

United States prospers, Canada prospers also.

The Canadian economy has been advancing at a good pace this year. But the unsettled international situation has given rise to a sense of uncertainty in the business community. This has now been dispelled. We may therefore expect that the Canadian economy will move forward with even greater vigour.

In the field of our international relations we also have reason to be satisfied. There have been anxieties and doubts about the direction of the United States trade and financial policies and, in particular, about the intention of the United States toward Canada. The agreement reached this weekend should help to remove these tensions. Our other partners in the Group of Ten have demonstrated a full understanding of Canada's position.

I now turn to some more particular questions relating to the consequences for Canada of this agreement.

First, the exchange rate. It will be determined by the fundamental forces in the exchange market. Our interventions will be limited to the maintenance of orderly market conditions. I might point out, Mr. Speaker, that there has been a large turnover in the foreign exchange market today, and the Canadian dollar is trading at precisely what it closed at on Friday last.

CANADIAN DOLLAR LITTLE AFFECTED

I do not expect that the terms of the agreement will have a marked effect on the exchange value of the Canadian dollar. I would stress that the change in the gold price in itself will have no direct effect on the relative value of the American and Canadian dollars.

There are some reasons to expect a stronger growth in our exports. These include the removal of the surcharge and the discriminatory features of the investment tax credit. The appreciation of other currencies will improve our competitive position. But we can also expect a more rapid growth in our imports as a result of the restoration of confidence and a more rapid expansion of Canadian production and investment. The growth of the Canadian economy this year has already been reflected in a more rapid growth of our imports than of our exports and a consequent decline in the trade surplus.

Our policy has been to seek to reduce our imports of capital. I have been asking Canadian borrowers to look to Canadian markets for their needs. I repeat that request today. I continue to believe that it is both practical and appropriate for us to supply more of our financial needs from our own savings.

Second, I would refer to the bilateral discussions of trade questions between Canada and the United States. The monetary agreement demonstrates that these have not been directly related to the United States import surcharge or the realignment of currencies. There are indeed matters of concern to both sides in the trade field. Progress is being made in

discussions of these matters and it is the intention of the Government to proceed expeditiously toward a settlement. Canada and the United States are the world's largest trading partners. We hope to get rid of any abrasive elements in our commercial relations. When the time is ripe, my colleague, the Minister of Industry, Trade and Commerce will report to the House on the outcome of these discussions.

Third, the suppression of the United States import surcharge will enable us to wind up the operations of the Employment Support Act.

These negotiations have not been easy. Because of the inherent complexity of the subjects, there have been many meetings — bilateral and multilateral. Officials have met. There have been four meetings of the Group of Ten ministers and governors. I chaired the first two and through the rotation system the last two benefited from the energetic and determined chairmanship of Secretary Connally. Heads of government have met. There is no doubt that the meeting two weeks ago between our Prime Minister and President Nixon contributed to the satisfactory outcome from the point of view of Canada.

Our efforts have now been rewarded with a large measure of success.

The agreement has been welcomed with enthusiasm throughout the world which I am sure is shared by all Canadians.

PULP-AND-PAPER POLLUTION PROBE

The Department of the Environment has established a \$200,000-fund to support research into the reduction of air pollution in the pulp-and-paper industry.

In announcing the program, the Minister of Environment, Mr. Jack Davis, said that the fund would be administered by the Canadian Forestry Service under the guidance of a government-industry co-ordinating committee set up last year to develop a \$5.5 million five-year program for research on the abatement of water pollution from pulp-and-paper. He said that the extension of the program to air pollution had been advocated in a brief submitted to Ottawa by the Canadian Pulp and Paper Association.

The co-ordinating committee will assess proposals received from any research organization in Canada and award contracts to those which show the greatest promise.

Mr. Davis said that it was the aim of the new program on air pollution to attack problems for which a short-term solution appeared likely. Proposals may be submitted immediately and, if accepted for support, funding could start in the fiscal year beginning April 1.

The Minister said that the water program had already resulted in significant breakthroughs and he hoped that similar results would flow from the new program.