

that proved to be so effective and constructive during the war. Our actions in the past have demonstrated clearly our concern with the recovery of Europe which is the purpose of the Marshall Plan. Despite our exchange difficulties, we intend to permit the countries to which we have authorized credits to use at an appropriate rate the still considerable unexpended balance, if at all possible. We intend to do so because we are convinced that the recovery of Europe is vital to Canada's prosperity.

Maximum Economic Cooperation between Canada and the United States

We are not, however, in a position to wait for European recovery which will take time. We must increase substantially our supply of U.S. dollars. Canada has depended heavily on sales overseas to provide the foreign exchange with which to meet our requirements in the United States, and we are finding this to our disadvantage today as we have on several occasions in the past. The new trade agreements announced tonight will help to improve this condition but they will not of themselves be sufficient. We propose to take further steps to bring about a better balance of trade with the United States. We are determined to find a lasting solution to our difficulties in the expansion of our trade rather than in the straight-jacket of restrictions. There are a number of constructive lines along which we can work and we must use them all. The Governments of Canada and the United States are consulting on measures designed to facilitate the earliest possible removal of the temporary import restrictions to which I shall refer in a moment, and to achieve the maximum degree of economic cooperation between the two countries.

Diversion of Exports

One obvious way in which we could increase our dollar receipts would be to divert to U.S. dollar markets exports which we are now selling elsewhere on credit. To some extent this is feasible and necessary since many of our overseas customers are in a position where they are restricting their purchases from us. We do not wish, however, to go too far in such a diversion of exports both because of the urgent needs of the United Kingdom and other overseas countries for some of our products and also because of our interest in maintaining essential markets.

Constructive Measures for Trade Development

The more positive approach is to expand our production for export to the United States, and to develop our natural resources and manufacturing industry in a manner that will permanently reduce the undue lack of balance in our trade with that country. The reduction in U.S. tariffs under the Geneva Agreements should much increase the opportunities of certain Canadian industries in the United States market. The Government hopes and expects that such industries will adapt their production to take the fullest advantage of their opportunities and in many cases expand their capacity. Some of our natural resources can and should be developed and further processed in a manner that will help to ease our dollar problem.