and was published in Government of Canada, *Treaty Series*, 1942, No. 17.
- 22 Clark to Robertson, 27 May 1942, RG19, volume 3989, file T-2-9-2, I. On Clark see Wardaugh, *Behind the Scenes*.
  - 23 Memorandum ['Report of the Canadian Representatives at the Post-War Economic Talks in London'] from Acting Deputy Minister of Trade and Commerce to Minister of Trade and Commerce, 23 December 1942, Report of Representatives at the London Discussions on Post-War Commercial Policy, 16 July 1943, *DCER* 9, 627-9, 680-7. Acting Canadian High Commissioner in United Kingdom [A/CHC(UK)] to Secretary of State for External Affairs [SSEA], Telegram 466, 24 February 1944, A/CHC(UK) to SSEA, Telegram 498, 29 February 1944, SSEA to A/CHC(UK), Telegram 400, 3 March 1944, A/CHC(UK) to SSEA, Telegram 539, 4 March 1944, A/CHC(UK) to SSEA, Telegram 627, 16 March 1944, *DCER* 11, 31-7. The talks with British representatives on commercial policy are documented in the same volume (62-9), as are those with American officials (70-8).
  - 24 Diaries of James Meade: 26-27 October 1943 [Mission to US (September-October 1943), Volume 2], British Library of Economic and Political Science [BLEPS]. For an edited collection of the diaries of Meade and his colleague Lionel Robbins, see Howson and Moggridge, *Wartime Diaries*. 'Note by Mr Snelling of a Meeting in Ottawa on Commercial Policy and Cartels' [22 October 1943] and 'Note by Mr Liesching of a Conversation in Ottawa on Commercial Policy' [23 October 1943], United Kingdom National Archives [UKNA], Records of the War Cabinet and Cabinet, Miscellaneous Committees [Cab 78], Volume 14, File GEN.19/48.
  - 25 [Constant Southworth, Divisional Assistant, Division of Commercial Policy, Department of State of the United States], Statement on Discussions on Commercial Policy, enclosed with Counsellor, Embassy in United States, to USSEA, 11 March 1944, *DCER* 11, 69-78.
  - 26 Memorandum ['Post-War International Economic Policy'], 25 April 1944, *DCER* 11, 78-82.
  - 27 The best account of the wartime Anglo-American discussions may be found in Pressnell, *External Economic Policy*, 28-214. For an analysis from the perspective of Keynes see Skidelsky, *John Maynard Keynes*.
  - 28 Steil, *Battle of Bretton Woods*. The texts of the British and American plans were tabled in the House of Commons by King on 14 April 1943 in response to a request from the leader of Social Credit and Member of Parliament for Lethbridge (Alberta), John H. Blackmore, shortly after they had been published by the respective governments.
  - 29 Eckes, *Search for Solvency*, 90-1.
  - 30 Rasmussen, 'Old wine, new bottles', 93.
  - 31 Extract from Minutes of Cabinet War Committee, 2 June 1943; Memorandum, 9 June 1943; Enclosure ['Draft Proposals for a Foreign Exchange Stabilization Union'], 1 June 1943, *DCER* 9, 655-71. These documents were published by the Wartime Information Board and tabled in the Canadian House of Commons on 12 July 1943.
  - 32 Memorandum from USSEA to PM, 11 June 1943, *DCER* 9, 673-4.
  - 33 The Canadian proposals, published prior to the meetings at Bretton Woods, 'offered a compromise between the American and British points of view in an

- effort to bridge the gap between them but which leaned more in the direction of a fund than a clearing union'. Soward, *From Normandy to Paris*, 174. The instructions to the Canadian delegation were given at a meeting in Bretton Woods on 1 July 1944. Special Wartime Assistant to USSEA [J. J. Deutsch] to USSEA, 5 July 1944, with enclosures, *DCER 11*, 48–52.
- 34 Pressnell, *External Economic Policy*, 172–3. On Rasminsky see Muirhead, *Against the Odds*.
- 35 Eckes, *Search for Solvency*, 139.
- 36 A. W. Snelling, 'Notes on the United Nations Monetary and Financial Conference, Bretton Woods, New Hampshire, USA. 1st–22nd July, 1944', 31 July 1944, in UKNA, Records of the Dominions Office [DO 35], Volume 1216, File WR254/1/40.
