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CANADA'S FINANCIAL AID TO OTHER COUNTRIES

Canada's proposed loan of \$1,250,000,000 to the United Kingdom brings to \$7,617,237,331 the amount of wartime and post-war financial aid Canada has so far extended to Britain and other countries. This is made up as follows.

Repatriation of British-held securities....(approximately)	\$800,000,000
Interest-free loan to U.K.....	700,000,000
Purchase of British interests in war plants.....	200,000,000
Contribution for purchase of war supplies by U.K.....	1,000,000,000
Mutual Aid.....	2,575,104,000
Credit to U.S.S.R. to purchase wheat.....	10,000,000
Export credits (agreed on).....	502,500,000
" " (tentative).....	142,000,000
Proposed loan to U.K.....	1,250,000,000
Cancellation of U.K.'s B.C.A.T.P. indebtedness.....	425,000,000
Gifts of wheat to Greece.....	12,633,331
TOTAL	\$7,617,237,331

EARLY FINANCIAL AID TO UNITED KINGDOM

From the beginning of the war it was evident that Britain would have difficulty in obtaining sufficient Canadian dollars to purchase the war supplies needed from Canada. In the House of Commons on March 20, 1941, Finance Minister Ilesley made clear Canada's determination that no shortage of Canadian dollars would impede the movement of necessary supplies to the United Kingdom:

"It has been, and will continue to be, the policy of the government to see that United Kingdom purchases in this country are not hampered by reason of any lack of Canadian dollars. We have seen, and will continue to see, that the problem of the deficit is solved."

Special financial measures were taken by Canada to assist the United Kingdom prior to the inception of Mutual Aid in 1943.

The first was the repatriation of Canadian government and government-owned Canadian National Railways securities formerly held by residents of the United Kingdom. These securities were purchased by the British government from the British residents for sterling, a unit used for foreign exchange purposes. The Canadian government, or in some instances the Canadian National Railways, then either repurchased or paid off these securities for Canadian dollars, thereby placing at the disposal of the British government in Canada the equivalent value in Canadian dollars. The amount of such transactions finally totalled approximately \$700,000,000. In effect, Canada was by this means paying off its debts to Britain before they were due in order that Britain could use such funds in meeting its Canadian requirements. A further \$100,000,000, approximately, was provided to Britain through the sale in Canada of other securities owned by British investors and purchased from them by the British government.

The second special financial arrangement to help cover the deficit in British payments to Canada was a loan of \$700,000,000 early in 1942, under the authority of the War Appropriation (United Kingdom Financing) Act. This loan did not bear interest during the war. The British government agreed to use any proceeds from the sale or redemption of remaining Canadian securities held in Britain to pay off this loan. On March 7, 1946, Prime Minister King announced that an agreement had been signed between the Canadian government and the United Kingdom government providing that the loan will be continued on the same basis as heretofore until January, 1951. Before that date the two governments will discuss how they are to treat the service and repayment of any balance of the loan then outstanding.

The third special arrangement was of more complicated character. During the early years of the war the British government had joined with the Canadian government in paying the cost of building special munitions plants of various kinds in Canada to produce war supplies for Britain. In 1943 the Canadian government undertook to repay to Britain all the money which the British government had expended for this purpose, so that Britain could use the funds for purchasing finished munitions rather than capital equipment. The result of this transaction was to place slightly more than \$200,000,000 at the disposal of the British government during 1943.

The fourth special measure taken to enable Britain and other allied nations to obtain supplies was a contribution to Britain of \$1,000,000,000 worth of Canadian war products. This was provided under the War Appropriation (United Kingdom War Financing) Act of 1942, and was completed within the same calendar year. The British government continued in this period to do its own purchasing through the Canadian Department of Munitions and Supply as its agent, and the funds provided under this act were turned over to it as required to meet the cost of specified types of war supplies. During this period the British government was also purchasing in Canada supplies for Australia, New Zealand and other Commonwealth and allied governments, and thus the contribution to Britain ultimately enabled other United Nations to benefit as well.

MUTUAL AID

The Mutual Aid Act was passed on May 20, 1943. Through Mutual Aid the Canadian government ensured that the products of its war potential moved steadily to its allies. Mutual Aid contracts were signed with the chief allies to supply the goods without payment. To December 31, 1945, it is estimated that a total of \$2,575,104,000 was expended by the Mutual Aid Board since its inception.

It should also be noted that the Canadian government, prior to Mutual Aid, in September, 1942, provided a credit of \$10,000,000 to the government of the U.S.S.R. for the purchase of Canadian wheat and flour.

The United States has received no assistance from Canada under Mutual Aid; neither has Canada received any lend-lease for itself from the United States.

The following table indicates the distribution by countries of Canadian Mutual Aid supplies in dollar value. It will be seen from the table that figures for the last nine months of 1945 are estimated only.

