

on a high level of multilateral world trade. Much of the prewar world trade will not be reconstructed for a long time if ever, and it has become necessary to seek new channels of trade and new commodities of trade in many instances.

If Western Europe can do no better in future than to balance its trade with North America, then our exports in that direction will be restricted by comparison with prewar when the countries of Western Europe, including the United Kingdom, were in a position to purchase more from us than they sold to us. When this point is thoroughly understood, it becomes clear why Canada has as great an interest as any country in the world today in the eventual reconstitution of a system of multilateral trade.

All that we have done to reestablish our external trade on a sound basis is merely a beginning. Much still remains. Canada is by far the most important customer the United States has amongst all the countries of the world. There is a fundamental lack of balance between our two great North American countries, however, which reached the point where Canada was buying twice as much from the United States as she sold there. This discrepancy is matched by an American tariff which is much more effective in excluding Canadian goods than our tariff is in excluding American goods. If Canadian-American trade is to continue at its present high level, it is of fundamental importance to Canada and also, I believe, to the United States, to establish lower tariffs and a more flexible administration of tariffs. These obstacles are at present cutting at the very foundation of trade between our two countries.

For a time after the war it was possible to finance our imports of goods from the United States by using our accumulated reserves of gold and U.S. dollars to supplement our current U.S. dollar earnings from exports. The magnitude of this drain can be readily gauged from the fact that during 1947 our reserves of gold and U.S. dollars were reduced to a low level of about \$500 million. In these circumstances, the Government's emergency import control programme was announced about a year ago. What have we been able to achieve thus far?

By these means, our commodity trade with the United States has been brought for the present to an approximate balance. In the first ten months of 1948 our imports from the United States have been reduced by about \$173 millions in comparison with the same period of 1947. Much more important, our exports to the United States have been increased by more than \$350 millions during the same period, and the situation will be even more improved by the end of the year. This programme has a restrictive side, as we all know, in prohibiting the importation of certain goods from the United States which are much in demand in Canada. The government was able in December to announce an encouraging increase in our gold and U.S. dollar reserves and the removal of some of the restrictions. It is to be hoped that the remaining restrictions may be dispensed with before too long in a satisfactory trade equilibrium with the United States.

The dollar saving programme also has a constructive side which is of greater long-run importance. We have directed scarce materials to industries whose development will save dollars and to other export industries which will earn dollars. There has been a tremendous expansion of plant and equipment in basic industries which give us augmented and better articulated industrial capacity. Our most serious shortage on