

The fact that Canadian war production is so well organized in many fields as to enable Canada to meet speedily many United States requirements is a high tribute to Canadian industry and Canadian labour.

Alleviation of the Exchange Problem

In the Declaration itself a rough estimate was made of the value of the defence articles which it is hoped Canada will be in a position to supply to the United States in the next twelve months. The estimate is between \$200,000,000 and \$300,000,000 worth. We may be able to do better than this, but obviously detailed negotiations will be necessary with the appropriate purchasing departments or agencies of the United States Government, in order to determine how best they can use the surplus capacity, existing and potential, of Canadian industry. The immediate significance to Canada of the sale of these defence articles is, of course, the provision of the United States dollars to help us in paying for Canada's essential war purchases in the United States.

While these United States purchases will assist us very materially in meeting our deficit, they alone will not solve the whole problem. A further important contribution to its solution is contained in another paragraph of the Declaration which provides that Canadian purchases in the United States of materials or components to be used in equipment and munitions being produced by Canada for Britain will be made available to Britain under the terms of the Lease-Lend Act. Hitherto it has been necessary to Canada to find United States dollars to pay for these purchases on British account. These purchases have materially added to the growing deficit in our balance of trade with the United States.

The combination of United States purchases in Canada and the lease-lending of defence articles for Britain will go a very long way toward the solution of Canada's acute exchange problem. It is, however, not anticipated that the whole deficit will be covered in this way. Essential Canadian purchases in the United States will still exceed United States purchases in Canada. There would, therefore, appear to be little prospect of relaxing any of the existing foreign exchange conservation restrictions without causing a new deficit which would imperil Canada's war effort.

The final paragraph of the Declaration provides for the working out of the technical and financial details as soon as possible in accordance with the general principles set out in the Declaration itself. Officials of the two governments are at present engaged upon the task of working out these details. Until that task is completed it will not be possible to say exactly what Canada will supply the United States or what the