

United States dollars. Convertibility will only come, however, when the overseas countries whose economies were seriously impaired as a result of the war have restored their output and their productivity to the point where they can balance their international accounts out of their own exports and other foreign earnings.

The chief purpose of our contribution has therefore been to enable our overseas customers to resume mutually profitable trade with us on a cash basis. We had hoped that before now there would have been a sufficient measure of recovery to enable European countries to export enough goods to ease their dollar shortage. Unfortunately, due to a considerable extent to the unprecedentedly bad winter of 1946-47, the serious crop failure in Europe last summer, and, to put it mildly, the unco-operative attitude of Russia, these hopes have been disappointed. Instead the dollar shortage has grown progressively more acute and has spread to practically the whole world, including Canada. But we need not take a pessimistic view of the outlook for European recovery. Recent unfavorable developments mask a considerable measure of real progress towards high levels of production.

We may take heart also from the enlightened and far-reaching European Recovery Plan which the United States Government has evolved, and which is now before the Congress for consideration. The details of the Plan may be modified and time may elapse before Europe will begin to benefit from its operations. But it is now generally believed that the Plan in some form will be accepted by Congress. It would not be appropriate for me to indicate at this time how Canada will fit into this European Recovery Plan. It does seem to me, however, that the position is something like this. 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.

In our international dealings we have followed a courageous, forward-looking policy. In my judgment that policy will pay dividends. We ourselves are now facing difficulties as a result of the well-nigh universal shortage of dollars, but we have taken vigorous steps to solve these difficulties. Some of our new measures are restrictive and none of us wish to see them in operation a day longer than necessary. But the emphasis in our programme is upon its constructive aspects, upon the long run measures we are taking to increase our exchange reserves by developing here a more vigorous and dynamic economy, and by increasing our exports to the dollar area. I am happy to say that the programme which was put into effect only a little over two months ago is already beginning to be effective. As I explained to the House of Commons the other day, we had expected our reserves to fall from the level of about \$500 million at which they stood at the middle of November to something like \$400 million. Instead, they dropped to a low point of \$461 million on December 17th and have since been rising. On January 29th they amounted to approximately \$514 million. While we know that one swallow does not make a summer and while we expect to see fluctuations in these reserves, nevertheless the early financial results of the programme have been distinctly encouraging. Even more encouraging, I believe has been the co-operation received from the business community. My colleague, the Minister of Reconstruction and Supply, and I have already seen many instances of the willingness and capacity of Canadian businesses to adapt themselves to new situations and in particular