

a most useful purpose in promoting defence co-operation between the two countries. Every suggestion ever made by the Board has, I believe, been implemented by both countries, except one single recommendation and that is the recommendation in favour of the immediate development of the St. Lawrence Waterways.

It is the view of the Canadian government and of all political parties and of all parts of Canada that the Board is right and that the St. Lawrence development should be proceeded with along the lines of the agreement already worked out by the governments of the two countries. The development of the St. Lawrence Waterways is required in the interest of our common defence to meet urgent needs for power, transportation and iron. At one time this development was opposed by certain interests in my country but that has changed and it is recognized as urgently needed by the whole country.

The second point is a further increase in industrial co-operation in the interests of making the most of our enormous industrial potentialities.

During the war the trade between the United States and Canada reached an all-time high. We bought huge quantities of war material and were the only country to pay cash for every piece of it. This was made possible by your purchasing from us equivalent quantities of raw materials and finished war supplies like aircraft frames, radar sets, guns and instruments.

We have continued that arrangement into the peace; first, in consequence of an exchange of notes in 1945; secondly, by a joint declaration by your President and our Prime Minister in February, 1947; and thirdly, by an agreement signed last October by my colleague, the Right Honourable C.D. Howe, now Minister of Defence Production, and by the Honourable W.S. Symington.

However, like all the other agreements between Canada and the United States, this hardly needed to be written down because the co-ordination of industrial production for defence is based on mutual interest and common sense.

Curiously, you have some legislative obstacles in the way of working this out, but I am glad to say that these are being overcome.

In this connection the United States and Canadian Chambers of Commerce have played a very useful role in drawing attention to something that obviously was never intended to work the way it has.

Things are now moving along. Our hope is that it may be possible for the two countries so to organize their defence production arrangements that we will not set about making in Canada those things for which our requirements are not sufficiently large to make an economic run, such as tanks and heavy motor vehicles.

On the other hand, we would make in Canada for ourselves and for the use of other North Atlantic Treaty nations equipment which, with orders from you, would