

on the other hand had to be financed increasingly in Canada. During the first 12 months of the war, \$250,000,000 worth of gold was received from Britain, but all of this gold, and more from Canada's own reserves, was required to pay for the United States components that went into orders for Britain. The requirements of the Canadian war program had, of course, to be met simultaneously.

The drain on Canada's resources of United States exchange was serious and threatened to become insupportable unless every possible effort was made to reduce the flow of dollars to the United States. In 1940 non-essential civilian imports were heavily restricted, and pleasure travel to the United States was suspended in order to conserve the available United States funds for war needs. It was still in prospect, however, that the bottleneck of United States dollars would cramp Canada's output of munitions at a time of desperate need.

Borrowing in the United States was ruled out by the Neutrality Act. The total of Canadian investments in the United States, if liquidated, would have provided only a few months' stop-gap. Lend-lease was made available to Canada, but to accept it would have meant imposing an added burden on the United States which was not then at war. The scope of events and the relationship of the two countries provided a solution which appeared both business-like and adequate.

By arrangement between President Roosevelt and Prime Minister King at Hyde Park on April 30, 1941, two steps were taken to meet the situation:

- (1) Co-ordination of war production so that each country should provide the other with those war supplies which it could produce most readily and readily.
- (2) Lend-lease directly to Britain of those components which Canada previously had purchased in the United States for inclusion in British war orders.

This relieved Canada of the cost of United States shipments for transfer to Britain.