

(C.W.B. March 18, 1949)

MARKED IMPROVEMENT IN INTERNATIONAL ACCOUNTS

U.S. -- CANADA WARTIME ACCOUNTS SETTLEMENT

\$3,675,000 REPAYMENT: The settlement of wartime claims and accounts between the Government of the United States and the Government of Canada was effected on March 14 by an exchange of notes signed by Dean Acheson, Secretary of State, and Hume Wrong, Ambassador of Canada. The notes constitute an agreement settling claims and accounts connected with World War II arising out of the procurement of supplies and services by one Government for the other.

During the war the two Governments procured defence articles for each other for full cash reimbursement. The Government of Canada deposited over \$423,000,000.00 with the United States Treasury Department in payment for services and supplies. The sums deposited exceeded costs by \$3,675,000 and accordingly a check for that amount was delivered by the United States State Department to the Canadian Embassy.

A broad plan for the exchange of supplies and services was included in the Hyde Park Declaration at the conclusion of a Conference between President Franklin D. Roosevelt and Prime Minister Mackenzie King of Canada on April 20, 1941. The declaration mentioned "capacity in Canada for the speedy production of certain kinds of munitions, strategic materials, aluminum, and ships, which are urgently required by the United States....." The United States procured defence materials and services from Canada through an agency of the Canadian Government amounting to approximately \$1,250,000,000.00.

The agreement reached is the result of discussions concerning claims and accounts which began at the Department of State in December, 1948, between a special mission of the Canadian Government and representatives of the United States Government.

Complete texts of the notes are as follows:

Note from United States Secretary of State to the Canadian Ambassador in Washington.

"I have the honour to refer to discussions which representatives of my Government have concluded with representatives of your Government looking toward the final settlement of various outstanding accounts for the wartime procurement of supplies and services by and for our two Governments. The purpose of these discussions was to achieve a settlement of disputed and other unsettled claims remaining from the wartime supply and procurement programs of our two Governments and to obviate the necessity for long continued accounting over the details of the remaining claims. I am informed that agreement has now been reached

respecting settlement for such claims and accounts, in accordance with the following terms:

"1. The sums deposited by the Government of Canada with the United States Treasury Department to cover the cost of supplies and services furnished under Lend-Lease and related programs, including the "Canpay" program, have exceeded the cost of such supplies and services by the sum of \$3,675,000. This amount has accordingly been refunded by the Government of the United States to the Government of Canada.

"2. The claims and accounts described in paragraphs (a) and (b) below are deemed settled or are waived. Neither Government shall be obligated to make any payment or give any other consideration to the other Government in respect of such claims and accounts.

(a) Claims and accounts connected with or incidental to the conduct of World War II arising out of the furnishing or procurement of supplies and services by or for either Government after March 11, 1941, and prior to April 1, 1946.

(b) Claims and accounts arising at any time out of the United States Lend-Lease program or the program of War Supplies Ltd., procurement agency of the Government of Canada.

"3. Claims and accounts involving the Commodity Credit Corporation and the Reconstruction Finance Corporation and its subsidiaries are not covered by this settlement.

"This note, and your reply indicating the concurrence of your Government, will be regarded as the agreement of our two Governments as set forth above, in force on and after the date of your reply note.

"Accept, Excellency, the renewed assurances of my highest consideration."

Note from Canadian Ambassador in Washington to the United States Secretary of State

"I have the honour to acknowledge the receipt of your note of today's date concerning the settlement of claims and accounts between our two Governments arising out of wartime procurement of supplies and services.

"In reply I have the honour to inform you that the Government of Canada concurs in this settlement as expressed in our note under reference, and in accordance with the suggestion contained therein your note and this reply will be regarded as the agreement between our two Governments in this matter.

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

\$406,000,000 BETTERMENT: Canada's international accounts showed a great improvement in 1948. The credit balance on current account with all countries rose to \$453 million from \$47 million in 1947, according to a preliminary statement released by the Bureau of Statistics. These figures compare with \$36.3 million in 1946 and \$688 million in 1945.