- 37 Bothwell, *Alliance and Illusion*, 29.
- 38 Press Statement by Minister of Finance, 26 July 1945, *DCER 11*, 57–60.
- 39 As had Ilsley, Abbott stressed the importance of convertibility for Canada's trade with the United States and the United Kingdom in a speech to the Canadian Life Insurance Officers Association on 15 May 1947. Abbott, 'International mobilization'.
- 40 Memorandum ['Establishment of Par Values and Relations of Members with the Fund'] by Canadian Executive Director of the International Monetary Fund, 1 August 1946; Memorandum ['International Monetary Fund Position Prior to Establishment of Initial Exchange Rates'] by Bank of Canada, 30 August 1946, *DCER 12*, 1192–205. These documents discuss the procedural and legal questions associated with changes in exchange rates. The official history of the Department of Finance discusses the devaluation of 1949 and the exchange crisis which preceded it, but not the decision in 1946 to raise the Canadian dollar to parity with the American dollar. Bryce, *Cost of World War II*, 316–19. Canadian financial authorities had been preoccupied with the likely inflationary impact of imported American goods in Canada so that parity had been seen as a brake on that effect.
- 41 Memorandum by Department of Finance, 15 September 1949; Extract from Cabinet Conclusions, 16, 17, 19 September 1949; Ambassador in United States [CA(USA)] to SSEA, Telegram WA-2572, 19 September 1949; CA(USA) to SSEA, Telegram WA-2575, 19 September 1949, *DCER 15*, 866–73.
- 42 Mackenzie, 'ABCs'. The decision to devalue the pound and the discussions in Washington are assessed in Cairncross, *Years of Recovery*, 182–92. Other devaluations linked to that of sterling are mentioned on page 209 of the same book.
- 43 Executive Assistant to Governor of Bank of Canada to Clerk of Privy Council, 23 October 1950, with enclosed Memorandum ['Report on Washington Discussions Re Floating the Canadian Dollar September 28-30 1950'], 21 October 1950, *DCER 16*, 696–704. The Canadian action was a 'technical violation of the IMF rules'. Eckes, *Search for Solvency*, 245.
- 44 Keating, *Canada and World Order*, 71–2.
- 45 Report of the Advisory Committee on Economic Policy, 14 May 1943, *DCER 9*, 643–8.
- 46 The sources and consequences of the British retreat on commercial policy are analysed comprehensively in Pressnell, *External Economic Policy*, chapters 6 and 8. The commitment of the Roosevelt administration and its successor to the Reciprocal Trade Agreements Act (RTA) and the implications of that stance for the overall American approach to international commercial policy are explained in Gardner, *Sterling–Dollar Diplomacy*. Whatever its limitations, especially as perceived abroad, the RTA had been a significant advance on previous American

- trade policy, particularly with respect to limiting the impact of congressional oversight on the detailed provisions of any negotiated outcome.
- 47 Diaries of Hugh Dalton: 26 April 1944; 11 May 1944 [in Volume 30], BLEPS.
  - 48 'Dominion' to 'External' (N. A. Robertson to H. H. Wrong), 7 May 1944, LAC, Papers of W. L. M. King [MG 26], Primary Series Correspondence [J1], Volume 369 [note: misfiled with Ritchie correspondence].
  - 49 Mackenzie, 'Path to temptation'.
  - 50 Mackenzie, 'Justice denied'.
  - 51 Memorandum of Conversation, by Mr. John M. Leddy, Assistant Adviser in the Division of Commercial Policy, 9 July 1945 ['Informal Discussions on Commercial and Financial Policy Between Officials of the United States and Canada'] in United States Department of State, *FRUS 1945 VI*, 61–6. The series is accessible online: <http://digital.library.wisc.edu/1711.dl/FRUS>.
  - 52 Memorandum of Conversation, by Mr. John M. Leddy, Assistant Adviser in the Division of Commercial Policy, n.d. ['Informal Discussions on Commercial Policy Between Officials of the Canadian Government and Officers of the Department of State'] in *FRUS 1945 VI*, 66–74.
  - 53 Mackenzie, 'Justice denied'.
