

challenging the north-south pull of the geography of this continent in order to achieve an east-west economic integration of the nation will then have been fully justified.

But while we gaze into what seems to be a glowing future, what about the present and the years immediately ahead. The results in 1949, in physical terms of Canadian production, consumption, investment and trade, will be good - as good or better than they were in 1948. But if we look ahead, - and we are all doing that these days - we cannot fail to notice some danger signs; particularly dangerous for us because they concern international trade and no country in the world has a greater stake in such trade than Canada. It would be folly not to take heed when the export sector of our economy begins to show signs of weakness as it has recently, because of developments outside our borders. But taking heed is not the same as giving way to panic, for which there is no justification.

Actually, the overall level of merchandise exports when the year is ended should not be materially different from what it was in 1948. Our worries over the export situation are due to the fact that many countries of the world, and particularly the United Kingdom, are finding it increasingly difficult to finance imports from Canada and other dollar countries, with the result that there has been some decrease in the level of their purchase here. For example, exports to the United Kingdom in the first six months of this year dropped slightly from the 1948 level of \$360 million to about \$340 million. A falling level of economic activity in the United States may also have an adverse effect in the remainder of the year, but that has not yet become evident. Exports to that country in the first six months of the year were in fact more than \$40 million larger than in the corresponding period last year.

It is, of course, obvious that a country like Canada which must export a high percentage of its production in order to maintain employment and prosperity has a special interest in, and indeed a special dependence on international economic developments outside its borders; especially those in the United Kingdom and the United States. We have in the recent past recognized this by the action we have taken to assist in the restoration and rehabilitation of the economic life of Western Europe and by the efforts we have made to bring our trade with the United States into a better balance. In certain quarters in our own country there has been some misunderstanding of this policy. We have been accused, on the one hand, of doing too much for Europe, and on the other, of interfering too much in our trade with the United States. But I think that those who study the matter seriously and without prejudice will realize that this assistance has been determined by considerations of sound national interest and this intervention by balance of payments difficulties. There will also, I think, be the same realization that we have an immediate and substantial interest in the financial discussions in Washington which open this week on the official level and in a fortnight on the ministerial.

The difficulties which are to be discussed in Washington arise out of what is often referred to as the dollar shortage. That is an easy expression of the problem which may be misleading in its simplicity - as is so often the case when we try to bundle up complicated and awkward political and economic problems in neat and tidy phrase packages, like "Convertibility", "devaluation" and "dollar shortage"; phrases which are at times used as glib substitutes for understanding or knowledge. The dollar shortage is, of course, real enough but it is the result, not the cause, of the present difficulties. The difficulties themselves arise out of the present lack of balance between world production and world distribution. This, in turn, is largely due, either directly or indirectly, to the war; or rather to the uneven