

offer a large market for many of the products of our farms, our forests, and our mines. The heavily populated and highly industrialized areas of Western Europe will indeed always require vast imports of food and raw materials. It can reasonably be expected, of course, that various adjustments may have to be made from time to time in the nature of certain of our exports. We must never minimize the significance of Europe both in the short-run under European Recovery Programme support, and in the long-run on a healthy economic basis, as a fundamental factor in the maintenance of the high level of exports upon which our employment and income so closely depend.

Last year, we contributed to European recovery in what might be regarded from our viewpoint as accumulated United States dollars. This is evident from the fact that our reserves were depleted by no less than \$750 million in the first ten months of 1947. This year, our contribution will be in the form of goods, in our attempt to ship more abroad than we bring in. Such a contribution will be of assistance not only to Europe but also to the United States. It will help Europe in its rehabilitation, and the United States in easing the demand for a large number of products and thereby reducing inflationary pressures.

We can create an export surplus only by consuming less than we produce. Export restrictions, together with additional sales tax, are helping us to cut down domestic consumption and obtain the export surplus which we need to build up our reserves of United States dollars. The sooner we improve our foreign exchange position, the sooner will we be able to relax and perhaps abolish the import controls, and reduce the sales taxes, which are now holding down the levels of domestic consumption.

Our present economic problems are not only the concern of the consumers, but also of the producers. The European Recovery Programme and the measures which will have to be taken by the United States and ourselves in connection with it will aid production and exports of many Canadian industries. It will, however, not help suppliers of some goods and services. One of the basic principles of E.R.P. is that the European countries should, where possible, help one another, or purchase from other soft currency areas, rather than call upon the Western Hemisphere for support during the period of reconstruction. There is also the principle laid down in the Economic Cooperation Act to the effect that fifty percent of the goods leaving the United States under the programme must be carried in American bottoms. This principle, coupled with the existence of a large tonnage of available shipping in the hands of the European countries, will inevitably create difficulties for our own shipping interests. It may also be the case, that the European countries in establishing a rigid system of priorities, may not place some types of meat and fish high on the list of imports. Other markets may therefore have to be sought for such products. The same thing may apply to various types of manufactured goods of a specialized type. Great efforts cannot be made without sacrifices and adjustments.

I believe that I am expressing the considered view of the vast majority of the Canadian people, when I state that the sacrifices entailed in the restriction of our consumption levels and in the readjustments required of some Canadian producers are justified if they contribute to the rehabilitation of Western Europe and the strengthening of democracy in the world. A healthy European economy, as I have already stressed, would mean a continuing and paying market for many of our traditional exports. It would also mean increased imports from that area and a reduced dependence on any one source of supply. The old multilateral system of trading - so advantageous to