

requirements in the United States, including any machinery needed for immediate reconversion. To the extent, however, that components could be obtained by Canada without benefit of priorities assistance, no objection could be made to more rapid reconversion activities in Canada.

3. Assistance should be given to Canadian companies through their priorities officer to grant automatic AA-4 priorities and firm CMP allotments to manufacturing concerns producing less than \$50,000 of product per quarter, similar to such assistance granted domestic small firms. Similarly, the rating privileges of Pri. Reg. 24 and L-41, as they may be amended, should be available to Canadian applicants.
4. It is recognized that complete parallelism of revocation and relaxation of orders between the United States and Canada is not possible because of the differences in the situations in the two nations. However, an effort should be made, in conjunction with the Canadian authorities, to reach the greatest parallelism possible. If it should become necessary for Canada to relax their orders more rapidly than the United States, in no case should priorities assistance be given to a Canadian manufacturer to make civilian goods which are prohibited in this country by War Production Board order.

While the problem of reconversion of industry is the first of the problems which my Government believes it mutually desirable to consider under the principles of the Hyde Park Declaration, other problems will shortly arise. The Canadian Ambassador's note, No. 156, of April 30 to the Secretary of State regarding the disposal of surplus war-like stores arising from orders placed by either government in the other country may, when the dimensions of the subject become more clearly defined, provide an instance in which my Government will seek the favourable consideration of your Government under the Hyde Park principles. Other questions will inevitably arise in connection with the relaxation of wartime controls affecting trade, such as the War Exchange Tax and procedures applicable to exports to the other American republics.

In his statement on the initial period of reconstruction presented to Parliament by the Minister of Reconstruction last month, the Minister referred to the great wartime increase in the output and exchange of goods which was dependent on close collaboration among the Governments of the British Commonwealth and of the United States. He stated that postwar collaboration along equally bold and imaginative lines was essential in the interest of expanded world trade. At Washington on March 13, 1945, a similar statement was made by Prime Minister King and by the late President Roosevelt in regard to the problems of international economic and trading policy.

In view of the high degree of economic interdependence of the Canadian and American economies, the Government of the United States desires to assure the Government of Canada that it will consider and deal with the problem of the transition from war to peace in the spirit of the Hyde Park Declaration which gave rise to such successful co-operation for war purposes. My Government would greatly appreciate a similar assurance on the part of the Canadian Government, together with an expression of its views on the principles which the United States Government would be willing to apply in the initial problem of the reconversion of industry.

Accept, Sir, the renewed assurances of my highest consideration.

RAY ATHERTON