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EXCHANGE OF NOTES

(May 7 and 15, 1945)

BETWEEN

CANADA

AND

THE UNITED STATES OF AMERICA

PROVIDING FOR THE CONTINUATION OF
THE PRINCIPLES OF THE HYDE PARK DECLARATION
INTO THE POST-WAR TRANSITIONAL PERIOD
WITH SPECIAL REFERENCE TO THE
PROBLEM OF RECONVERSION
OF INDUSTRY

(Together with the Hyde Park Declaration)



OTTAWA
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**EXCHANGE OF NOTES (MAY 7 AND 15, 1945) BETWEEN CANADA
AND THE UNITED STATES OF AMERICA PROVIDING FOR THE
CONTINUATION OF THE PRINCIPLES OF THE HYDE PARK
DECLARATION INTO THE POST-WAR TRANSITIONAL PERIOD,
WITH SPECIAL REFERENCE TO THE PROBLEM OF RECON-
VERSION OF INDUSTRY.**

I

*The Ambassador of the United States of America
to the Acting Secretary of State for External Affairs*

EMBASSY OF THE UNITED STATES OF AMERICA

No. 320

OTTAWA, May 7, 1945.

SIR:

Under the Hyde Park Declaration of April 20, 1941, measures were taken to make the most prompt and effective utilization of the productive facilities of the United States and Canada for wartime purposes. As the period of reconversion approaches, the Government of the United States has given consideration to the continuance of co-operative measures. It believes that these measures apply as a matter of course to the Pacific War and it has noted that the Declaration itself contains no termination date, specific or implied. Accordingly, under the instructions of my Government, I have the honor to propose that the general principles of the Hyde Park Declaration be continued on a fully reciprocal basis for the remainder of the war and that the same spirit of co-operation between the two countries should characterize their treatment of reconversion and other problems of mutual concern as the transition to peacetime economy progresses.

Consequent upon the degree of integration resulting from our wartime measures of co-operation in the economic field, numerous specific problems will arise from time to time. One such problem to which urgent attention is being given is the reconversion of industry to the maximum extent compatible with vigorous prosecution of the war against Japan. The problem is particularly urgent from the viewpoint of the United States because the Hyde Park Declaration was implemented in large part by the equal application to Canada of domestic procedure in respect of priorities and allocations.

It is evident that during this initial phase of reconversion, priorities administered by the respective control agencies of the two governments are of the utmost importance to industries seeking to prepare for normal trading conditions. In response to informal inquiries received from Canadian officials in Washington and on condition of reciprocity, particularly where Canada is a principal supplier of materials needed for reconversion and civilian production, the Government of the United States would be prepared to implement the following principles as regards requirements which Canadian industry may desire to fulfil in this country for reconversion purposes:

1. The application of the priorities powers towards Canadian requirements should be as closely parallel to the application of the same powers toward domestic requirements as is practicable.
2. Canada should, in general, be given priorities assistance only of a character and to an extent parallel to priorities assistance given similar

requirements in the United States, including any machinery needed for immediate reconversion. To the extent, however, that components could be obtained by Canada without benefit of priorities assistance, no objection could be made to more rapid reconversion activities in Canada.

3. Assistance should be given to Canadian companies through their priorities officer to grant automatic AA-4 priorities and firm CMP allotments to manufacturing concerns producing less than \$50,000 of product per quarter, similar to such assistance granted domestic small firms. Similarly, the rating privileges of Pri. Reg. 24 and L-41, as they may be amended, should be available to Canadian applicants.
4. It is recognized that complete parallelism of revocation and relaxation of orders between the United States and Canada is not possible because of the differences in the situations in the two nations. However, an effort should be made, in conjunction with the Canadian authorities, to reach the greatest parallelism possible. If it should become necessary for Canada to relax their orders more rapidly than the United States, in no case should priorities assistance be given to a Canadian manufacturer to make civilian goods which are prohibited in this country by War Production Board order.

While the problem of reconversion of industry is the first of the problems which my Government believes it mutually desirable to consider under the principles of the Hyde Park Declaration, other problems will shortly arise. The Canadian Ambassador's note, No. 156, of April 30 to the Secretary of State regarding the disposal of surplus war-like stores arising from orders placed by either government in the other country may, when the dimensions of the subject become more clearly defined, provide an instance in which my Government will seek the favourable consideration of your Government under the Hyde Park principles. Other questions will inevitably arise in connection with the relaxation of wartime controls affecting trade, such as the War Exchange Tax and procedures applicable to exports to the other American republics.

