

Short-term Credit From U.S. Export-Import Bank

While the effects of this whole program will be very substantial, there will still be a deficit in our trade with the dollar area which will not for a time be fully offset by our receipts of U.S. dollars from the United Kingdom and other countries to which we are selling a portion of our exports on credit. To provide for this situation, and in order to supplement our holdings of gold and U.S. dollars and our rights to draw upon our quota in the International Monetary Fund, we have believed it prudent to arrange for temporary financing in the United States. A foreign loan is not of course a solution to our dollar problem. It merely provides a supplement to our exchange reserves to take care of a temporary deficit until the constructive, longer-run measures which are going into effect get into full operation and produce a more reasonable balance in our commercial and financial relations with the dollar area. Not only does it give more time for the constructive solutions, but it also permits the adoption of a program less upsetting to business than would otherwise be necessary. Without the margin of safety which a loan provides, the program of restrictions would have to be much more severe which would not only cause undue dislocations to the Canadian economy and to many of our suppliers in the United States, but would impair the contribution which an efficiently functioning North American economy should be able to make to the economic restoration of the war shattered countries.

In the ordinary course of events, dollars borrowed by the Dominion of Canada in the United States would have come from private investors. In the present circumstances, however, it was felt that the magnitude of the sum required, and the necessity for quick decision, made it advisable to approach a public institution, namely the Export-Import Bank of Washington. Arrangements have been made with that Bank for a credit of three hundred million dollars.

The step taken in arranging for a credit from the Export-Import Bank is a departure from our normal practice of securing necessary U.S. dollar financing by sale of our obligations to banks or other private investors in the United States. In the near future, however, we intend to investigate the possibility of borrowing in this form. It is the statutory responsibility of the Export-Import Bank not to compete with, but rather to encourage and supplement, the use of private capital in financing United States foreign trade. With this in mind, the Export-Import Bank always welcomes the prepayment of loans or reduction of its commitments to lend if borrowers are able to obtain their requirements from other sources.

United States Attitude

You will observe that one of the foundations of this program is co-operation with the United States both in respect to mutual trading problems and to assistance to other countries. In discussing this plan of action with the United States authorities and in securing their co-operation, we have had a most understanding and helpful reception. I do not know how generally is realized the magnitude of the responsibilities that are falling upon the Government, the Congress and the people of the United States at this highly critical time in the world's affairs. We in Canada, situated so similarly, are perhaps in a better position than most to appreciate their problems, and I think it is fitting