As all honourable senators know, it is sometimes difficult for the leaders of a democracy to tell their people unpleasant truths.

Latterly, there has been a most startling change in the situation caused by the devaluation of the British pound, and a similar devaluation of currencies by other countries in the sterling area. It is too early to say what the effect of this devaluation will be. The hope is that it will make it easier for the countries of the sterling area to sell more goods to the countries of the dollar area, and thereby earn more dollars. It is important to realize, however, that devaluation by itself does nothing to correct an unbalance of trade. I am quite sure no honourable senator supposes that the situation has been cured by this devaluation, and that all we have to do now is sit back and watch it take effect, and assume that the whole matter will be rectified in due course. Nothing can be further from the truth. Devaluation is only the first step in a long, tedious process.

The purpose of the devaluation is to cheapen goods produced in the sterling area so that they will have a better chance of being sold in the dollar area and earning more dollars. But if devaluation is to be successful, if it is to achieve that object, then it logically follows that the dollar-area countries must be willing to accept and pay for those extra goods. There are two parties to any transaction of sale: the vendor and the purchaser. If there is to be a deal the purchaser must be willing to buy. What it means in effect is this, that we of the dollar area —to be more specific, we in Canada—will have to accept substantially greater imports from Great Britain and the other countries of the sterling area than we have in the past. As far as Canada is concerned, I think there is some basis for the belief that we shall be able to increase our imports from Great Britain to a very substantial degree. During the first six months of this year our total importations to this country were, in terms of percentages: from the United States 72 per cent, from Great Britain 12 per cent, from the rest of the world the remaining 16 per cent. That is a considerably larger proportion in favour of the United States as against Great Britain than existed before the war. I think, therefore, there is a good deal of leeway for increasing our imports from Great Britain and decreasing imports from the United States, thereby favourably affecting the value of the pound in terms of the Canadian dollar and the value of the Canadian dollar in terms of the American dollar.

**Hon. Mr. Haig:** Will the honourable gentleman allow a question just here? With all due respect to him I must say that I have heard and read that statement quite often. Can he name some things that we could buy at a reasonable price from Great Britain which we now import from the United States? Woollens have at times been mentioned, but they have gone up in price. I flatter myself that the cloth in the suit I am at present wearing came from the Old Country, although of course I do not know whether it did or not. Would the honourable member suggest how we can increase imports from Great Britain and decrease those from the United States?

**Hon. Mr. Hugessen:** I do not pretend to be an expert on trade. What I was saying was that before the war the proportion of our imports from Great Britain, in relation to our imports from the United States, was considerably higher than it is today. Of what that proportion was made up I am frank to say I do not know; but it seems to me that we could at least get back to the position which existed only ten years ago.

But I do not think we ought to delude ourselves that it is possible to bridge this dollar-sterling gap without some sacrifice on our part in this country. I foresee that our government may be faced with difficult problems. A great increase in imports from countries with devalued currencies may cause outcries from local industries faced with this new competition; it may, indeed, cause distress and loss of employment in some instances. This government and this parliament will have to weigh very carefully the claims for protection of those particular industries against the broad general advantage of the country as a whole, which will undoubtedly arise from rectifying the present unbalance between the sterling and the dollar areas, and as well from the opportunity, which will come when that unbalance has been corrected, of freeing the channels of world trade, upon which the prosperity of Canada as a whole so largely depends. We have already had preliminary rumblings from the textile industry, for instance, as to the increased competition which it is going to face, and I hope to refer in a few moments to another industry which will be affected in the same way.

The first step in seeking the cure for this problem of unbalance between the sterling and dollar areas is, I suppose, an inquiry into the causes which brought it about. Some of these causes are well known and others are not. Let me enumerate some of the well-known ones. First of all there was the loss of the overseas markets of Great Britain, resulting from her having turned the whole of her manufacturing industry during the war to the production of munitions of war. I think