

The achievement of a better balance in our exchange position through constructive means could not be reached through any one device. We had to have a carefully worked out and balanced programme which operated toward this end in a number of ways. We sought to promote a diversion of exports to dollar markets wherever this could be done without disturbing established trade connections, and without inflicting hardship on the United Kingdom and other European countries. We devised methods to achieve a better balance in the operations of our branch plant industries so that their exports to the United States and other dollar markets would to some extent pay for their heavy imports of parts and materials. In the past this has traditionally been a one-way flow. We established conditions which would help the United Kingdom and Western Europe to recover their markets in Canada for goods which they traditionally exported to us before the war. This would enable them to buy more imports from Canada and at the same time make us less dependent on dollar sources of supply. Finally we undertook to assist the production of gold by offering a production subsidy to help the gold mining industry meet the higher costs of production. The Government kept in close touch with developments in the United States which had a bearing on our trade position. We were anxious to impress upon our United States friends the importance of having the European Recovery Programme include a feature which would permit the recipient countries to use Marshall dollars for purchases in Canada. This would help to maintain export markets and would enable Canada to continue its contribution to European recovery by making available large supplies of goods essential to them.

Obviously, we could not expect these constructive measures to solve our problems overnight. Accordingly I had the unpleasant job of announcing the imposition of temporary restrictions designed to protect our limited reserves until the positive aspects of the programme began to take hold. I promised then that the restrictive aspects of the programme would be relaxed as soon as the improvement in our exchange reserves made such relaxation possible.

A little over a year has passed since these steps were taken to correct our exchange difficulties and establish a closer balance in our dollar trade. I am happy to be able to tell you that the programme has worked with increasing success throughout the year. This success is shown in the steady rise in our exchange reserves. A short while ago I said that in future I intended to release the figures of official gold and United States dollar holdings on a quarterly basis. At that time I gave out the figures for September 30 last which then amounted to \$855 million. To-day, I am in a position to announce the preliminary figure for the end of the final quarter of 1948. At December 31st, five days ago, our official holdings of gold and United States dollar exchange had reached \$998 million. This figure compares with the low point of \$461 million on December 17th, 1947, hardly more than a year ago. During this relatively short period our reserves have increased by no less than \$537 million. The December 1948 figure includes the sum of \$150 million, which is the proceeds of the long-term loan sold to three American life insurance companies last August. If we deduct the proceeds of this loan we see that our reserves have increased by \$387 million as a result of our improved trade position.

I think you will agree that this improvement in our exchange reserves in so short a time is a gratifying achievement. The real significance of the improved position can be seen in the record of our foreign trade during 1948. Exports to all countries during the first 10 months increased from about \$2300 million to \$2500 million, an increase of nearly

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