the countries of Europe repay their debts when at the same time their debtors refuse to take their goods in payment.

Honourable senators are aware that the amounts of money advanced by the United States during the recent world war exceeded by far its contributions during the First World War. The thought of requiring the countries who received the benefits to repay in the manner attempted following the first war, and which had such a vital effect on our economy, has practically been given up.

In an attempt to approach the present problem on a sound basis there are three deterring factors affecting the flow of international trade that must be recognized. I do not know that I put them in their correct order, but the first, I would say, is exchange instability; the second is tariffs generally; and I would place third the hidden tariffs which cause the regular tariffs to lose their significance. In this latter category there are, for instance, the valuation of currency for exchange purposes, quotas and new methods of carrying on trade, such as are now engaged in by the European countries and which may continue. In this connection I should mention state purchasing and bulk buying.

It is quite obvious to honourable senators that what tariffs there are in France or Great Britain against our goods have very little significance, if at the same time the method of trading is for the governments of those countries to purchase the total requirements of the country and, for one reason or another, to say that they have no intention of purchasing our goods.

Hon. Mr. HAIG: That is what the governments are saying now.

Hon. Mr. ROBERTSON: I give that as an instance of the present problem. It is therefore important and desirable that lower tariffs —if they are to be effective in attaining the objective which everyone seems to have in mind—be considered in all their implications in relation to other things.

The first consideration was the establishment of a relative stability of exchange. The representatives of forty-four nations met at Bretton Woods in the summer of 1944 to agree on a code of conduct regarding monetary practices, and to set up agencies which would assist in restoring stability of exchange and international investments. The Bretton Woods agreements were signed in June, 1944, and Canada ratified them in December, 1945.

The International Monetary Fund is a pool of gold and national currencies, to which each member subscribes a quota. A nation faced with temporary balance-of-payment difficulties may draw on this fund for aid in tiding over these temporary difficulties. The fund is not designed, however, to deal with the vast dislocations of the transitional period; its aims are long-run aims. Our chief obligation under the fund is not to vary our exchange rates, except to correct a "fundamental disequilibrium". If we change the exchange rate by less than 10 per cent we must consult the fund; to change it by more than 10 per cent we must get the permission of the fund. We must also avoid a variety of restrictive currency devices as early as our post-war problems will permit.

This brings us, honourable senators, to a question that today is very much to the fore; and like many other problems, it has two sides. During the period between the two world wars, with the accompanying difficulties of the depression days, the depreciation of currency became a common practice. The purpose of it was quite obvious. Countries which had goods that were priced high in relation to potential markets could not sell them and were forced, or they believed they were forced, to devalue their currency. That procedure made it easy for them to sell their goods in the market they wished to obtain. We are discussing a parallel condition today; we are considering a depreciation of our currency to make it easier for us to sell our goods in, let us say, the American market. This manoeuvre would simplify the matter of export, because the American dollar would then go much further in the purchase of our goods. Therefore it would seem to solve our difficulties; but the whole record of commercial transactions goes to show that the solution is not so simple. True, it would be simple if international trade were not a game at which two can play. May I illustrate it this way? If Canada were to depreciate her currency, her ability to sell in the United States market would be increased should the other countries with whom we are in competition for that market stand blissfully by; but when we followed that procedure in 1921, other countries became serious contenders with us in the American market, and public opinion in the United States forced the government of that country to take retaliatory measures. The result was that we reverted to our former position; it was almost as if the reverse position had been adopted. For instance, if because of the depreciation of currency in other countries, we allowed them to compete with our own producers, one can rest assured that it would not be long before public opin-