

The extent to which the surplus in our balance of payments would be reduced by relaxations of the present restrictions would, of course, depend upon the nature of the relaxations introduced. The government has already introduced some relaxations, notably as regards imports of fresh fruits and vegetables, and indicated its intention of proceeding further along the same line as the exchange position warrants.

Two major considerations can be put forward on the negative side of this question of removal of import and other exchange restrictions. One is that our import restrictions are now operating in such a way as to encourage imports from the United Kingdom and most Western European countries, while restricting imports of similar goods from the United States. The quotas are set up on the basis of pre-war imports, and still leave ample margin for the United Kingdom and the war-shattered countries of Europe to increase their exports, while at the same time cutting drastically into imports of similar goods from the United States. Abolition of the quotas would of course remove the advantage now enjoyed by the United Kingdom and other European countries, and they would have to market their goods in Canada on a strictly competitive basis with the United States. Over any long period of time it would, of course, be contrary to Canada's interests to obtain its foreign supplies on anything but a competitive basis. However, it could be argued that if the lack of competitive capacity in Europe is due to temporary causes which will disappear as the countries concerned get on their feet, there continues to be a case for our lending a hand in giving special encouragement to imports from the U.K. and Europe.

The second major consideration which could be brought forward on the negative side of this question of relaxing exchange restrictions is the very broad problem whether the present unsettled state of the world makes this the appropriate time for Canada to take action to reduce her balance of payments surplus, bearing in mind that this must inevitably diminish our capacity to extend assistance in European reconstruction or to strengthen our own international reserve position.

On the question of foreign assistance the Canadian record to date will bear comparison with that of any country without exception. Expressed in terms of dollars per head of population, or in terms of percentage of income, the Canadian contribution to world reconstruction from the end of the war to date will be found to be much higher than that of any other country. This is not to say that it has been higher than it should have been. After all, we have an enormous amount at stake in the economic revival of Europe.

During the past six months when, to get our own financial house in order, our financial assistance to Europe has been reduced to amounts much smaller than those we previously made available, the United States has come forward with a new plan of financial assistance on an enormous scale. The E.R.P. is one of those bold imaginative initiatives of which the United States has so frequently shown itself capable at a time of crisis. It has revived the hope that Europe can, with outside assistance, restore herself to international solvency.

Our international cash reserves are, in a sense, the residual item in which is reflected the positive decisions taken in other directions. Except to the extent that credit which we extend is used to buy goods in Canada which we would not be able to sell for cash, every dollar of credit we extend comes out of our reserves. These reserves, moreover, bear all the risks of any misfortune that may befall our export industries and of any unexpected increases in our imports. A country like Canada which exports mainly primary products is subject to sudden vicissitudes in the balance of payments. To stay on a fairly even keel and be able to meet temporary adversity without undue strains, we should have reserves large enough so that we can expend substantial amounts without getting down to the iron ration which we wish to maintain against war or the most serious emergency.