imports at the prices prevailing, say, in the first half of 1946. The prices of commodities imported from the United States may have been 35-40% higher at the end of 1947 than they were in the first half of 1946. Of the $600 million increase in our imports from the United States in 1947, as compared with the preceding year, it seems likely that at least one-third, and perhaps as much as one-half, was accounted for by higher prices.

In as much as the rise in price of our imports from the U.S. was accompanied by a rise in price of our exports to the U.S., it might seem on first glance that it is improper to attribute any of our loss of dollar reserves to this development. This is, however, not so. The value of our imports from the U.S. is very much greater than is the value of our exports to the U.S., and even if the prices of both imports and exports rose by the same percentage, the gap between the value of imports and the value of exports (which must be met out of our U.S. dollar resources) would rise by the same percentage. To illustrate this, imports from and exports to the U.S. in 1946 were about $1,400 million and $950 million respectively, and the gap was therefore $450 million. If both volumes remained the same but prices on each side rose by say 20% the $1,400 million and $950 million would become $1,680 million and $1,140 million, and the gap would then be $540 million instead of $450 million.

If import prices rose more than export prices, this deterioration in our "terms of trade" would account for additional exchange loss. The statistical evidence is, however, not decisive as to whether there was such a deterioration.

What now about the present position of Canada? I have tried so far to indicate to you some of the main general factors in our international financial and economic position, to tell you something of the wartime background in this field, to sketch roughly what our postwar policies have been and to indicate how we got where we are today so far as exchange difficulties are concerned. You will have noted, and it is worth stressing, that these exchange difficulties are in part a reflection of the high level of prosperity which has prevailed in Canada since the end of the war and in part a reflection of the difficult international financial position of the U.K. and other countries of Western Europe with whom we trade on an extensive scale. We would certainly not wish to improve our international financial position through the elimination of prosperity and it is apparent that our main hope lies in the direction of a restoration of the economic position of our customers, so that they will again be self-supporting and be able to trade with us on a cash basis.

As you know, an important additional effort to float Western Europe, from an economic point of view, is at present being considered by the U.S. Congress which has before it proposals of the American Administration which would involve additional U.S. Treasury financing in the amount of $6,800 million to cover requirements of the period from April 1, 1948 to June 30, 1949. An aspect of this programme which is of particular interest to us is the provision for off-shore purchases, that is, for the use of a large proportion of these funds to finance purchases in the Western hemisphere countries other than the U.S. On the basis of the U.S. Administration proposal, $2,600 million of the amount I have mentioned would be spent outside the U.S. As Canada accounts for about one-third of the total current account surplus of the Western hemisphere countries other than the U.S. with the sixteen Marshall Plan countries, it might be expected that something in the neighbourhood of one-third of this amount would be spent in Canada. Such expenditures would enable us to maintain approximately the same flow of exports to the Marshall Plan countries as they have had from Canada in the past, the difference being that in the past they have been mainly financed out of credits extended by Canada, whereas under the off-shore procurement