

and there is no doubt that the way things have worked out the United Kingdom practically alone among the Allied Nations has been left with a huge external war debt.

In the course of the struggle to save herself and the world, the United Kingdom ruthlessly sacrificed her trade and made a maximum war effort. Now she is striving to reconvert her industries and build up an export trade, much greater than before the war, sufficient to pay for necessary imports of food and raw materials. To repay the external war debts means building up exports to a level in excess of the value of necessary imports.

It is a condition of the United States loan that the United Kingdom should negotiate with the holders of sterling balances accumulated during the war with a view to the balances being divided into the following three categories:—

- (1) Balances to be released at once and convertible into any currency for current transactions;
- (2) Balances to be similarly released by instalments over a period of years beginning in 1951; and
- (3) Balances to be adjusted as a contribution to the settlement of war and post-war indebtedness and in recognition of the benefits which the countries concerned might be expected to gain from such a settlement.

The sterling balances belonging to New Zealand increased because imports of necessary commodities could not be obtained with the result that we now have a substantial accumulation of deferred maintenance and replacements in transport systems, factories, and homes to make good as soon as the necessary imports can be obtained. Throughout the war period the prices received for our main exports were governed by bulk contracts with the United Kingdom and there was no question of profiteering at United Kingdom's expense.

As the United Kingdom is the only market for most of our exports our prosperity is bound up with that of the United Kingdom and we have a direct interest in her economic recovery. As to how we could best assist in that recovery is a matter that requires careful consideration. One way would be for this country in future to take a greater share in its own and Commonwealth defence. Prior to the war the cost was borne mostly by the United Kingdom.

Demobilization and rehabilitation

Generous treatment of New Zealand servicemen and women in the period of demobilization and rehabilitation into civilian employment is in the forefront of Government's plans for the transition period from war to peace. In this respect our record compares more than favourably with that of any other country. Provision has been made for the payment of gratuities by the setting aside of £18,000,000 for this purpose from the War Expenses Account in the last financial year.