

in the European Recovery program. He had managed to head off this formal letter, which read like "a gratuitous lecture from our neighbours on what was important to Canada", and to secure an agreement that, if a letter were sent, it would be brief and confined to an invitation "to discuss any or all ERP or ECA problems of mutual concern". Mr. Wrong had also suggested to the ECA officials that there were great advantages from the Canadian point of view in having informal working arrangements which did not mean any diminution in close and effective association. ECA officials replied that without a partnership basis the present practice of giving countries complete freedom to designate Canada as a source of supply would be in jeopardy. Mr. Wrong described the dilemma confronting Canada as "whether we would get more burned by going in than frozen by staying out". Subsequently, in a talk on the question with Mr. Hickerson of the State Department, the Ambassador commented that Canada would be unable to enter into any proposed partnership "except in the light of our future trade relations with the United States".

97.. The next significant report came from Paris where Mr. Bissell had a talk with Mr. Pierce on July 26. He had outlined the mutual ECA proposals, with the further suggestion that joint operation would give Canada a chance to participate in the programming and screening activities of ECA. Mr. Pierce replied that, personally, he agreed that a high degree of co-operation and co-ordination was desirable, but saw "serious difficulties" in a formal partnership such as the fact that Congress had already dictated the terms of the program. He thought he had "slowed up Bissell a little". As he told Ottawa, he believed, but did not say, that:

"We might not want to be considered by ERP countries as in the same kennel with the ECA watchdogs throughout Europe, or to change the metaphor, 'the horse could do with more hay but there are enough hands on the whip'".

Mr. Pierce also thought that the rest of the world would not regard the arrangement as a partnership, but "at the very least as a subordination of Canadian external interests in the United States, if not as a loss of our independent status". His own preference was for a Joint Committee along the lines of those that had worked out during the war, Mutual Aid and Lend-Lease operations. Such a committee would be formal enough to suit the United States and loose enough to reassure us.

98.. The alarm bells began to ring in Ottawa on the receipt of these reports, and such firemen as were on hand, especially in Finance and the Bank of Canada, hurried into action. From the Bank of Canada Mr. Coyne wrote to suggest on July 22 that it would be "most dangerous" to depart from the agreed position of examining the financial outlook in September. He believed Canada needed "reserves considerably higher than the present level", and maintained that "it would take very strong reasons indeed to justify any financial aid by Canada unless the exchange forecast were very optimistic indeed." He hoped the question would be referred to both the Cabinet Committee and the Inter-Departmental Committee on external trade policy. Four days later Mr. Abbott wrote to Mr. St. Laurent to say that, in his opinion, no undertakings, formal or tentative, should be entered upon until September. He advised review of the problem by both Ministers and officials after Dr. Clark and Mr. Towers were back in Ottawa. Mr. Abbott could see no real reason for the American pressure for a partnership except a desire to secure a Canadian financial contribution..