

HOUSE OF COMMONS

Monday, October 15, 1973

The House met at 2 p.m.

[English]

HOUSE OF COMMONS

WELCOME TO MEMBER FOR OXFORD ON RETURN

Mr. Speaker: Order, please. Before going ahead with routine proceedings as we resume this session, may I take one moment to say how pleased all hon. members are to see that the health of the hon. member for Oxford (Mr. Nesbitt) has permitted him to return to the House.

Some hon. Members: Hear, hear!

ROUTINE PROCEEDINGS

FINANCE

STATEMENT ON MEETINGS OF COMMONWEALTH MINISTERS AND INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND INTERNATIONAL MONETARY FUND

Hon. John N. Turner (Minister of Finance): Mr. Speaker, I wish to make a short statement to inform members of developments at the meeting of the Commonwealth Finance Ministers in Dar-es-Salaam, Tanzania, on September 19 and 20, and at the annual meetings of the International Bank for Reconstruction and Development and the International Monetary Fund in Nairobi, Kenya, September 24 to 28.

At both meetings I strongly urged the need for greater policy co-ordination between countries in controlling the spread of inflation internationally. I emphasized the importance of the international fall-out of domestic inflation, for example, when sudden commodity purchases by one country send waves of inflation into a number of countries or when high interest rates generated by one country create troublesome international capital flows and also produce inappropriate interest rates in other countries. I made it clear that we need to strengthen the fund so that it can provide leadership in creating badly needed co-ordination of policies among countries. We intend to pursue this matter further in the continuing discussions on monetary reform.

[Translation]

I was encouraged that the new Managing Director of the International Monetary Fund, Mr. Witteveen, as well as a number of other representatives at both Conferences, dealt with the problem of international inflation at considerable length. Commonwealth ministers noted, in particular, the problems arising from high food prices and called

for urgent international study of inflation with a view to action to overcoming it and its adverse effects, especially for developing countries.

The meetings in Dar-es-Salaam provided a useful opportunity for an exchange of views between ministers from Commonwealth countries on the major issues involved in monetary reform and on the current world economic situation as it relates to both developed and developing countries. Ministers welcomed the agreement which had been reached in Tokyo the previous week to launch comprehensive trade negotiations, stressed the importance of a satisfactory outcome to these negotiations and urged that they lead to an improvement in the trading position of the developing countries.

Ministers devoted a large part of their time to questions related to improving the relative positions of the less developed countries of the Commonwealth. Discussion included items referred to them by the Ottawa Commonwealth Heads of Government Meeting of last August.

Among the more important of these items was the Commonwealth Fund for Technical Co-Operation. I am pleased to report that as Canada's representative I expressed our support for strong, continuing Commonwealth arrangements and reaffirmed the pledge, given by the right hon. Prime Minister (Mr. Trudeau) at the Heads of Government Meeting, of a significant increase in our contributions to this Fund.

[English]

There was much discussion among Commonwealth countries concerning the possibility of a link between the creation of special drawing rights and development assistance as an integral part of the reformed monetary system. We have examined the link proposal with great care, and this we have done not just because of our interest in monetary reform but also because of our firm conviction that development finance must increase and must be soundly based. We are concerned that such a link might hinder the acceptance of the SDR as the principal asset of the reformed system. We are also apprehensive that such a link might inhibit the establishing and maintaining of control over international liquidity which is essential to reform. Moreover, we are not convinced that such a link would increase the flow of development assistance.

As I have already said, this government regards such an increase as being very important. I urged in both Dar-es-Salaam and Nairobi that further work be undertaken to see if these difficulties might be surmounted. The Commonwealth finance ministers, I am happy to report, agreed that the next step should be to examine specific link mechanisms which would be consistent with a soundly based international monetary system. Furthermore, the Ministers of the Committee of Twenty have instructed their deputies to establish a special technical group to examine in a comprehensive and detailed manner the