In his statement on the initial period of reconstruction presented to Parliament by the Minister of Reconstruction last month, the Minister referred to the great wartime increase in the output and exchange of goods which was dependent on close collaboration among the Governments of the British Commonwealth and of the United States. He stated that postwar collaboration along equally bold and imaginative lines was essential in the interest of expanded world trade. At Washington on March 13, 1945, a similar statement was made by Prime Minister King and by the late President Roosevelt in regard to the problems of international economic and trading policy.

In view of the high degree of economic interdependence of the Canadian and American economies, the Government of the United States desires to assure the Government of Canada that it will consider and deal with the problem of the transition from war to peace in the spirit of the Hyde Park Declaration which gave rise to such successful co-operation for war purposes. My Government would greatly appreciate a similar assurance on the part of the Canadian Government, together with an expression of its views on the principles which the United States Government would be willing to apply in the initial problem of the reconversion of industry.

Accept, Sir, the renewed assurances of my highest consideration.

RAY ATHERTON

II

*The Acting Secretary of State for External Affairs
to the Ambassador of the United States of America*

DEPARTMENT OF EXTERNAL AFFAIRS

No. 48

OTTAWA, May 15, 1945.

EXCELLENCY:

The Government of Canada welcomes the assurance of the Government of the United States, contained in your note No. 320 of May 7, that it will consider and deal with the problems of the transition from war to peace in the spirit of the Hyde Park Declaration which gave rise to such successful co-operation for war purposes.

The Canadian Government agrees that post-war collaboration along bold and imaginative lines is essential in the interests of expanded world trade.

The Government of Canada on its part desires to assure the Government of the United States that the same spirit of co-operation, which was manifested in the Hyde Park Declaration, will characterize the Canadian Government's consideration and treatment of the problems of the period of transition which are of mutual concern.

The principles which the Government of the United States would be willing to apply on condition of reciprocity in the initial problem of the reconversion of industry are acceptable to the Canadian Government. The Canadian Government believes indeed that the principles proposed will minimize for both Governments the difficulties of reconversion.

The Canadian Government assumes that "the condition of reciprocity" implies a continued adherence to the principle of reciprocity followed throughout the war when both Governments have made allowances for the difference in the conditions existing and in the methods of control adopted in the two countries.

Accept, Excellency, the renewed assurances of my highest consideration.

BROOKE CLAXTON



APPENDIX

**DECLARATION BY THE PRIME MINISTER OF CANADA AND THE
PRESIDENT OF THE UNITED STATES OF AMERICA REGARD-
ING CO-OPERATION FOR WAR PRODUCTION MADE ON
APRIL 20, 1941.***

(Known as the Hyde Park Declaration)

Among other important matters, the President and the Prime Minister discussed measures by which the most prompt and effective utilization might be made of the productive facilities of North America for the purposes both of local and hemisphere defence and of the assistance which in addition to their own programs both Canada and the United States are rendering to Great Britain and the other democracies.

It was agreed as a general principle that in mobilizing the resources of this continent each country should provide the other with the defence articles which it is best able to produce, and, above all, produce quickly, and that production programs should be co-ordinated to this end.

While Canada has expanded its productive capacity manifold since the beginning of the war, there are still numerous defence articles which it must obtain in the United States, and purchases of this character by Canada will be even greater in the coming year than in the past. On the other hand, there is existing and potential capacity in Canada for the speedy production of certain kinds of munitions, strategic materials, aluminum, and ships, which are urgently required by the United States for its own purposes.

While exact estimates cannot yet be made, it is hoped that during the next twelve months Canada can supply the United States with between \$200,000,000 and \$300,000,000 worth of such defence articles. This sum is a small fraction of the total defence program of the United States, but many of the articles to be provided are of vital importance. In addition, it is of great importance to the economic and financial relations between the two countries that payment by the United States for these supplies will materially assist Canada in meeting part of the cost of Canadian defence purchases in the United States.

In so far as Canada's defence purchases in the United States consist of component parts to be used in equipment and munitions which Canada is producing for Great Britain, it was also agreed that Great Britain will obtain these parts under the Lease-Lend Act and forward them to Canada for inclusion in the finished articles.

The technical and financial details will be worked out as soon as possible in accordance with the general principles which have been agreed upon between the President and the Prime Minister.

* At the conclusion of conversations held at Hyde Park, in the State of New York, U.S.A. (Reprinted from *Canada Treaty Series, 1941, No. 14.*)