

"It is still too early to say what the effect of the Programme will be on Canada's dollar shortage. I do not expect it will permit any early easing of the emergency import restrictions. On the other hand, I wish to emphasize that if the European Recovery Programme had not been adopted, the Canadian dollar difficulties would have been greatly intensified."

In a speech at Montreal, February 9, 1948, Mr. Abbott spoke of Canada's economic contributions to world recovery in relation to its present dollar problem. He noted that Canada came out of the war with a reserve of United States dollars and gold amounting to about \$1,500,000,000 at the end of 1945. A year later that reserve had fallen to \$1,245,000,000 and by the middle of November, 1947, to approximately \$500,000,000. If all the Canadian transactions in 1946 had been on a cash basis, rather than partly on credit and partly in the form of outright gifts, he said that Canadian exchange reserves, instead of declining by some \$250,000,000 would have increased by \$600,000,000. Moreover, if all Canadian transactions during the first ten and a half months of 1947 had been on a cash basis, Canadian exchange reserves, instead of falling by \$745,000,000, would have fallen by only \$235,000,000. Mr. Abbott then continued:

"In other words, the dire straits of the countries affected by the war, most of them in former years good customers of ours, led us to permit their purchasing a large proportion of their requirements from us on credit at the same time that we financed part, or all, of our United States deficit by the using up of previously acquired negotiable assets, our liquid reserves of gold and United States dollars."

In the same speech, Mr. Abbott also gave some indication of Canada's future aid:

"Europe needs goods. Someone must produce them and someone must pay the producers. Canada can supply large quantities of the most essential goods, like wheat and other foodstuffs, metals, lumber and machinery. In the past we have done our full share in helping our European customers to pay for these requirements which are essential to their reconstruction. On the basis of this past record, I am confident that we will be prepared to continue to help within our capacity to do so. However, we have now our own dollar problem and consequently there are very real and immediate limitations upon the financial assistance which we can provide. If we go too far, we will find ourselves unable to pay for the things we must have from the United States to keep our economy running in order to supply our own needs and to produce the things that Europe must have from this country.

"One thing is clear. Canada will play an important role in the European Recovery Programme as a major source of supply of essential foodstuffs, materials and equipment. Beyond that our assistance in one way or another must inevitably be limited by our capacity."

Graham Towers, Governor of the Bank of Canada and Chairman of the Foreign Exchange Control Board, in the annual report of the Board for 1947 tabled in the House of Commons on April 22, 1948, said that the European Recovery Programme undertaken by the United States would "almost certainly afford an opportunity for Canada to earn more convertible exchange from shipments to Europe than would otherwise be the case", but added that "it is important for us to realize that even a European reconstruction programme providing for very large 'off-shore purchases' in Canada would not by itself solve our immediate foreign exchange programme". He pointed out that Canadian loans to Europe showed that Canada