a trend has been firmly established but it can be said that at least we have been holding our own since then.

In the first four months of 1948, our overall export surplus on merchandise trade amounted to $71 million as compared with $13 million in the same period in 1947...a gain of $58 million. Exports during this period were up $86 million but this gain was offset by the fact that imports were also up $28 million. With respect to the use of U.S. funds for travel, including savings in tourist purchases and in withdrawal of funds for emigration, it is possible to say that savings of U.S. funds are running about 40% of the amount spent for these purposes in the same period in 1947. It would not be wise to conclude that this rate will be maintained throughout the year, however, because of the difference in the character of winter travel as compared to summer travel and other reasons.

Mr. Abbott, the Finance Minister, said in his Budget Speech last month that our exchange reserves had increased from $500 million at the beginning of the year to $668 million at the end of April. This total, however, includes $80 million borrowed by the Canadian Government from the Export Import Bank of the United States. In other words, we have apparently stopped the uninterrupted drain on our reserves which took place throughout 1947 and are a little more than holding our own in 1948.

When one considers where we might be today if the programme of exchange restrictions had not been imposed, the fact that we are doing a little better than holding our own could be regarded as an encouraging performance. But the story is not so encouraging when it is viewed from the other angle...from where we want to be...from where we must be eventually for our own good.

Those of you who are in the merchandising business know that the greater the volume of business you do, the greater the amount of working cash you must hold. Similarly, a reserve of $500 million might have been adequate when Canada's international trade was at its pre-war level. Today, when we are doing business at a vastly accelerated rate and at much higher prices, what was once a comfortable "cushion" has become an all-too-inadequate reserve. Accordingly, we must not be content with our progress to date. It is imperative, in fact, that we rebuild our cash reserves to the point where they will offer us reasonable protection in future.

In considering this, one must remember that Canadian industry is presently working at close to top speed. Our working force is as close to full employment as is practical. There has been since the war some increase in production, and more can be expected as new facilities come into play, but it will take time before further increase will be substantial. It does not, therefore, seem possible to make immediate large gains in production for export except perhaps to the extent that favourable conditions may produce bountiful crops and to the extent that expenditures of American visitors may be increased. It is necessary, therefore, that we keep a watchful eye on our expenditures of U.S. dollars, and possible that we shall have to do so for some little time to come.

This calls attention to some over-optimistic thinking that has been done...by some Canadians as well as others...in connection with "off-shore" purchases under the European Recovery Program. There is still in some quarters the illusion that ERP by itself will provide the answer to our dollar problem, and that therefore the end to present restrictions and controls has moved closer.

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