

Hyde Park Declaration, will help to make it possible for Canada to continue to do these things without further disturbing her economic relations with the United States.

No serious shortage of any essential raw material or consumer's commodity has occurred. The cost of living to the end of March had risen only about 7%.

THE UNITED STATES AND THE CANADIAN WAR EFFORT

The United States has been a source of strength to Canada in the prosecution of the war. Canada buys many essential war materials in the United States and since the outbreak of hostilities has bought them in increasing quantities. In spite of a reduction in the amount of "non-essential" commodities coming to Canada from the United States, Canada's imports from that country have increased greatly since the outbreak of war. In 1939 they were valued at \$297,000,000; in 1940 they soared to \$744,000,000; in the present fiscal year they are expected to reach \$923,000,000 of which \$488,000,000 will be for war purchases.

The Hyde Park Declaration has established a principle which, it is hoped, will assist Canada to maintain and increase her war purchases in the United States. As a result of the agreement, it is expected that Canada will be able to sell to the United States balance articles worth between \$250,000,000 and \$300,000,000. In addition, the United States is expected to lend-lease to Great Britain war materials which Canada would normally purchase for Britain in the United States. In the present fiscal year such purchases are expected to run to over \$200,000,000. Canada, herself, is not taking advantage of the lend-lease Act, as long as she can find the U.S. dollars with which to pay cash.

According to Finance Minister J. L. Flaherty, however, the Hyde Park Declaration, through a magnificent contribution to the common struggle in which Canada and the United States are engaged, does not remove all need for the conservation of foreign exchange. Mr. Flaherty stated in his recent budget speech that it is difficult to make any precise quantitative estimate of the contribution which the agreement may make to reducing Canada's shortage of United States dollars. In the first place, the amount of the additional war purchases by the United States in Canada will depend on the practical limits of production and invention, and it will take some months for them to reach their expected volume. In the second place, administrative difficulties may be encountered which will make it hard to apply the lend-lease procedure immediately to all items purchased in the United States which are components of British war orders in Canada. The most reasonable estimate of the magnitude of these two factors will leave a considerable deficit in Canada's balance of payments with the United States, Mr. Flaherty concluded.

Because of this situation the Canadian Government has reluctantly decided not to abandon the restriction on travel in the United States by Canadians for other than business, health or educational reasons. As heretofore, of course,

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