

Britain made particular reference to the financial assistance which Canada had extended to Britain in the present war.

The extent to which Canada has been furnishing supplies to Britain is, I am sure, not fully realized by our own people. Canada has supplied weapons and munitions to Britain for the use of Britain's armed forces, and for other allied forces for which Britain has undertaken to provide equipment. Canada has also supplied to Britain raw materials required in British war production, and food-stuffs required to feed the armed forces and the people of Britain. In other words, Canada is, at one and the same time, a full partner in the war in her own right, and one of the principal arsenals, granaries and shipyards for Britain, other parts of the commonwealth and other of the allied nations. The total volume of Canadian shipments to Britain since the commencement of the war compares favourably with the volume which, thus far, has moved from the United States.

Canadian financial assistance to Britain has been necessary in connection with the provision of these vast quantities of war supplies. The financial assistance which Canada has extended to Britain is, of course, not what is ordinarily understood by the use of that term. Canada does not ship money across the Atlantic; the money itself never, in fact, leaves Canada. Canadian financial assistance has been extended to Britain in the following manner. The British government has purchased war supplies from Canadian producers. Britain, however, has not had enough Canadian dollars with which to make payment for the greater part of these supplies. Payment has accordingly been made in pounds sterling. This English money has remained on deposit in London, because it cannot, of course, be used in Canada. Most of the Canadian money required to pay the producers of guns and copper and bacon and other commodities has been supplied by the Canadian government. This Canadian money has had to be raised from the Canadian people in taxes, war savings or war loans.

Canada's financial aid to Britain has, in other words, amounted to this: the Minister of Finance has raised money in taxes and loans from the Canadian people to pay Canadian producers for ships and tanks and guns and planes and other munitions shipped overseas for the British army, navy, and air force; also, to pay Canadian producers for aluminum, copper, steel, timber and other raw materials needed for British war industry; and, as well, to pay Canadian farmers and fishermen for the food Canada has sent overseas to feed the British people.

The British government has been able to acquire some Canadian money as a result of ordinary business transactions, such as the sale of British exports to Canada, and receipts from interest and dividends on Canadian securities. This money has been used to pay for a part of the British purchases. But British exports to Canada are necessarily on a diminishing scale.

In the early months of the war, the British government had a considerable accumulation of gold and was able to use some gold to pay for war supplies received from Canada. The British government acquired some additional Canadian money by an arrangement to have Canada buy back from Britain certain Canadian government and government guaranteed securities held in Britain. For the most part, however, payment for Canadian supplies has, of necessity, been made in pounds sterling.

For the past year, Britain has urgently required from Canada vast quantities of munitions and supplies. These Canada has created the capacity to produce. The Canadian producers have been paid in Canadian money by the Canadian government. Canada, in turn, has been credited on the books of Britain with English money, which, however, cannot be spent in Canada. In this way, Canada's surplus store of English money has been assuming larger and larger proportions. What, in effect, all this really means, is that Britain has a steadily growing war debt to Canada.

We all remember the international problems and difficulties caused, after the last war, by the existence of huge war debts owed by one government to another. We recall how reluctant nations were to accept payment from other nations in the only way in which a huge external debt can really be settled, that is by removing tariffs and accepting payment in goods. We know that huge external debts created suspicion and bitterness between nations. The government is anxious to avoid the creation of similar difficulties in the post-war relations between Britain and Canada. We believe that difficulties would be avoided and, at the same time, the real extent of Canada's war-time contribution would be more fully comprehended, if Canada's financial arrangements with the United Kingdom, both for the past and for the reasonably foreseeable future, were duly clarified. We believe that the time has come for this clarification.

The government, accordingly, is proposing to the British government that the financial arrangements between Canada and Britain should be placed on a new footing. The offer