

and it is to their everlasting glory - used up all the available water to stop the fire, so it is not surprising that now they can't have a bath twice a day!

It is now clear that the Western World must set about re-designing the structure of its international economic relations, even as it must rebuild its international political life. In this re-designing and rebuilding, no country has more at stake than Canada. In the plans and policies we adopt, we shall be well advised to take into consideration the new orientation of world economic power. That we are doing so is shown, I think, by the increase of our exports to the United States and the discovery and development of new markets in Latin America and elsewhere. We must press further along this road, especially in Asia, which offers great long view possibilities, though the immediate difficulties are tremendous. We must also do everything we can to develop our own resources for our own people, in a way which will make us less dependent on dollar imports. There are great and encouraging initiatives being undertaken in this field. But at the same time, we must make every effort to maintain our place in sterling markets; by trade negotiations; by setting up - as we have set up - Anglo-Canadian trading machinery; by giving all the official support we can to private ventures; by political discussions at the highest level to drive home the point that Canadian resources are not merely a great reservoir to be tapped in time of trouble, but one which should supply a steady and continuous stream of goods across the Atlantic. We must realize, however, that if this stream is to flow outwards, there must also be one flowing in. This means even more than sensible tariff policies. It means the active encouragement of imports from the sterling area; import promotion activities which will assist the sale in Canada of goods from those areas. It may even come to mean in certain contingencies action to keep out of Canada competing imports from other countries. All this involves difficult and complicated and at times irritating government action, which is justified, and only justified, by the changing world trading conditions I have mentioned and the necessity of Canada adjusting herself to them. In the recent past we have shown our understanding of these changes, by giving direct aid - through gifts and loans - to our European customers, who have been subjected to such shocks and changes in the last twenty-five years. Particularly has this been true with the United Kingdom. But our loans and gifts are now practically used up. And it should not be forgotten that unless we are willing to accept a somewhat lower standard of living than we now enjoy, we can make new contributions of this kind only out of a current trade surplus. That surplus is now a very small one.

It is sometimes said that all our export difficulties would be solved if the dollar and the pound were only convertible. But as I have said, inconvertibility is not the disease. It is merely the symptom of the disease. We shouldn't let ourselves be confused by the careless use of these terms. A Canadian government could, I suppose, by decree make pounds convertible into Canadian dollars; it could agree to "take sterling" for all dollar exports in excess of those covered by our sterling imports or dollar investments. But that would merely mean - in present circumstances - an additional gift - though a concealed one - to the sterling countries concerned. The Canadian taxpayer would "pay the shot".

We may, of course, have to take some kind of action in the future to assist our exporters by further loans or gifts to customers. I hope, of course, as you hope, that we won't. But we shouldn't try to fool ourselves that we can escape the consequences