The Canadian exchange problem can therefore be stated in terms which every business man will appreciate. We were buying on a huge scale from the United States and paying cash for all our purchases. At the same time we were selling heavily on credit to the United Kingdom and Western Europe in order to help in the reconstruction of these economies. A decline in our gold and U. S. dollar reserves was inevitable -- they fell from about $1½ billion at the end of 1945 to half a billion by November, 1947. Obviously this decline could not be permitted to continue. On November 17, 1947, therefore, the Canadian Government adopted a double-pronged programme to halt the rapid depletion of our exchange reserves and to correct the disequilibrium in our balance of payments position vis-a-vis the dollar countries.

To achieve immediate results, a temporary programme of trade restrictions was put into effect. The importation into Canada of a long list of consumers goods which we could readily spare was prohibited. Quota limitations were placed on a longer list of similar goods. Capital goods imports were put on a permit basis. Canadians desiring to travel to the United States for pleasure purposes were limited to 150 U. S. dollars per annum. This action was not pleasant for our people -- it was not pleasant for our American friends. It was adopted with great reluctance after every possible alternative had been examined. There was no other approach that would work. This negative and restrictive side of the programme will be abandoned as soon as circumstances make it possible. Incidentally, I should emphasize that these restrictions are not designed to have a pro-tective incidence. The Government to which I belong has issued clear warning that it will in no way encourage uneconomic development of enter-prises which will not be able to compete on a sound and lasting basis. We are only interested in the expansion of efficient production and the development of resources that are indigenous to our economy.

On the positive side, the programme has many ramifications, all of them directed to solving our dollar problem in a constructive way by increasing production and exports and thereby achieving a better balance in our trade with the dollar countries. To the extent that the achieve-ment of these objectives depend on wholly Canadian efforts, I can assure you that effective and vigorous measures are already in operation. We are also in contact with your government and carrying on continuous consultation on co-operative measures to help solve the underlying difficulties and facilitate the earliest possible removal of the temporary restrictions.

We believe that we can expand our exports to you substantially of commodities which you need and want. You must, we believe, be prepared to import on a much larger scale than you are presently importing. Unless that is done, there can be no solution to our problems in a constructive and expansionist manner. The Geneva Agreement on Tariffs and Trade, which is now being provisionally applied, is a long step in the right direction, and should serve to facilitate the freer flow of trade between our countries.

Now, some of you have no doubt heard it suggested that Canada should depreciate her dollar as a method of correcting her present U. S. dollar deficiency. I should like to make the position of the Canadian Govern-ment quite clear on this matter. We have rejected currency depreciation because Canada has not the kind of problem for which that is an appropriate or effective remedy. Currency depreciation may be helpful to a country which is in balance of payments difficulties because its costs and prices are too high to enable it to compete effectively in world markets. There are un-doubtedly a number of countries in this position to-day, but certainly not Canada. On the contrary, we have kept our costs relatively low, and at current rates of exchange our staple exports can be sold in the markets of the world in competition with any other country.

Too much attention should not be paid to the variations in the