

Just one year has passed since Canada adopted the programme to correct our exchange position. I can tell you that the programme has been singularly successful in so far as we ourselves have been able to go. In the first nine months of 1948 we reduced our adverse merchandise trade with the United States from \$720 million to \$267 million. This has been achieved in part by expanding our exports to you from \$759 million to \$1067 million. To a lesser extent we have reduced imports from the United States during this period from \$1468 million to \$1324 million as a result of the emergency restrictions. Thanks to the Marshall programme the United Kingdom and Western Europe have been able to pay Canada in dollars for a substantial portion of our exports to them. Under these circumstances it has been possible to put a stop to the drain on our gold and dollar reserves.

It would be misleading, however, to exaggerate the significance of our improved position. To the extent that the improvement has been the result of increased exports to the United States it is evidence of the initial success of our long-term positive programme. To the extent, however, that it is due to the restriction of imports, a programme which we are pledged to drop as soon as possible, and to the operation of the Marshall programme which is of temporary nature, we cannot look to them as positive or permanent solutions. We must make a great deal more headway in the expansionist part of our programme before we can be confident that we are really out of the woods.

The Marshall Plan is designed to achieve the recovery of Western Europe so that by 1952 the recipient countries can stand on their own feet, -- can balance their trading accounts without further large-scale loans and gifts. We must, however, recognize that some of the changes which have taken place in the United Kingdom and Western Europe are basic and long-term. The loss of their overseas investments, the changes in colonial areas and the political difficulties of Europe make it clear that it will be a long time, to say the least, before the United Kingdom and Western Europe will again be able to afford the excess of imports over exports on the scale which prevailed before the war. It is altogether likely that Canada will not be able to earn sufficient overseas surpluses with which to settle deficits in our accounts with the United States. It seems reasonable to assume, therefore, that the European Recovery Programme cannot in itself be expected to solve the basic Canadian trade and payments problem.

We are proud of the progress made in the last year toward solving our payments problem. This progress is heartening but we must continue to work towards the achievement of a long term solution. We recognize that in the circumstances of the world today we can no longer afford to do business with the United States on the basis of \$2 of imports for every \$1 of exports. We must therefore achieve a much closer balance in our trade with the United States. The only question is how to achieve this balance.

Consistent with the traditional policy of my government, we want to do this by constructive and expansionist methods. We want to produce more and sell more to you, by improving our competitive position, by a closer study of your markets and consumer needs. The progress made in the last year bears witness to the fact that we can do it. But we cannot do it without your help and co-operation. Too often we find that the tariff structure of your country makes it difficult, often impossible, for our goods to flow into the United States market. At times this is due to the nature of your Customs administration rather than to the tariff itself, although generally your tariff is much more protective than ours. These obstacles are particularly evident in regard to our manufactured goods and processed raw materials. We have often heard it said in recent years that the fundamental dilemma of the world "dollar shortage" is a problem of production and supply in the deficit countries. This is, of course, true in regard to some countries. It is

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