

It also increased the volume of its exports to the United States and thus reduced its adverse United States trade balance.

Some Canadian war factories were already well advanced in their production and able to furnish equipment immediately for the United States rearmament program. This material included ships, guns and ammunition. There were also certain vital materials, such as copper, which hitherto had been in surplus supply, but now were rationed to help meet the impending United States shortages. By 1942 Canada was providing 40% of the aluminum going into United Nations war production, and the whole of its strategic metal output was absorbed into the North American war program.

The Hyde Park Declaration thus provided for an integration of physical production on the North American continent, and to some extent an integration of credit. Under it, every possible measure has been taken to streamline North American output, to arrange that supplies are drawn from the readiest sources and fabricated in the most suitable plants on either side of the international border.

The exchange of these supplies, however, as between the United States and Canada, has remained on a cash basis.

The question of financial aid to Britain was in one respect peculiar the debtor was proposing to finance its creditor.

Canadian governments and corporations in the past have been heavy borrowers in London and New York. The stocks of several large Canadian companies are also largely held abroad. Shortly before this war, the total volume of Canadian securities held in the United Kingdom was estimated at \$2,600,000,000 - five times the normal Canadian budget. There was no corresponding volume of British securities held in Canada.

The logical first step toward providing funds for Britain was that Canada should pay off her debts. This was accordingly undertaken, both through government channels and through the open market.

It was soon evident, however, that these measures would not cover Britain's deficit on the steadily expanding flow of material from Canada. The production of these supplies had to be financed by the Canadian government,

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