

the more recent efforts to establish an International Trade Organization in which Canada played an important role. You are familiar too with the positive steps taken through the extension of foreign credits to aid in the recovery of the United Kingdom and Western Europe, thus helping to re-establish and maintain our traditional markets there. It was clearly in the long-term interest of every section of Canada and every Canadian industry to promote the recovery of those countries with whom we have always conducted a large and mutually profitable trade but such a programme of assistance could not be undertaken without some special efforts.

Within Canada the transition from war to peace has proceeded smoothly. Throughout the period we have had peak production and employment. The flow of imports to meet the backlog of investment and consumption demand was at a high and growing level. But, because of the inability of the European countries to expand their exports to us, the bulk of the increase in imports came from the United States. The value of Canadian exports was also high and rising, and was more than sufficient to pay for our import needs under normal circumstances. A substantial part of our exports, however, had to be sold on credit. Consequently our receipts of foreign exchange were not sufficient to pay for our imports from the United States and our exchange reserves declined.

Canadian exchange reserves fell from about \$1500 million at the end of 1945 to \$500 million by November 1947, and to a low of \$461 million in December. There was obviously a limit to the decline in reserves which could be permitted.

On November 17, 1947, the Government announced emergency measures to safeguard our gold and dollar reserves and to correct the lack of balance in our trade position with the dollar countries. The main emphasis was on the positive aspects of the programme, which aimed at achieving a better balance through measures designed to expand exports to the dollar countries, particularly the United States. To achieve immediate results in putting a stop to the drain on our reserves a temporary series of trade and travel restrictions were put into effect. We have regarded these temporary restrictions as unavoidable measures which were necessary to help bridge the gap until the positive measures could produce their results.

The main pivot of the constructive programme was the successful termination of the General Agreement on Tariffs and Trade which opened the United States market to Canadian goods to an extent greater than had ever been achieved in the past.

Furthermore, in order to reduce permanently the lack of balance in our trade with the United States, the Government undertook to make every feasible effort to encourage a more rapid development of our natural resources and their domestic processing. This would make available more goods for export to the United States, and in some cases reduce our dependence on United States sources of supply. An outstanding example of development in this direction is the remarkable progress achieved in the Alberta oil industry during the past year.

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