

It is clear that this is far too simple an explanation. Though far from being the whole truth, it has real elements of truth which we should recognize and examine. Hitherto, in considering the creation of greater economic strength in the free world, I have made no distinction between the position of Canada and that of the United States. It is now necessary for me to do so.

Only last December were the residual restrictions on the convertibility of the Canadian dollar removed, with the surprising result that it now stands at a premium over the U.S. dollar. We have had in Canada, since the end of the war, a U.S. dollar deficiency of the same sort that still afflicts nearly all other countries. Canadian purchases of goods and services tended to exceed, and in some years very substantially exceeded, the proceeds of Canadian exports. By good luck, not unassisted by good management and by a substantial inflow of capital from this country, Canadian exchange reserves, which were dangerously depleted four or five years ago, have now risen to satisfactory levels. International trade, on which the Canadian economy is far more dependent than that of the United States, has increased substantially. Restrictions on imports, which had to be imposed in 1947 because of the heavy drain on reserves, disappeared some time ago. There have been many reductions in Canadian tariff rates. All this means that the Canadian current balance of payments differs greatly in character from that of the United States. In the single month of May of this year the exports of the United States exceeded the imports by no fewer than \$625 millions.

Of course the Canadian performance in seeking to foster the restoration of multilateral trade has not been perfect. If, however, we waited to find a representative of a country which was without sin to cast the first stone, we should wait forever. The consistently declared aim of the international economic policies of both countries has been the achievement of multilateral trade at a high level. Performance, however, has lagged behind policy, and it has done so rather more in the United States than it has in Canada for reasons which I need not go into. Indeed, it is not necessary to look to a friendly critic from abroad to make this point. On July 13th in a letter addressed to the members of the Public Advisory Board for Mutual Security, President Truman wrote as follows:

"We are working night and day to help build up the military and economic strength of friends and allies throughout the free world. We are spending very substantial sums of money to do this, to the end that our friends can grow strong enough to carry on without special aid from us. This is why we have urged upon them programs of increased production, trade expansion and tariff reduction, so that through world trade they can expand their dollar earnings and progressively reduce their dependence on our aid.

"Yet, at the same time, we find growing up in this country an increasing body of restrictive laws attempting to further the interests of particular American producers by cutting down the imports of various foreign goods which can offer competition in American markets. The so-called "cheese" amendment to the Defense Production Act -- enacted despite a number of existing safeguards -- is a striking example of this trend. On the one hand we are insisting that our friends expand their own world trade; on the other hand we seem to be raising new barriers against imports