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INTERNATIONAL MONETARY SETTLEMENT

On his return from meetings with the Group of Ten in Washington, Mr. E.J. Benson, Minister of Finance, announced to the House of Commons on December 20 that a settlement of the international monetary crisis had been reached, which included the lifting of the U.S. 10 percent import surcharge.

Mr. Benson summarized the primary features of the agreement as follows:

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(1) The United States agreed to propose to Congress a devaluation of the dollar in terms of gold from \$35 to \$38 an ounce. This is an effective change of 8.57 per cent.

(2) For the time being, Canada will maintain a floating exchange rate and will permit fundamental market forces to establish the exchange rate without intervention except as required to maintain orderly conditions.

(3) Other countries in the Group of Ten agreed on new exchange rates for their currencies, and these are being announced by the governments concerned.

(4) Countries other than those in the Group of Ten are reaching decisions with respect to their own exchange rates in consultation with the IMF.

(5) It was agreed that there should be 2¼ percent margins of fluctuations above and below the new fixed exchange rates.

(6) The United States agreed to suppress immediately the 10 percent import surcharge and the related provisions of the investment tax credit. I am informed that the White House has announced the suppression of the import surcharge with effect from midnight, Sunday, December 19. Under the provisions of the Revenue Act of 1971, termination of the proclamation which established the surcharge automatically extends the investment credit to imported capital equipment which is ordered after the date of termination of the surcharge.

(7) The United States administration will be seeking Congressional action on the gold price as soon as the results of the negotiations now under way on short-term trade issues are available for Congressional scrutiny.

(8) Discussions will be undertaken promptly in the IMF on the reform of the international monetary system.

CONSEQUENCES FOR CANADA

I should like to comment on the significance of this agreement for Canada. On the most general level it restores an orderly exchange situation on the basis of which world trade and financing can proceed with confidence. This will be of benefit to all countries, not least Canada, having in mind the vital importance of international trade to the Canadian economy.

The basis has been laid for the United States to restore its balance of payments to a sound and durable position. A serious obstacle to the expansion of the U.S. economy has been removed. When the

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