OEEC countries, particularly the United Kingdom's, and recognized the common interest of the two countries in meeting the difficulties which these programmes would present for multilateral trade and dollar exports.

109. The warnings givey by ECA officials were soon justified. On February 4, 1949, Mr. Wrong reported that the first important attack by Congress on large ECA purchases of wheat had started. Mid-Western senators were asking Mr. Hoffman why he had authorized $55 million for purchases of Canadian wheat in January and brandishing the inevitable weapon of a Congressional investigation. ECA officials warned United Kingdom delegates attending the International Wheat Conference that there was an even chance of wheat being declared surplus, which would bar purchases in Canada during the second quarter of 1949. On February 12 Mr. Strange told Canadian officials that ECA would not finance any further purchases by European countries of Canadian wheat during the current crop year. Consequently the United Kingdom would have to finance its purchases by other means than through ECA. When Mr. Deutsch, pointed out the effect of this policy, since almost half of the ECA funds spent in Canada were for wheat, he was told that ECA "was urgently examining a proposal which might ameliorate the effects upon Canada of the new policy, but it was premature to indicate its nature". On the same day Prime Minister St. Laurent, who was in Washington returning President Truman's visit of the previous summer, mentioned his concern at the new development. He told the President that, if Canada's wheat exports overseas were seriously threatened, Canada's whole foreign economic policy would have to be changed. This would result in a new form of economic rivalry between Canada and the United States which would have very wide ramifications and serious results in the political as well as the economic field. President Truman was apparently unaware of the importance of the question. Both he and Secretary of State Acheson made reassuring remarks and undertook to discuss the question with the Secretary of Agriculture who had so far managed to avoid declaring wheat surplus. The latter was asked to work out an export program which would theoretically be acceptable to Congress, the United States, Europe and Canada. It is not surprising that little was accomplished. Meanwhile there was still no word of the ECA new plan. United Kingdom officials, began to attempt switching ECA orders, so as to free more of their own dollar earnings to buy Canadian wheat, but without much success.

110. On March 4, Dr. Barton (Agriculture) Mr. Plumptre, Mr. Deutsch and Mr. Beaupre (Trade and Commerce) accompanied by Embassy officiers, took part in a general discussion with ECA and State officials. The talks were cordial and realistic, with ECA well aware of the danger to the Canadian economy, but in no position to discuss the program of off-shore purchases for 1949-50 until the legislation for implementation of ERP had passed Congress. Plans were discussed on how to effect "bookkeeping shifts" to facilitate the United Kingdom attempts to find dollars for Canadian wheat. The talks were encouraging though not very concrete. It was a sign of hope that ECA officials were holding to their basic tenet that the Marshall Plan was to re-establish Europe and not to be a means of dumping United States surpluses, especially agricultural commodities, overseas.

111. During a visit to Ottawa on other business Mr. Strange of ECA gave a progress report on May 2. He said that the United Kingdom had managed to find enough items to take up ECA funds in the second quarter, which had been freed by non-purchases of Canadian wheat. ECA had suggested that the United Kingdom might put in immediately for orders of Canadian bacon to be delivered in the third quarter of the year. He