

to ask for on Tuesday as well. Both these interim votes are necessary if the expenditures which are falling due from day to day are to be met.

## MUTUAL AID

### MEANS OF ENSURING FLOW OF ESSENTIAL SUPPLIES TO ALLIES FOLLOWING END OF HOSTILITIES

Hon. J. L. ILSLEY (Minister of Finance): Mr. Speaker, I believe it is desirable to take this first opportunity to inform the house of the action the government has taken in regard to Mutual Aid and to means of ensuring the continued flow of essential supplies to our allies following the end of hostilities.

It has been understood from the beginning that Mutual Aid was purely a war-time measure, intended to make possible the most effective prosecution of the war and to end when victory was achieved. The government has always endeavoured to make this clear to parliament and the Canadian public, as well as to the allied nations receiving Mutual Aid.

Immediately upon receiving word of the readiness of the Japanese government to surrender on the terms offered them, the Canadian government notified the governments of countries receiving Mutual Aid from Canada that transfers of supplies as Mutual Aid would cease at the end of hostilities. These recipient governments were asked if they wished to continue to receive foodstuffs and other civilian supplies which they had expected to receive as Mutual Aid, had hostilities continued, and we indicated our willingness to continue to ship such supplies on the understanding that any of those transferred after the end of hostilities would be paid for. In order to avoid useless and wasteful activity, the production and delivery of munitions and other military supplies were halted immediately it was evident that Japan was going to surrender, although the governments which were to receive such supplies were informed of our action and given an opportunity to say that they would like production to be continued for their account. Exceptions to the policy of immediate cancellation were made in a few instances where manufacture was nearly finished and it was considered more sensible and economical to complete production in the hope of being able to sell the finished article for some useful purpose. There was no interruption in the production, procurement and shipment of foodstuffs and other civilian supplies during the course of these rearrangements. I should also add that the provision of supplies to UNRRA for relief and rehabilitation has not been affected by the termination of hostilities.

The date of the end of hostilities for the purpose of terminating the transfer of supplies as Mutual Aid has been taken as September 2, the day of the actual surrender of Japan.

Under the provisions of our Mutual Aid agreements the Canadian government may decide whether supplies which have been transferred as Mutual Aid and which are still in Canada or in ocean transit at the cessation of hostilities shall be repossessed by Canada or allowed to go forward to the countries to which they were transferred. The government has decided it will retain title to such supplies as had not been loaded on ship board before September 2, but will not repossess supplies which were in ocean transit on that date.

The end of Mutual Aid transfers will not end or delay the flow of essential civilian supplies to our allies. The government has offered to continue to buy such supplies for allied governments if they request us to do so and undertake to reimburse us for the costs so incurred on their behalf. Already several governments have made such requests and purchases and shipments are continuing.

Most of the countries which have been receiving Mutual Aid from Canada will require credits if they are to continue to obtain what they need from this country. Negotiations are proceeding with several with a view to the provision of credits under the Export Credits Insurance Act, passed by parliament at the last session. It would be out of place for me to make public the nature of these negotiations until a later stage.

The United Kingdom and the sterling area generally constitute a special case, because of the magnitude and complexity of their trade and financial transactions with Canada. There will be a problem of some difficulty in working out satisfactory means of financing the deficit of the sterling area in its trade and other transactions with Canada during the period of the next few years when Britain is rebuilding and developing her export trade, which has been sacrificed almost entirely to war production in recent years. A similar problem, of course, will exist on a larger absolute scale between the United States and Britain and other parts of the sterling area. Lord Keynes, representing the British government, has been in Ottawa for several days, discussing with other ministers and myself the financial and trade problems arising from the sudden conclusion of hostilities. We have not endeavoured at this time to devise arrangements or negotiate terms for the financing of Britain's trade and that of the rest of the sterling area with Canada over the whole period of transition, which undoubtedly will last for several years. Full discussion of that problem must