

Mr. LEIGH: No. I think that is not so. I think the answer really is that the peoples of the world have always been in the habit of using the pound as an international currency; in fact they sold in pounds and they still do. They have considerable confidence in London and they do what they have always done. It is very largely a matter of habit. Countries in the sterling area bloc have a common reserve fund. There is no such thing as a United Kingdom reserve fund; it is a reserve fund of the sterling area.

Hon. Mr. LAMBERT: What you call "the pool"?

Mr. LEIGH: The pool. Before the war Great Britain had very large investments and therefore imports were considerably more valuable than her exports. During the war Great Britain's visible export trade went down to one-third of what it had been before the outbreak of hostilities. That was a deliberate policy. Great Britain did not lose that trade; she handed it over. Great Britain concentrated on war, and the United States took over that overseas trade. It was part of the arrangement that they did so. At the end of the war not only had we relatively few investments, and precious few ships which used to earn a lot of money for us, but our export trade was only one-third of what it had been prior to the war. However, in the course of about nine years we have built up our export trade, as obviously we had to in order to pay for our imports.

Hon. Mr. LAMBERT: It is far in excess of what it was in 1938-39.

Mr. LEIGH: It is bound to be because we have not got those investments. We have to pay for our imports with our exports.

Hon. Mr. CRERAR: I should like to ask the witness a question. Would he agree that the trade policies of various countries are influenced largely by their unemployment problems at home? That is to say, there appears to be a general acceptance of the fact that the business of governments is to maintain full employment in their own countries; a step of course towards the magnification of the state and its place in the body politic. Take Great Britain. If British textiles are threatened with competition from a low-cost country like Japan—

Hon. Mr. LAMBERT: Or India.

Hon. Mr. CRERAR: —or India ultimately—would the reaction be to impose prohibitions on these goods or impede their entry into the country, for the reason that unemployment would be affected. We have seen the same thing happen in Canada. After the war when there was a great vacuum to be filled we got along very well, but now we have agitations against cheap Japanese goods coming in, and the same is true in respect to wools from Great Britain. We must protect our employment at home by taking the steps necessary to curtail or exclude these goods. We see the same thing happening in the United States today where different interests say to their government: "These foreign goods are competing with our standard of living and therefore you should exclude them." Does not this problem of unemployment have a rather strong bearing on the trade policies that each country can adopt?

Mr. LEIGH: Mr. Chairman, the answer to that question will vary widely in each country and according to particular circumstances. For instance, under GATT you have agreements not to put on more tariffs on certain commodities, as you know. Presumably, therefore, you cannot break your agreement with respect to those. Commodities may come in from other countries and undersell your own. Exactly the same thing happens in Great Britain with respect to textiles coming in from Japan and Czechoslovakia. But we do not immediately proceed to put on a duty or stop them, for we realize that international trade is a two-way affair and if you are going to stop anything that comes in that may undersell you, then you have stopped one side of the flow. Therefore, you have to accept that position. If, of