

prices and employment. Both our countries also require substantial imports. Canada is less self-contained than the United States, and our exports and imports are normally in close balance, whereas the United States normally has a preponderance of exports.

Trade across our common border is far greater than trade between any other two countries in the world. Our resources are largely complementary and our needs are complementary. Canada supplies you with 80 per cent of your newsprint paper, together with considerable quantities of wood pulp and timber. In metals, we supply practically all your nickel and considerable quantities of aluminum, copper, zinc, lead, and uranium. Our abundance of hydro-electric power enables us to ship you certain manufactured products.

On the other hand, you supply us with cotton, coal, petroleum, citrus fruits and a wide range of manufactured goods and components. Canada buys more from you than you buy from Canada, and this is especially true when both countries are prosperous. In the old days of convertible currencies, this unbalance of trade caused no great difficulty, since we were able to settle our balance with you by earnings from exports to Europe and to other parts of the world. Today, that unbalance is a serious matter indeed, and has led to devaluation of the Canadian currency and to restrictive measures designed to bring into manageable proportions the consequent drain on our U.S. dollar reserves. I may say at once that both devaluation of our currency in terms of U.S. dollars, and trade restrictions, are as disagreeable to us as I am sure they are to you.

During the war years, this unbalance of trade and consequent dollar difficulties was not allowed to interfere with the war effort of either country. The enormous and sudden demands of war confronted us with unexpected shortages, both of raw materials and manufacturing capacity. It then became abundantly clear that a new approach to our national production programmes was imperative. Nowadays, there is a tendency to forget the remarkable degree of co-operation which was achieved by our two countries during the war. It seems to me that those wartime experiences may have some lessons for the present.

The need for a new approach to our mutual trade appeared in the Spring of 1941. At that time, Canadian needs for your steel, machine tools and components for new war production seemed almost limitless, while at the same time overseas demands for Canadian products were growing. No longer could Canada balance trade deficits with the United States by overseas credits, and a serious shortage of U.S. dollars developed. This was a matter of alarm in Canada, since it threatened to interfere seriously with our war effort. Of more fundamental importance was the fact that the war production programmes of our two countries tended to be separate and distinct, to an extent that must result in the inefficient use of scarce resources.

In April, 1941, President Roosevelt and Prime Minister Mackenzie King agreed on a basic policy of economic co-operation between our countries which became known as the Hyde Park Declaration. Briefly, this policy was that each country should specialize in the production of items it could produce best, and that production plans should be co-ordinated. As Minister of Munitions and Supply of that day, I was most happy about this declaration, since it opened an avenue to full-out production of war material.

At about this time, the shortage of aluminum was a major bottleneck. I arranged with the late W.S. Knudsen, then Chairman of the Office of Production Management, for the appointment of a Joint committee of United States and Canadian officials to work out the aluminum problem, as well as problems involving the whole field of strategic minerals. This committee, by getting the best effort out of both countries, was able to step up production to meet all war requirements. Under its direction, production of aluminum and nickel and copper and zinc and lead and