2. The Exchange Problem. In the foregoing review of the trade agreements a number of cases have been shown where either the low prices or the depreciated exchanges have nullified or varied the effects of the agreements. The problem of fluctuating exchanges is, in fact, one of the most important of the matters still requiring to be settled before the agreements can function properly in the manner in which they were designed. It has been frequently brought up in the Canadian House of Commons, and also in the British House of Commons. The importance of this problem was realized by the Conference, and a committee was appointed for the purpose of "Consideration of existing inter-relationships of the various currencies and monetary standards of the Empire, and of the desirability and feasibility of taking steps to restore and stabilize the general price level and to stabilize exchange".

However, owing partly to the divergence in the views of several of the delegations, and partly to the fact that the monetary authorities in England felt that the formation of an Empire currency and credit system might prejudice the success of international monetary co-operation at the World Economic Conference, the committee recommended the taking of no definite steps on these matters. They contented themselves with putting on record their opinion that a rise in the world level of prices and a stability of exchange rates were most desirable, and recommending certain broad principles that should be observed in attaining these objectives.

B. EFFECT ON THE TRADE OF THE REST OF THE EMPIRE

1. Great Britain. The most important items in the Canadian concessions to Great Britain were the adoption of the system of "compensatory tariffs", and the setting up of the Tariff Board to decide the level of these tariffs. The compensatory system is defined in Article 11 of the Canadian-United Kingdom agreement as follows:-

> "His Majesty's Government in Canada undertakes that during the currency of this agreement the tariff shall be based on the principle that protective duties shall not exceed such a level as will give United Kingdom producers full opportunity of reasonable competition on the basis of the relative cost of economical and efficient production, provided that in the application of such principle special consideration shall be given to the case of industries not fully established."

Article 10 is also of interest and has a bearing on a similar matter, It read as follows:-

> "His Majesty's Government in Canada undertake that protection by tariffs shall be afforded against United Kingdom products only to those industries which are reasonably assured of sound opportunities for success."

Article 12 states that the Tariff Board is to be constituted forthwith (this has now been done); Article 13 gives the British Government the right to request that the Tariff Board shall review any specific duties in the light of the principles laid down in Article 11; Article 14 states that the Canadian Government shall not increase any existing duty on Canadian goods except after an enquiry into the matter by the Tariff Board, and in accordance with the facts found; and Article 15 states that British producers shall be entitled to full rights of audience before the Tariff Board when it is considering matters arising out of Article 13 and 14.