

- (1) the restoration of a multilateral trading world on a sound and lasting basis; and
- (2) the fullest contribution to the recovery of the United Kingdom and Europe, without which multilateral trade could not possibly be restored.

I will not detain you long with an account of these efforts. In peace as in war we found ourselves marching side by side with our United States friends. If you will permit me, I should like to say a word about the Canadian contribution to recovery of the United Kingdom and Europe, because it is so closely related to what you are doing in the United States. Since the termination of hostilities Canada has been carrying on an E.R.P. programme of her own. Close to two billion dollars of credit were authorized for the United Kingdom and countries of Western Europe and China. On a per capita basis, or in relation to National Income, Canadian contributions to European recovery have not been exceeded by those of any other country. It was certainly in our long-term interest, as it was in yours, to promote recovery in those countries with which we have always carried on a large and profitable trade. Such a programme of assistance could not be undertaken without some special effort. We were able, at the end of the war, to look to our long-term interests in this way, because our then reserves of gold and U. S. dollars were adequate. It was hoped that by a careful use of these large exchange reserves they would suffice to carry us over the transitional period of world reconstruction. Events have shown that the hopes which all of us held were too optimistic. The valiant efforts of the war-ridden economies combined with extensive help from North America did not suffice to produce recovery as quickly as we had hoped.

Canadian exchange reserves declined from about \$1½ billion at the end of 1945 to \$500 million by November, 1947, and to a low of \$461 millions in December. There was obviously a limit to the decline in reserves which could be permitted. We could not go on indefinitely buying for cash on a large scale while our customers overseas were unable to pay us for the goods we were shipping to them. Therefore, on November 17, 1947, the Canadian Government adopted a double-pronged programme to stop the rapid depletion of our reserves and 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. This action was not pleasant for our people. It was not pleasant for our United States friends. I know that it had adverse effects on trade with the New England region. I know that it hurt your tourist trade. I can assure you that this negative and restrictive side of the programme will be abandoned just as soon as circumstances make that possible.

On the positive side the programme is aimed at solving the dollar problem in a constructive, expansionist manner by increasing production and exports to the dollar countries and thereby achieving a better balance with such countries. These constructive measures have already produced results. As a result we have already eased up on some restrictions. I can assure you that further relaxation will take place to the full extent that improvement in our dollar position makes such action possible.

To some extent, the success of the positive programme depends on what Canadians do. To a large extent, however, it depends on what you in the United States are prepared to do to facilitate purchases from Canada. In this respect you yourselves have a powerful voice in determining when the restrictions can be lifted -- when Canadian tourists can once again enjoy to the full the beauties and hospitality of New England, when our consumers can again purchase freely the products of your New England textile mills and leather factories, when our Canadian women can once again adorn themselves with your fine jewellery and their homes with your flatware and pottery.

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