  - 54 Canada was one of 17 countries represented on the preparatory committee, which met for six weeks in London for its first session in early 1946, then again from 20 January to 25 February 1947 in Geneva and finally for six more months in Geneva beginning at the end of April 1947. The delegates at that third session revised the draft charter, negotiated a web of bilateral agreements (which included six additional countries that were invited to participate in the trade negotiations) and concluded a general agreement to link the various bilateral deals. That final task produced the General Agreement on Tariffs and Trade (GATT), which ultimately served as a surrogate for the unratified International Trade Organization (ITO). Stone, *Canada, the GATT*.
  - 55 Memorandum for SSEA, n.d., enclosed with Chairman, Delegation to the Second Session of the Preparatory Committee of the United Nations Conference on Trade and Employment, to the SSEA, 1 February 1947, *DCER 13*, 1126–30.
  - 56 Address by Head, Trade Delegation, to Final Plenary Meeting of ITO, 22 August 1947, *DCER 13*, 1153–7. In the quoted extract from this speech, Wilgress is paraphrasing his own remarks at the opening plenary meeting on 11 April 1947. Privately, Wilgress admitted to Robertson that 'I never thought that, after reading about developments in the United States last winter, we would attain the objective of substantial reductions in tariffs. What we are going to attain are a large number of moderate reductions plus bindings on present rates. Since all rates listed in the schedules will be bound against increase, the tariff agreement will serve to give a stability to tariffs which the world has never known before. This in itself will be well worth while.' Wilgress to Robertson, 29 April 1947, LAC, Records of the Department of External Affairs [RG 25], Volume 2117, File AR429/3/5.
  - 57 Head, Delegation to Trade and Employment Conference, to SSEA, Despatch G/9, 26 August 1947, in *DCER 13*, 1157–9.
  - 58 Memorandum from USSEA to PM, 22 September 1947, in *DCER 13*, 1171–2.
  - 59 Attlee's reply argued that 'in our judgment the United States are now trying to drive an unfair bargain and one which we are not in a position to accept'. United Kingdom High Commissioner in Canada [UKHC(C)] to Secretary of State for Commonwealth Relations [SSCR], No. 896, 24 September 1947 (PM to PM), SSCR to UKHC(C), No. 859, 26 September 1947 (PM to PM), UKNA, Records of the Office of Prime Minister [PREM 8], Volume 490.

- 60 Head, Delegation to Trade and Employment Conference, to SSEA, Despatch G-11, 23 September 1947, in *DCER 13*, 1174–7. Wilgress blamed the guidance and control of the Board of Trade for the unfortunate and ill-advised conduct of the British delegation.
- 61 Chief Delegate, Delegation to United Nations Conference on Trade and Employment, to SSEA, Despatch 165 [‘Report of the Canadian Delegation to the United Nations Conference on Trade and Employment at Havana’], 13 July 1948, *DCER 14*, 896–916.
- 62 Hart, *Trading Nation*, 135–9.
- 63 Interview with Winthrop G. Brown, 25 May 1973, Harry S. Truman Presidential Library, Oral History Records.
- 64 Hart, *Also Present*, 40–1.
- 65 Rasmussen, ‘Old wine, new bottles’, 95.
- 66 Wilgress, *Canada’s Approach*, 17.
- 67 Hart, *Trading Nation*, 136.
- 68 CHC(UK) to SSEA, No. 815, 17 May 1947 (Wilgress to Clark), RG25, Volume 2083, File AR16/14/II. The deputy minister of finance, Clifford Clark, had warned the minister in the American embassy in Ottawa, Julian Harrington, in late April ‘that the present situation could not be allowed to continue indefinitely. Either exports to the United States must be stepped up substantially, he said, or some means must be found to discourage imports. He hoped that it would never be necessary to control imports since restrictions of this nature run counter to the post-war efforts of the major powers to restore a free and natural flow of goods.’ Harrington to Foster, 25 April 1947, United States National Archives [USNA], Records of the Department of State [RG59], File 842.5151/4-2547.
- 69 Cuff and Granatstein, ‘Rise and fall’; Hart, ‘Almost but not quite’; Mackenzie, ‘King’s road’; Bothwell, *Alliance and Illusion*, 35–9. Two of Canada’s principal trade negotiators, H. B. McKinnon and J. J. Deutsch, had been diverted from work on GATT/ITO to the bilateral negotiations. Hart, *Also Present*, 7–8.
- 70 Muirhead, *Development*, 14–15.

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