The improvement of \$406 million in the current account balance with all countries was the main contributor to a rise in Canada's official liquid reserves of \$496 million in 1948 as compared with a reduction of \$743 million in 1947. At the end of 1948 the official liquid reserves amounted to \$998 million.

The increase in the credit balance last year, the Bureau's report states, resulted from a rise in the value of exports of goods and services while the total value of imports of goods and services remained virtually unchanged. Most of the increase in the value of exports of goods and services was due to price increases, since the volume -- in the aggregate -- does not appear to have been much altered, although there were important changes in the volume of different groups of goods and services. On the other hand, the volume of imports was materially reduced, chiefly because of the effects of the Emergency Exchange Conservation program introduced in November, 1947.

Canada's accounts with individual countries and areas showed even greater changes than the overall account. The spectacular rise in the value of exports of goods and services to the United States, combined with a reduction in the value of imports of American goods and services -- due to reductions both in the

MINERAL EXPLORATION: There has been considerable interest in the competition for the right to explore for minerals in the area on the south side of Great Slave Lake contiguous to the 500-square mile area now being explored by the Consolidated and Ventures companies.

The Minister of Mines and Resources, Mr. MacKinnon, has announced that after public advertisement and the examination of competitive offers he has awarded the American Metals Company Limited of Canada the right to explore for minerals in an area of some 265 square miles, and to the Consolidated Mining and Smelting Company of Canada, Limited, the right to explore for minerals in an area of 320 square miles. These concessions give exclusive exploration rights for a period of three years under the terms advertised.

The granting of these concessions should ensure thorough prospecting by most modern methods, of areas which to date have shown some promise, but in which sufficient tonnage must be proved to justify the establishment of a base metals industry.

volume of commodity imports and in other current expenditure -- led to a sharp decline in the current account deficit with that country to \$401 million from \$1,135 million in 1947.

In contrast with this reduction in the debit balance with the United States, the current surplus with the United Kingdom and other overseas countries dropped to \$873 million from \$1,220 million in 1947. These figures include exports of official relief of \$19 million and \$38 million, respectively, in the two years. This reduction of \$347 million was chiefly in Canada's surplus with the sterling area, which fell by \$257 million from \$874 million in 1947 to \$617 million. The surplus with the United Kingdom declined from \$633 million the previous year to \$488 million, as exports fell and imports rose, while the surplus with the rest of the sterling area fell from \$241 million to \$129 million with the sharp reduction of purchases in Canada by this group of countries.

The amount of Canada's exports financed by post-war loans and export credits of the Canadian Government was less in 1948 than in the two preceding years, while exports of relief from Canada financed by official contributions were also lower. In consequence, a larger part of exports to overseas countries yielded convertible exchange than in 1947, thus contributing to the improvement in official liquid reserves. Other capital movements also had favourable effects, whereas in 1947 they resulted in the use of reserves. The chief contribution to the year's capital inflows was the sale of \$150 million of bonds by the Canadian Government in the United States.

AUTO SALES DOWN 16 P.C.: Sales of new motor vehicles in Canada showed a marked recession during January, dropping 16 per cent in number from January last year. The decline was due almost entirely to a drop of one-third in passenger car sales, bus sales being slightly lower, but truck sales higher. Owing to higher prices, the drop in total value of sales was only nine per cent.

Total number of new motor vehicles sold in the month, according to the Bureau of Statistics, was 11,492 compared with 13,732 a year ago and 21,021 in December. The month's total is the smallest since October 1946, when 11,462 units were sold. The aggregate dollar value of January sales was \$24,677,689 compared with \$26,963,872 in January last year and \$41,057,609 in December.

Passenger cars sold in January numbered 6,216 compared with 9,324 a year earlier and 14,840 last December, being the lowest number since August, 1946. There were sizeable reductions in all provinces except Ontario, where the number fell only seven per cent from a