

These two objectives, the economic restoration of Europe and the development of liberal trade and currency arrangements, have represented the two main lines of our foreign economic policy since the end of the war. To take the second element first, we worked alongside the U.S. and U.K. in the initial elaboration of plans for an International Monetary Fund and in the subsequent development of that institution. I do not want to take time now to describe the purposes or methods of the Fund, but I will be glad to come back to that in the discussion period if anyone wishes me to do so. In general, however, I may say that the purpose of the Fund is to contribute towards the achievement of a high level of international trade on a multilateral basis by providing the machinery for consultation and collaboration on international monetary problems and by affording countries access to important financial resources which they can use to cover short term disequilibria in their balances of international payments. In general, it may be said that under the conditions towards which the Fund is working it will be possible for a country to use the proceeds of its exports to any part of the world to pay for its imports from any part of the world -- a condition which, as I suggested earlier, is obviously of special value to countries such as Canada whose balance of international payments with different geographical areas is far from equilibrium. Apart from the Fund, we have also collaborated in the development and in the work of the International Bank for Reconstruction and Development and have played a prominent part in the various discussions which are leading to the creation of an International Trade Organization. In general, it might be said that the purpose of all these international institutions is to avoid the worst errors of the past in the field of international economic policies and to establish means whereby each country may seek to attain its economic and social objectives without adopting policies which would make it more difficult for its neighbours to do likewise.

Apart from our participation in those international institutions, Canada has made a very important direct contribution to world economic recovery. This has taken the form of full cooperation and assistance in the relief and rehabilitation activities of UNRRA, of other grants for relief, and of the extension of very large credits to the U.K. and certain other countries of Western Europe. The various relief and rehabilitation grants to date total some \$260 million, while the credits authorized to date amount to nearly \$1,860 million, of which \$1,250 million is to the U.K. For comparison, I may mention that the post-war credits extended by the U.S., whose population is twelve times that of Canada and whose national income is eighteen times that of Canada, amounted, as at the end of October, 1947, to approximately \$8,000 millions. The extension of credit by Canada, like the extension of credit by the U.S., was, of course, not an act of altruism but an act of pure self interest. Let me repeat that the Canadian economy is geared to that of Western Europe. If that part of the world can be set afloat again, we can be prosperous in this country on the basis of the existing economic structure. If that part of the world cannot be floated we shall have to make internal adjustments here which involve major shifts in the use of our resources and the distribution of our population. These shifts would be painful in the extreme and would carry with them the implication of a lower standard of living. It is therefore very much in our own interest to extend ourselves to help in the recovery of Europe.

The effort that we have made in this direction has, as you know, resulted in exchange difficulties in Canada. You cannot pay cash for all your purchases and sell a large portion of your exports on credit without drawing down your bank balances, and this is what has been happening to us. The arithmetic of our position is fairly simple. As I mentioned before, we had at the end of 1945 approximately \$1,500 million in gold and U.S. dollars. In 1946, we had a current account surplus of \$460 million. If all transactions had been on a cash basis and there had been no capital movements, our national reserves would have gone up by \$460 million. However, we had exports amounting to nearly \$860 million for which we did not