is of special significance to Canada, for as you are well aware, our trade is not neatly balanced with each of our trade partners. In fact we import much more from the United States than we export there, while we export much more to the United Kingdom and Europe than we import from there.

The obligations I have mentioned regarding exchange stability are important, and to assist member countries in carrying them out, the Fund undertakes to make financial resources available to members to meet deficits in their current international transactions.

Each country on joining the Fund subscribes an agreed assigned quota-the United States subscription is $2,750 million, the British $1,300 million, Canada's (which is the sixth largest) is $300 million. Of these subscriptions, twenty-five per cent is paid in gold, provided however that no country need pay more in gold than ten per cent of its total gold and United States dollar reserves. The rest of each country's quota is paid in its own currency. These subscriptions provide a pool of foreign exchange. A member is entitled to buy foreign exchange from the Fund, to meet current payments abroad, roughly up to an amount equal to its quota plus its gold subscription, at the rate of twenty-five per cent of its quota per year. The Fund therefore constitutes supplementary exchange reserves, which members can draw on in case of need.

The Fund opened its doors for exchange business on March 1st. Before doing so it reached agreement with practically all its members on their initial par values, and these par values were announced by the Fund a couple of months ago. In the case of Canada the initial par value is parity with the American dollar. The other par values agreed upon were those already in effect.

It will be clear from what I have said that the Fund is primarily intended to operate in, and deal with the problems of, what, for want of a better word, we may call normal times. It will be of help but it is not intended to provide the large sums of foreign exchange needed by countries which were devastated by the war or whose trade was so depressed or distorted by the war that they need large sums to bridge and gap until they are back on their economic feet.

It was still necessary therefore to make special provision for the abnormal reconstruction requirements of the transition period. This need has been met in part during the past year by direct Government to Government loans made by such countries as the United States, Britain, Canada and Sweden, but such loans have now largely ceased. When the Fund was established, it was intended to provide for meeting most of these abnormal reconstruction requirements by creating as a sister institution to the Fund, the International Bank for Reconstruction and Development.

The International Bank is easier to understand than the Fund. It is essentially an organization to make loans to member countries to provide them with foreign exchange for their reconstruction programs or for projects of economic development. It can also help member countries to borrow for these purposes from private lenders by guaranteeing the loan.

The Bank will get its money to make loans from two sources. The first and smaller source will be the capital subscribed and paid in by all the member countries. The second and main source of money to the Bank will be funds borrowed by the Bank itself directly from private investors by the sale of the Bank's bonds or debentures.

To give the Bank the necessary credit standing to enable it to borrow in this way, each member government agrees to pay up, if and as required, four times the amount of capital initially paid up, if that should be needed to enable the Bank to meet its own obligations in case there should be defaults on the loans it makes.