

106. The Departmental memorandum of October 5, 1948, on the ECA talks was critical of the claim advanced in Washington that only \$138 million would be available from Canada for assistance to Europe in the United States fiscal year of 1948-49. This total had been arrived at by adding together the \$60 million for the United Kingdom, \$72 million of credits to other ERP countries, and \$6 million for post-UNRRA relief and IRO. This figure was exclusive of the price differential on the wheat sold to the United Kingdom. The memorandum believed that it was difficult to justify this figure "in the face of an anticipated surplus of \$412 million, and at the same time expected off-shore purchases of \$649 million." It felt that the compelling arguments for the figures were political. Mr. Deutsch contended that Canada had too often in the past dissipated her substance too soon to get the best results, and had consequently got into financial difficulties. He believed that late in 1949 or 1950 would be a more critical period for which it would be wise to hold in reserve as much of the United Kingdom loan as possible. The Cabinet decided in the light of the Cripps talks in Ottawa at the ECA discussions, that the Ministers of Finance, Trade and Commerce, and Agriculture should consult "with a view to settling a tentative figure for release of the United Kingdom credit". This figure should be used in discussions on the United Kingdom program of purchases in 1949.

107. As we have seen these discussions were protracted and difficult. They delayed the announcement of the credits being unfrozen until January 21, 1949. Meanwhile Mr. Hoffman had instructed his officials to inquire about them in October and there were several additional requests for information during the rest of the year. In the interim as a proof of Canadian co-operation Mr. Wrong told ECA officials about negotiations to release part of the Belgian credit for special Canadian commodities. The flow of Canadian authorizations in Washington continued unabated and in the single week commencing November 15 reached \$156.3 million. The total to date was more than \$550 million. In reporting this figure Mr. Wrong commented on "the straightforward way in which ECA have, to date, met all our major requests and understand our problems". He stressed the importance in our own self-interest of giving ECA promptly definite information on the financial assistance which Canada proposed to extend. The Department agreed, but could do no more than authorize Mr. Wrong to give ECA a progress report on what was taking place.

108. As a partial sop to the wishes of the ECA officials Mr. Deutsch visited Washington in December to review the position and describe current Canadian negotiations with Belgium and the United Kingdom. ECA expressed the hope that the Canadian Government, in announcing the reopening of the United Kingdom credit, would give the figure of \$120 million for the whole of 1949, instead of stating the rate of monthly drawings, but got no satisfaction. Mr. Deutsch described the improvement in the Canadian economic position, which had raised the estimate of surplus account for 1948 about \$75 million above the figure given in the September talks. He insisted that the chief cause was the extraordinary increase of 40% in exports to the United States, and pointed out that our total exports to Europe, in spite of ECA authorizations, had declined. The most important thing learned by the Canadian group was that in the second year ERP off-shore purchases would be determined "exclusively by United States interests". The decrease in the funds ECA would receive, the rise in stocks of United States agricultural commodities and the improved position of Canada dictated such a policy which did not represent "any criticism of Canada". Both sides expressed doubts of the long-term programmes adopted by the