

Report on World Finance Meetings

Right Hon. L. B. Pearson (Prime Minister): It is in the priority list, Mr. Speaker. The fact that I did not refer to it today should not be taken to indicate that we have reduced it in priority in any way.

[Translation]

Mr. Grégoire: Mr. Speaker, I have a supplementary question for the Prime Minister.

Does the resolution concerning the establishment of a department of agriculture for eastern Canada also appear on the priority list?

[Text]

Mr. Pearson: Yes, Mr. Speaker, we hope to deal with that in the autumn session.

FINANCE

REPORT ON MEETINGS OF WORLD BANK AND INTERNATIONAL MONETARY FUND

Hon. Walter L. Gordon (Minister of Finance): Mr. Speaker, I would like to make a statement regarding the annual meetings of the World Bank and international monetary fund which I attended last week in Tokyo. This is the statement which I promised on August 10 in connection with the release, internationally, of two important studies of world liquidity; the annual report of the monetary fund and the special report of the so-called group of ten.

At the meetings of the monetary fund in Tokyo, discussion centred on the question of world liquidity; that is to say, whether the supplies of gold and foreign exchange available in the form of reserves to governments and central banks are and will continue to be adequate, and whether short and medium term credit arrangements are also satisfactory. In brief, are the basic financial facilities adequate and appropriate to support continuing growth in world trade, investment and employment?

As the representative of Canada I voted in favour of a resolution calling for an enlargement of the international monetary fund. This enlargement would chiefly consist of an equal proportionate increase in the quotas of all member countries. It would also include additional increases in the quotas of a few individual countries which could claim them on the basis of above average increases in their own trade and economic activity.

Canada's quota would, of course, be increased on the first count and in all probability on the second as well. I should remind the house that, in the fund, a country's

[Mr. Knowles.]

quota plays a triple role; it is a measure of its access to credit from the fund in time of need; it is a measure of its financial contribution to the fund, and it is a measure of its voting strength in the organization.

It seems likely that the general increase in quotas will be 25 per cent. While this would be acceptable to us we would, as I said in the meeting, have preferred a higher figure. I pointed out in Tokyo that the growth of the fund since its inception has not kept pace with the growth of world trade and payments. The proposed increase would do no more than reduce the gap. Our present quota is \$550 million in terms of U.S. dollars. An enlargement of 25 per cent would involve us in a contribution of \$137.5 million. Of this, one quarter or \$34.4 million would be payable in gold out of our existing gold reserves. These have been rising recently and amounted to \$948.8 million at the end of July. The remaining three quarters, amounting to \$103.1 million, would be paid in non-interest bearing demand notes of the government of Canada.

I should draw the attention of hon. members to two points. First, our enlarged contribution to the fund will not involve us in any budgetary charge. Second, the approval of parliament will be sought by means of an amendment of the Bretton Woods Agreements Act. The necessary legislation will probably be introduced early next year. We shall, however, await detailed proposals from the executive directors of the fund in Washington, who have been instructed to make a report on the size, timing and method of payment of the quota increases.

This discussion in Tokyo on the subject of world liquidity was both vigorous and illuminating. Depending on their national backgrounds and recent experiences, governments tend to take differing views of the outlook for world liquidity arrangements. However, there seemed to be general agreement on the enlargement of the monetary fund along the lines indicated, also that further studies which are already in hand should be proceeded with. Of particular interest is a study, under the auspices of the group of ten, of the various processes through which international reserve assets, other than gold, are or could be created. These reserve assets can take the form of reserve currencies such as U.S. dollars and sterling, or claims on the monetary fund, or, as some are urging, forms that are entirely new. Canada will continue to be an active participant in this study.