

European countries, whose dollar loans were nearing exhaustion, we exported about 40 percent while importing less than 10 percent. In view of the fact that European countries could supply only limited quantities of convertible currencies to cover their deficits, it is clear that our high level of exports was only possible as a result of the extension of credits and the consequent exhaustion of our dollar reserves. Now that we cannot fall back on such reserves and the United Kingdom and other European countries are still not in a position to transfer sufficient gold or dollars to our account to pay for all they need, the problem is to find a working arrangement that will make possible continued shipments of construction goods where they are most urgently required.

I have seen some reports to the effect that E.R.P. would actually increase our exports by adding several hundred million dollars to the value of our current flow. This is far from the truth. What I have emphasized already about our trading and payments position should make it abundantly clear that last year's exports were supported by credits which we can no longer provide. Therefore, were it not for E.R.P. off-shore purchases our exports would have declined inevitably. Now we may hope - not that shipments will be greatly increased - but that they will be maintained at least at the level of 1947.

Another and related misconception, which is all too prevalent throughout the country at the present time, is that E.R.P. will automatically solve our United States dollar problem. This is not the case. Let us look for a moment at the most relevant facts. Since the war, we have been able to cover our net deficit with the United States by drawings on our accumulated reserves and by transfers of United States dollars from the United Kingdom. Expenditures by the United States under the Economic Cooperation Act for goods and services from Canada will simply enable us to continue export shipments without having the indirect effect of further depleting our supplies of United States dollars. But it is not enough for us to stop the drain on our reserves. We must build them up since they are now abnormally low. Were we to relax our controls on capital and consumer goods at this stage, imports from the United States would almost certainly rise sharply in view of our current income levels and consumption habits. We would again face an exchange crisis. Consequently, we have to continue with import restrictions until our economic position and that of our European customers improves.

The European Recovery Programme means, I repeat, that we in Canada will be enabled to continue supplying Britain and Western Europe with the food, raw materials, and manufactured goods so essential to the basic reconstruction of the production and trade of these important areas. This will of course contribute to the maintenance of a high level of employment and income in many parts of this country.

Had there been no United States provision of aid to Europe, we in Canada would have been compelled to curtail our exports to that area, involving sacrifices and painful adjustments in large sections of this country. Imports from the United States would have had to be controlled much more stringently than at present, and, as a necessary part of such restrictions, the levels of investment could not have been allowed to approach anything like the current boom position. In short, we will be enabled through the funds under the Economic Cooperation Act to carry on our exports trade in roughly the same volume and nature as before - avoiding a radical reorientation of our productive system - and to maintain higher levels of investment and income than would otherwise be possible.

Let us consider for a few moments the long-term implications of European recovery. If all goes well, both economically and politically, we may assume that within a few years Western Europe will be able, not only to absorb goods, but to pay for them. It will still