Summary of Expenditures

	MILLIONS OF DOLLARS			Total (Est.)
	(Fiscal year ended March 31.)		(9 Mos) 1945	
	1943-44	1944-45	(Est.)	
Australia	\$20.958	\$54.888	\$15.386	\$91.232
British West Indies	.874	3.882	.761	5.517
China	3.537	17.654	4.918	26.109
France	--	17.552	6.708	24.260
India	.482	14.181	--	14.663
New Zealand	--	7.796	7.076	14.872
Union of Soviet Socialist Republics	23.281	97.633	39.469	160.383
United Kingdom	722.821	719.235	718.874	2,160.930
	<u>\$771.953</u>	<u>\$932.821</u>	<u>\$793.192</u>	<u>\$2,497.966</u>
United Nations Relief and Rehabilitation Administration	--	11.093	65.907	77.000
C.M.A.B. administration	.025	.053	.060	.138
	<u>\$771.978</u>	<u>\$943.967</u>	<u>\$859.159</u>	<u>\$2,575.104</u>

Under War Appropriation (Mutual Aid) Acts, according to the accounts of February 28, 1946, \$12,633,331 had been used for gift shipments of wheat to Greece.

EXPORT CREDITS

The Export Credits Insurance Act, passed by Parliament on August 15, 1944, consists of two distinct parts: one setting up the Export Credits Insurance Corporation and establishing its powers, the second establishing the conditions and extent of loans and guarantees to foreign governments.

Under Part II of the act Canada's total authority for making direct loans to other governments amounts to \$750,000,000 and authority for giving guarantees \$200,000,000. Against the \$750,000,000 authority for direct loans Canada has entered into agreements to lend \$502,500,000. An additional amount of \$142,000,000 has been tentatively agreed on as further credits. The following table shows the number of credits extended to date and the terms of each:

<u>Country</u>	<u>Amount of Credit</u>	<u>Time of Repayment</u>	<u>Interest Rate</u>	<u>Amount Used by March 31/46</u>
Belgium	\$ 25,000,000 ¹	1947-1976	3%	\$ 25,000,000
China	60,000,000	1948-1977	3%	nil
Czechoslovakia	19,000,000	1950-1954	2 $\frac{1}{2}$ %	3,191,551
France	242,500,000	1947-1976	3%	nil
Netherlands	125,000,000	1950-1976	3.05%	25,150,000
Netherlands East Indies	15,000,000 ²	1950-1954	2 $\frac{1}{2}$ %	1,800,000
Norway	13,000,000 ³	1951-1959	2 $\frac{3}{4}$ %	9,495,000
U.S.S.R.	3,000,000	1950	2%	2,775,500
	<u>\$502,500,000</u>			<u>\$67,412,051</u>

Add: Additional amounts committed (see footnotes) \$142,000,000
 Total commitments: \$644,500,000

- 1 An additional amount of \$75,000,000 has been tentatively agreed with Belgium on the same terms.
- 2 An additional amount of \$50,000,000 has been promised to the Netherlands East Indies on the same terms.
- 3 An additional amount of \$17,000,000 has been promised to Norway on the same terms.

PROPOSED LOAN TO U.K.

In addition to all these measures, Prime Minister King disclosed on March 7, 1946, that a credit of \$1,250,000,000 would be extended to the United Kingdom by Canada. The credit will carry interest at 2% from January 1, 1951, and will be repayable over 50 years, beginning at the end of 1951. As in the case of the United Kingdom-United States financial agreement, there is an article providing for the waiver of interest payments in defined circumstances. The carrying out of another provision of the agreement will involve the cancellation of the indebtedness of the government of the United Kingdom in respect of the Commonwealth Air Training Plan. The amount of this indebtedness is \$425,000,000.

A supplementary agreement was also arranged between the two governments for the settlement of all remaining claims which each has against the other arising out of the war effort of the two countries. Under this supplementary agreement the United Kingdom agreed to make a payment to Canada of \$150,000,000 and to cancel all its claims on the Canadian government outstanding as at February 28, in return for which the Canadian government cancelled all its outstanding claims on the United Kingdom not otherwise dealt with, including the cost of food and other supplies delivered by the Canadian government to the United Kingdom between V-J day and the end of February, 1946. Payment to Canada in gold of \$150,000,000 has already been made by the United Kingdom in fulfilment of the agreement.

On April 11, 1946, the bill providing for the loan of \$1,250,000,000 to the United Kingdom was given second reading in the House of Commons at Ottawa. When the House adjourned for Easter recess on April 17 the bill had not been given final approval by Parliament. It will again be taken up when the House reopens April 29.

(May 7, 1946 -- The bill was passed by the House of Commons by a vote of 167 to 6 on this date. Senate approval is now necessary).