

from Canada. We have to make up the difference from our favourable balances with other countries or by making restrictions on the freedom of our people to travel in the United States or to purchase from there other than essential commodities. Even at the best of times the stability of these arrangements is precarious and it certainly would not be practicable to superimpose any large programme of military items on the top of our ordinary Canadian purchases.

Leaders of thought in Canada in government and industry have already emphasized the advantage of a renewal of something like the Hyde Park arrangements under which we would contemplate balancing the trade in arms between Canada and the United States outside our trade on ordinary account. As matters stand in the dangerous situation which exists it would not be sensible to consider trade in arms from the point of view of revenue. Rather we must look at it primarily for the purpose of promptly providing both of our countries and also our allies with the most modern, standardized weapons of the highest efficiency. Having regard to this and to the mutually-advantageous result which is sought as a contribution to the security of North America and of the other countries of the North Atlantic community, it seems to me that it is not unreasonable to expect the removal of legislative restrictions which introduce other considerations and so stand in the way of efficient organization and procedures. At least it would seem sensible that these restrictions should be confined in their incidence to our trade on ordinary account.

Until recently experience has shown that the principal barriers to progress towards making our defence arrangements has been of the character I have indicated and it is of the first importance that the situation should be corrected, or otherwise we, in Canada, would be compelled to spread our resources over the whole field of our requirements for weapons rather than that we should concentrate on those items which we can best produce, and use our surplus to exchange for equipments which can be produced more advantageously in the United States or by our allies in Europe. Once the difficulties of the moment are widely understood it would seem only reasonable to expect that appropriate remedial legislative action would be taken without delay. With the present widespread discussion of these matters I think we have reason to hope for early correction.

In this connection I would like to refer to the hopeful statement made by Mr. Claxton, Minister of National Defence, on May 19, when he announced a beginning of trade in military equipment between Canada and the United States on a reciprocal basis which is expected to amount this year to somewhere between 15 and 25 million dollars. This is a promising beginning of great value, as Mr. Claxton has said, not only to the defence potential of this continent but also to the overall defence arrangements under the North Atlantic Treaty.

There are two other factors in Industrial Preparedness for Defence which may be more difficult to correct because of the long time required for translation of needs into plans, and of plans into the finished work or facility. The facilities which fall into this category, which require conceptions and effective plans which may have to be a decade or more ahead of the current needs of industry are, first and foremost, transportation. We need to foresee the immense requirement for the movement of bulk commodities within North America for processing, and of finished military and other supplies for export. In an emergency these movements must be capable of taking place