At the end of 1945 Canada had foreign exchange reserves totalling about $1,500 million - that is, in gold and United States dollars. That was regarded as a substantial sum. By December 31, 1946, our reserves were $1,245 million and by December 31, 1947, they had dropped to just over $500 millions. At that rate of decline, it was obvious that in a matter of months Canada's exchange resources would have been exhausted and we would have been unable to pay for our essential needs of such things as coal, oil, cotton, steel and so forth.

Our trouble was as simple as its cure is complex. We were paying cash for our imports and three-quarters of these imports were coming from the United States. On the other side, we were sending less than half of our exports to the United States and the other half we were sending to other countries without getting full cash payment, but were instead granting substantial Canadian dollar credits which were being drawn on.

In 1946 Canada had a favourable balance in its current transactions with the world of about $460 millions. In addition, there was a net inflow of capital of about $100 millions and about $40 millions in convertible currency and certain other transactions. If our trade had been on a cash basis we would have increased our exchange reserves by the total of these items, namely, $600 millions. But instead of that, we gave credits to the United Kingdom and other countries totalling $750 millions, we gave exports totalling $110 millions through UNRRA and Mutual Aid, so that instead of increasing our reserves by the $600 millions surplus, I have mentioned, we suffered an actual reduction of about $260 millions. In 1947 the picture was that our current transactions with all countries showed a surplus of $70 millions. We granted credits again to the tune of $560 millions and gave away $40 millions in relief appropriations. Consequently, we had a cash deficiency on our current transactions with other countries which caused a net drain of $530 millions in our foreign exchance reserves, to which must be added a $74 million capital subscription to the International Monetary Fund, and $139 millions of redemptions of Canadian debt and other capital payments abroad. This was a total drain of $743 millions during 1947 and left our exchange reserves, as I earlier mentioned, at a figure somewhat in excess of $500 millions.

In terms of the kind of figures you are accustomed to think in, these Canadian figures may not sound very impressive but in relation to its resources the risks which Canada has already taken in its European Recovery Programme far exceed that of any country, including the United States. In the light of claims which are being made on the United States on all sides, it must surely be of interest to its taxpayers and citizens that its neighbour, Canada, is playing its full part in world recovery. Indeed one could argue that Canada attempted too much, but in a world suffering so much from the curse of too late and too little, I wonder if anyone is justified in thus criticizing the Canadian action.

Furthermore, we do not suggest that Canadian action was dictated solely by altruism. As one of the largest trading nations of the world, Canadian prosperity in the long run is heavily dependent on its export trade, and our investment in the rehabilitation of our best customers is a policy

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