

were not yet possible. Following this meeting Mr. St. Laurent referred to Mr. Abbott's letter on August 12, summarizing the developments and the views of the committee. He informed the Minister of Finance that the proposed talks in Ottawa were regarded as being of some positive value in giving those concerned some inkling of the views and intentions of ECA on off-shore purchases.

101. At the opening meeting in Ottawa on August 16, the ECA group presented a statement along the lines that Mr. Wrong had seen. Although they did not suggest that ECA had been conferring a favour upon Canada by its authorizations of off-shore purchases, they did not accept the opposite thesis that the bulk of Canadian exports which had been financed by ECA could easily have been sold for dollars in any event. In reply the Canadian officials examined ECA figures and argued that their forecasts of the Canadian balance of payments were "altogether too optimistic". They held out little hope of Canada being able in the near future to provide more than a reopening of the credit to the United Kingdom, and pointed out that Parliamentary authority, which could not be secured until January, 1949, would be required for new credits or grants. The leader of the ECA delegation said he thought his agency could explore with advantage "the possibility of reaching some sort of understanding with Canada regarding future contributions". Any agreement, which might be linked with arrangements for a specific volume of off-shore purchases, including marginal items that Canada had more difficulty in disposing of, would help both sides.

102. As early as September 7, ECA began to inquire about the prospects of a further meeting to continue the discussions initiated in Ottawa. They were informed that the impending visit of Stafford Cripps to Ottawa would preclude the possibility of talks by Mr. Abbott and his officials until the week of September 27 - October 2. This suggestion was quite satisfactory.

103. The Inter-Departmental Committee on External Trade Policy and the officials connected with the negotiations had a preparatory meeting on September 24. The Committee drafted an outline of the policy to be pursued which received Cabinet approval. The chief features were insistence that no further grants, i.e. gifts, to Western European countries could be contemplated at present; willingness to advance to the United Kingdom a total of \$60 million i.e. six months' drawings at \$10 million per month, to June 30, 1949; and emphasis upon the need for a satisfactory agreement with the United States on allocation of ECA funds before any further assistance could be considered. What was desired was;

"a general assurance regarding the volume of United States purchasing in Canada, and specific assurance with regard to the types of commodities which the United Kingdom and Western Europe propose to purchase from Canada so that United States funds would be available for these types."

Mr. Reid was not satisfied with this cautious policy and ascribed it to the outlook of the Department of Finance and the Bank of Canada which seemed to assume "that the financial considerations which they put forward are the sole determining factors". He challenged their insistence that the question of the extent of credit which could be extended in 1949 should be solely determined on estimates of Canada's reserves of United States dollars.