

Financial Measures

are made available to the other united nations "should not be such as to burden post-war commerce or lead to the imposition of trade restrictions or otherwise prejudice a just and enduring peace." Therefore, an essential feature of this proposal is that it shall be good and sufficient consideration for transferring war supplies to other united nations that such supplies are to be used in the joint and effective prosecution of the war.

To make the matter absolutely clear, I shall quote the paragraph dealing with these terms and conditions which we intend to incorporate in the bill. It is as follows:

It shall be good and sufficient consideration for making war supplies available to any of the united nations hereunder that the said war supplies are to be used in the joint and effective prosecution of the war, but no war supplies shall be made available to any of the united nations except upon terms and conditions approved by the governor in council or by regulations, and the governor in council may require, in respect of specific classes of supplies or any specific transfer of supplies under subsection one of this section, such reciprocal action or provision of supplies or any such other direct or indirect benefit as the governor in council deems appropriate.

To carry out the new arrangements, it is proposed to establish a Canadian war supplies allocation board consisting of five ministers and acting as a committee of the cabinet, which will purchase or procure war supplies in Canada and then allocate and transfer such supplies to those of the united nations which require them, in accordance with strategic needs. The government is proposing to request an appropriation of \$1,000,000,000 to provide funds for the production and transfer of these war supplies.

In addition to guns, ammunition, tanks, aircraft and similar military equipment, the war supplies to be covered in this measure will include raw materials and foodstuffs, which are just as essential to a nation at war as arms themselves, and which we are particularly well able to supply. Of course, all our exports of war supplies will not need to be transferred under this arrangement, because Britain and others of the united nations have current receipts of Canadian dollars which enable them to pay for substantial quantities of what they obtain from us. It is only the excess which they cannot pay for that will be dealt with under this new measure.

Incorporated in the supplies which Canada will furnish to other united nations under this proposal, there will be in almost all cases some materials and parts imported from the United States. Canada is able to obtain these materials and parts because of the sensible arrangements already existing between Canada

and the United States arising out of the Hyde Park agreement, made between the President and the Prime Minister in April of 1941.

In accordance with that agreement, the amount which Canada must purchase in the United States has been reduced to a small extent by arrangements under which the United States endeavoured to lease-lend to Britain certain components and materials required from the United States for British orders and commitments in Canada. The principal effect of the agreement, however, has been that Canada sells substantial quantities of war supplies to the United States in order to obtain the funds necessary to pay for her war imports from the United States. It is hoped that, as a part of the programme of coordinated war production in the United States and Canada and the mutual cooperation which has existed between the two countries, it will be possible for us to transfer some war supplies to the United States under the new mutual aid bill instead of being forced to rely on sales of all war supplies to the United States in order to meet our minimum United States dollar requirements.

It is of the greatest importance that the vital flow of arms to the fighting fronts be maintained and increased this year. That flow must be directed in accordance with strategic needs and not diverted or obstructed by financial considerations. Moreover, we do not want that flow to give rise to huge war debts between nations, debts which cannot be liquidated without destroying trade, debts whose very existence will undermine international understanding and good will. We want it to make the most effective contribution to an early victory, not only for our allies but for ourselves.

In certain cases it may be practicable to obtain reciprocal benefits to Canada in the form of goods or services from other countries in return for what we transfer to them under this plan. We will enter into such reciprocal arrangements where they can be made. Already the United States has found it possible to obtain substantial reciprocal aid corresponding to its lease-lend aid to other nations. In some cases it may be possible to arrange for the return after the war of the equipment or vehicles which Canada provides under this new programme. In still other cases the nation receiving the war supplies from Canada may be able to provide us with some other form of post-war benefit. But we do not want to make the sharing of war supplies dependent upon the ability of those who use them to pay for them. We recognize that we in Canada, because of our position and capacity, are able

[Mr. Hsley.]