

The General report of this Committee was presented to Mr. Marshall on September 22, 1947. It consisted of both an appeal and a programme - an appeal to the United States and the Western Hemisphere to help Europe to reconstruct and reorganize its economy, and a programme of common effort for the European countries.

Since the General Report was presented, the United States Congress and Administration have examined in great detail the European proposals and the capacity of the United States to meet them. As a result, there was some modification of the European estimates and it was decided that it would be best to approach the question of United States contributions to European recovery on an annual basis. The Economic Cooperation Act of 1948, therefore, provides \$5.3 billion for the first twelve months of the recovery programme. A considerable proportion of the funds allocated will be devoted to purchases in Canada and other Western Hemisphere countries to enable them to supply goods urgently needed by Europe, but which are not available in the United States.

A consideration of the background to the Economic Cooperation Act should make it abundantly clear that the object of the whole programme is the reconstruction and rehabilitation of Western Europe so that it may again become self-supporting and once more occupy a key position in the world trading structure. It follows, therefore, that the goods which are sent to Europe under E.C.A. must be confined to those categories which will make the maximum contribution to European recovery. Let no one assume that Europe will be a dumping ground for any less essential surpluses which develop. It is surely obvious that an outlay on such commodities would be quite contrary to the whole spirit and purpose of the Economic Cooperation Act. If we did not confine ourselves to absolute essentials, not only would the recovery of Europe be delayed, but Canada would be failing in her responsibilities.

The fundamental necessity of the European countries doing everything possible to help themselves must inevitably involve various readjustments in the patterns of trade. The Western European countries have, for example, pledged themselves to expand intra-European trade by the reduction of tariffs and other obstacles to international commerce, to stabilize their individual economies, and to promote the production of those commodities which are most conducive to their rehabilitation and future prosperity. In such circumstances, it is possible that some of the traditional markets for certain of our basic commodities may suffer, and we must, therefore, be prepared to make readjustments. This will call for the understanding and cooperation of responsible men in business, labour and in government.

Let us be clear. European recovery will involve sacrifices. We, as individuals, will be called upon to give up some of the goods which we might otherwise have enjoyed. We, as producers, must be prepared to adjust our patterns of output to meet the exigencies of a rapidly changing world.

Many people in this country are, perhaps, not quite clear as to the actual significance of the new Economic Cooperation Act for Canada's exports and dollar exchange position. As a first step in removing popular misconceptions let us look for a moment at the actual nature of our problem. The dominant feature of our payments picture in 1947 was that although we were a net exporter to the world as a whole, we, nevertheless, were forced to withdraw about three quarters of a billion United States dollars from our reserves. This is largely explained by the fact that, whereas we obtained nearly 80 percent of our merchandise imports from the United States, we sent only 40 percent of our exports to that destination. On the other hand, to the United Kingdom and other