and Japan; that but for Great Britain, as is well known, Egypt would have been overrun by the German armies under Rommel, and India would have had to face invasion by the troops of Japan. As I say, to remind India and Egypt of these facts might be undiplomatic. But it is possible that the United States and Canada could do something to relieve Great Britain of the burden of the sterling balances. India and the other countries of the Middle and Far East, to whom these obligations were contracted, import from this continent a great deal more than they export to it. They need our money, our goods and our services for the purposes of their development. That being so, something might be done along the lines of an interesting suggestion which was made by Professor W. A. Mackintosh of Queen's University in an article which appears in the October issue of the American quarterly journal *Foreign Affairs*. His article is entitled "Anglo-American Solidarity", and it contains a most interesting discussion of problems of reconstruction and readjustment, including this question of the sterling balances. Here is Professor Mackintosh's suggestion:

> In dealing with the sterling balances held by India, Egypt and the Middle East, the United Kingdom has played a politically weak hand and the results have been economically costly. Canada and the United States hold trump cards—hard currency. It may be that for a grant of hard currency to be spent on North American goods, India and the others would write off two or three times the equivalent in pounds from the liabilities of the United Kingdom, and defer sterling drawings for a period of years. In compensation, the United States and Canada would temporarily extend their markets for food and capital goods and strengthen important troubled areas.

It is obvious that the major part in any scheme of that kind would have to be undertaken by the Government of the United States. But I do suggest to our government that they explore with the Government of the United States the possibility of doing something along the lines suggested by Professor Mackintosh, and that they express the willingness of this country to do its share in connection with any arrangement which may be arrived at.

Be very sure, honourable senators, that anything we can do to help in the solution of this question of sterling balances will be well worth while. Not only will it help Great Britain, and go far to restore healthy conditions throughout the sterling area, but it will hasten the day when the unbalance between the sterling and the dollar areas can be brought under control.

There are many other aspects of this most difficult problem which would take far too much time for me to discuss here, even though I had the necessary knowledge, which frankly I have not—questions in which matters of currency, economics and world markets are inextricably mingled. They are apt to baffle the ordinary man; I must confess that many of them baffle me. However, without going into any great detail, I believe we can reach some general conclusions. In the course of my remarks I have attempted to indicate them. Let me recapitulate:

First: The gap between the dollar area and the sterling area will not be bridged in a hurry. It will be a long, arduous process, of which the recent devaluations are but the first step.

Second: It is almost certain that Canada, as her contribution to the solution of this problem, will have to do some difficult things and make some hard and even painful decisions.

Third: No matter how difficult or painful the process, it is essential in Canada's own interests that this problem shall be solved.

After all, honourable senators, what is the alternative? If the problem is not solved, the democratic world almost inevitably will divide into two practically water-tight compartments, with trade between them frozen at a very low level. For us in Canada, with our great market in England to which we sell our goods, and the great United States market from which we buy so largely, the prospect would be bleak indeed. Although, of course, our stake in the outcome is immensely important to us, in this matter we are not the principals. Primarily success or failure depends upon the continuation of co-operation and good understanding between the governments and the peoples of the United States and Great Britain. But Canada will have her part to play, and it will be no unimportant part. I am convinced that when our people understand the problem in a broad general way, and when they appreciate the vital issues involved, they will support our government in any step which it deems it necessary for the country to take.

On motion of Hon. Mr. Roebuck the debate was adjourned.

The Senate adjourned until tomorrow at 3 p.m.