Before the war, Canada sold a large proportion of her exports overseas, especially to the United Kingdom, and received payment in a form which could in turn be used to pay for Canada's heavy purchases from the United States. This form of multilateral trade, as it was called, was a simple and orderly system but it was only workable if each country produced enough goods and services for sale to other countries to balance off the goods and services which had to be bought from other countries. In war-ravaged countries the disruption and dislocation of industry and transportation meant that they could not produce anything like the goods and services to balance off against the enormously inflated requirements for the products of other countries.

In these circumstances, as a matter of enlightened self-interest and in company with the United States, Canada extended generous credits to help get these former customers back on their feet. The Canadian Government disbursements on these credits and on relief grants to other countries have already amounted to nearly $1,900 million... which would be comparable to around $34 billion in terms of the American economy...a Canadian version of the European Recovery Program of no mean proportions.

The rest of the story is known to all of you. The European countries...hampered and bedevilled at every turn by unforseeable penalties and difficulties...did not recover as rapidly as had been hoped. Consequently it was necessary for these countries to draw on the credits we had established for them much more rapidly than had been anticipated.

To the extent that these credits were used it meant, of course, that Canada did not receive cash. In the meantime, Canada paid cash for the heaviest imports from the United States on record, and as a result of so doing had to draw heavily on its own reserves of gold and U.S. dollars. Indeed this drain became so rapid that towards the end of 1947 it was necessary to take action to reduce our U.S. dollar expenditures and conserve our U.S. dollar reserves for essential purchases. So it was that a temporary programme of trade and travel restrictions was put into effect under which some goods from the U.S. dollar area were prohibited, others placed on fixed quotas, and still others made subject to permit.

You will notice my reference to a temporary programme of restrictions. This, of course, is in the firm expectation that our European customers will, in some reasonable period, be able to stand once more on their own feet. A new and hopeful initiative in this direction has been taken by the United States in the form of the European Recovery Program.

I would like to emphasize, however, that valuable as this Program must be toward the final solution of the difficulties of these European countries it is not...by itself...the answer to the Canadian foreign exchange difficulties. In the short run it should, of course, enable Europe to continue importing essential supplies from Canada and enable Canada to earn more cash on her shipments to Europe than would otherwise be the case. This in turn would enable Canada to maintain the flow of essential imports from the United States...without which our productivity would be impaired. However, we should also keep in mind our stockpile of U.S. dollars has fallen entirely too low, for even normal requirements and that we must build it up again. This means that we must earn even more U.S. dollar exchange out of our exports than we spend. The extent to which we can reach both these goals...that is to restore our ability to pay for our imports and to build up reserves while continuing to extend some assistance to European countries...will be the measure of our success in meeting our so-called United States dollar problem.