

shipping charges were verified and agreed. It is not suggested that this special transaction should be disturbed in any way by the adoption of the general policy proposed above.

The Canadian Government does not wish to propose any change in the present arrangements under which Canada pays in cash for all supplies which she requests from the United States, whether through Government channels or by direct purchase from producers, including any supplies, such as raw materials, which the United States has received as reciprocal aid from the United Kingdom or elsewhere. The amounts which Canada has expended in purchasing war supplies from the United States have greatly exceeded the amounts which the United States has spent on war supplies from Canada, and in fact have resulted on balance in an increase during the war in the substantial indebtedness of Canada to the United States, but in view of Canada's capacity for war production, the Canadian Government wishes to continue to provide full value in exchange for all war supplies acquired by the Canadian forces.

1054.

DEA/1749-F-40

*L'ambassadeur aux États-Unis
au secrétaire d'État aux Affaires extérieures
Ambassador in United States
to Secretary of State for External Affairs*

TELETYPE WA-3579

Washington, July 6, 1945

IMMEDIATE. SECRET. Following for Wrong from Pearson, Begins: Your EX-2448, July 3rd, Lend-Lease military supplies transferred by the United Kingdom authorities to the Canadian Army. I have discussed this matter twice with the Canadian officials interested in Washington, as a result of which I desire to make certain suggestions on the question of procedure. Your reaction to these suggestions regarding procedure will, of course, affect our views regarding the substance of the draft communication attached to your teletype. I am, therefore, not giving you our views on this question of substance at this time. I feel, and my feeling in the matter is shared by those with whom I have talked, that it might be premature to initiate discussions on this matter now with the United States authorities in the manner suggested, e.g., by a lengthy, carefully argued and formal communication. If we adopt this course, we are thereby giving great official importance to the question and in a sense putting ourselves on the defensive concerning it. Its importance is, of course, obvious, but only if the United States Government were to press their claim for reimbursement. We have, I take it, no concrete evidence that such a claim will be pressed apart from the enquiries which the United States authorities from time to time have addressed to the United Kingdom authorities. Your telegram does not indicate the levels on which these enquiries were made or the weight which should be attached to them. For these reasons, might it not be unwise at this particular moment to address a formal communication such as that proposed to the United States Government, if by so doing we were to make an