

which is being made is one which we have reason to believe will be warmly welcomed by the British government.

In so far as past transactions are concerned, the proposal is to convert the major portion of the pounds sterling which have accumulated to Canada's credit in London into a loan to the United Kingdom of seven hundred million dollars, in Canadian money. It is proposed that, during the war, the loan will be reduced by the proceeds of any sales made to persons outside the United Kingdom, of Canadian dollar securities now held by residents of the United Kingdom, and also by the proceeds of the redemption or repayment of any Canadian securities held in the United Kingdom. The new loan would not bear interest during the war. As soon as practicable after the war, it is proposed, however, that the governments of the two countries should arrange an appropriate rate of interest to apply from that time forward, and make appropriate provisions for retiring the loan.

Since the beginning of the war, approximately \$400,000,000 in Canadian money has been made available to Britain through the purchase by our government of Canadian government securities held in Britain. In other words, our government, during the war, has been paying off a part of the dominion's external debt. Under the arrangement now proposed, the Canadian government will purchase outright the remaining dominion government and Canadian National Railway securities owned by residents of Britain, estimated in amount at some \$295,000,000. This means that the Canadian government will, before it becomes due, pay off its own remaining debt in Britain. The British government will pay the present owners of these securities in pounds sterling. The Canadian government, in turn, will pay the British government for the securities in Canadian dollars.

For the future, in addition to the financial provision for raising and maintaining Canada's own armed forces, the government will, as a part of Canada's direct contribution to the defeat of the axis, ask parliament to make provision for meeting Britain's shortage of Canadian dollars by supplying, free of charge and without obligation, to Britain, munitions of war, raw materials, and foodstuffs up to an amount of one billion dollars. Such provision would mean that thereafter Canada's direct war effort would include, in addition to her armed forces, an outright contribution of war supplies on a vast scale.

The proposals I have outlined will, it is anticipated, suffice to meet the requirements of the United Kingdom for Canadian war supplies until early in 1943.

[Mr. Mackenzie King.]

In announcing this offer, I wish to draw particular attention to the fact that the financial burden of war now being borne by the Canadian people will not be increased by the proposed financial arrangements with the United Kingdom. Canada has already undertaken to supply the Canadian money required by Britain to pay for Canadian war supplies. Whether this money is provided in the form of a loan to Britain, or of a direct contribution to the defeat of Hitler, will not change the number of dollars which the Canadian people are already committed to raise for the prosecution of the war.

The advantages of the proposed financial plan are that it will avoid the growth to huge and unmanageable proportions of a war debt which might breed serious misunderstandings and bitterness in the future; that it will definitely relieve Britain of any financial anxiety which might arise in connection with its Canadian sources of supply; and, finally, that it will bring our working arrangements into accord with the realities of the war situation.

The adoption of the new plan will mean that Canada, at this time of intensified crisis, is giving unmistakable evidence of the determination of our people to put forth their utmost effort in the preservation of our own liberties and in the common cause of freedom.

At six o'clock the house took recess.

After Recess

The house resumed at eight o'clock.

MR. MACKENZIE KING: Mr. Speaker, before I resume my remarks at the place at which I left off just before recess, I might say a word in reference to the request which my hon. friend the leader of the opposition made, that the government should consider the advisability of sending a division from Canada to Australia. As my hon. friend is aware, whatever assistance it may be possible for any one country of the United Nations to give to any other country of the United Nations, or any one part of the empire to give to any other part, must necessarily be a matter of consideration with all the countries and parts of the commonwealth concerned. The government is anxious, as the government of every other part of the British commonwealth would be, and as the United States and other of the United Nations would be, I am sure, to cooperate in every possible way in affording such assistance as can be effectively given to our friends and brothers in Australia. But what form that assistance will take, what it may be best to