

affects the whole problem, and that at least indirectly it affects us on the North American continent.

What are these London sterling balances? Well, the word "balances" is a beautiful euphemism. For instance, if I owed \$10,000 to the Bank of Montreal, it might be called "a balance", but it is really a debt; and these London sterling balances are debts. They are £3,000 million of debts owed by the Government of Great Britain to the governments of the Near and Middle East for supplies and services furnished during the war. According to the most recent figures to which I have had access, more than half of these £3,000 million of sterling balances are owing to the governments of India and Egypt.

These balances are operated in this way: they are frozen in London, but every now and again, by agreement between the British Government and the government of the other country concerned, a part of them is released by the British Government and is used by the other government to buy British goods to the extent of the sum released. For example, I understand that in the year 1948 the Government of India used £150 million of her sterling balances to buy British goods. Those are what the experts call "unrequited exports". In return for her export of that £150 million worth of goods, Britain got nothing except a bookkeeping entry in some London ledger, decreasing her debt to India by that amount.

Hon. Mr. Haig: May I ask my friend a question? That £150 million is included as part of the exports from Great Britain during the year?

Hon. Mr. Hugessen: Yes. The attempt by Great Britain to pay off these sterling balances by these unrequited exports is said to be largely responsible for the inflation in that country at the present time, the high wages, the over-employment and the apparent prosperity which is to some extent at least delusive.

Hon. Mr. Haig: It is false.

Hon. Mr. Hugessen: There is another result which the use of the sterling balances has which affects us in Canada and the United States, and also affects the ability of Great Britain to earn dollars by selling to us and to the United States. I refer to the markets for British goods in the Near and Far East. These markets in the countries which own the sterling balances are easy markets for British manufacturers. They get high prices for their goods in pounds, the reason being that that is the only use to which the creditors can put the pounds. It is much easier for a British manufacturer to sell his goods for sterling in the Near or Far East, without competition,

than to attempt to sell the same goods in Canada or the United States against the keen competition of our own manufacturers. Human nature being what it is, I think undoubtedly that many British manufacturers have chosen the easy way out—they have earned pounds when they might have been earning dollars. I believe that the governments of the United States and Canada should take a positive attitude with respect to the question of the sterling balances.

I was glad to see from the official report of the discussions between the ministers of Great Britain, the United States and Canada, which took place in Washington ten days ago, that this was one of the matters which came under review. I think it is generally realized that it is in our interest to put Great Britain back on her feet as a great industrial nation, to close the gap between the dollar area and the sterling area, and to thus ultimately achieve freedom of trade between the nations of the democratic world.

These sterling balances are a hindrance to the health of the sterling area. To put it bluntly, and perhaps a little unfairly, we in Canada and the United States might ask ourselves whether we are interested in helping to put Great Britain back on her industrial feet merely to enable her to pay off war debts to the countries of the Middle and Far East, which ought to have been cancelled or at least very substantially reduced a long time ago. After all, we on this continent have some experience of fantastic war debts. We know that in the end, these enormous sums can never be paid, at any rate in full. We know, too, that so long as they remain outstanding they are nothing but a fruitful source of friction and bad feeling between the debtor country and the creditor country. You may recall, as an example of what I mean, the history of the British war debt to the United States after the First Great War. When the Second World War came along, the statesmen of the United States and Canada made certain that the same condition in respect of Great Britain would not recur. In the United States as a consequence of lend-lease—that brilliant conception which originated in the great brain of President Roosevelt—and in this country, of our free gift to Britain of \$1,000 million, as well as other write-offs which were effected, Great Britain owes no war debt either to Canada or to the United States. But Great Britain does owe a war debt of £3,000 million to countries of the Middle and Far East. As I have said, the greater part of these obligations is held by India and Egypt. Perhaps it would be undiplomatic to suggest to those countries that the goods and services they supplied to Great Britain during the war were used in the common effort, the effort to defeat Germany