

Inquiries of the Ministry

I may say, so far as consultations under article 8 are concerned, other countries have been parties to such consultations in the same way in which Canada was a party to the recent consultation. There was a team of experts from the fund here last autumn, and discussions at that time were fruitful. Of course I do not need to say they were very friendly indeed.

There is no difference in kind so far as Canada's relationship to the articles of the fund is concerned between what existed prior to June 20, 1961 and what has existed since. I mentioned the other day that an attempt had been made something over a decade ago, indeed two attempts, to hold the Canadian dollar in terms of a fixed relationship to the United States dollar, and that the government of the day had abandoned both those attempts because of pressures that did exist. The Canadian dollar then went to a premium in terms of the United States dollar, and that continued until last June. Since that time the Canadian dollar has been quoted at a discount in terms of the United States dollar. However, throughout this period the Canadian dollar has not been maintained at a firm, fixed relationship with the United States dollar.

Now, naturally, having regard to the terms of its articles, the fund holds out the relationship of currencies to the United States dollar as the ultimate goal. There is no question about that. But Canada has not been required to establish such a fixed relationship at this meeting, and no date has been set for further consultations on the subject. The fund recognized that Canada has been one of the fund's best supporters and that Canada has followed international policies that are in accord with the fundamental aims of the fund. It is recognized that the exchange fund of Canada has been operated, as I reported to the house on February 9, page 711 of *Hansard*, with a view to responding to and moderating market pressures. It has not driven the exchange rate in one direction or another. It has not operated aggressively. It has not been manipulated. It has not been operated in a manner to hurt the interests of other nations.

After eight months of operation under the budget policy announced on June 20, 1961, our holdings of foreign exchange in the fund are virtually unchanged. We have carried out a most successful operation with, I am sure, great benefit to the Canadian economy and without hurting the interests of other countries. The fund is aware of the balance of payments problem which the budget policy of June 20 was announced to meet. The fund is aware that Canada has enjoyed a remarkable economic recovery since that time; that its growth has kept pace with that of the

[Mr. Fleming (Eglinton).]

United States, and at a time when the economies of other countries have been moving sidewise rather than upward. The fund is also aware, Mr. Speaker, that the balance of payments problem to which I have referred is not new.

I simply add, Mr. Speaker, that it is one that we inherited in its fundamentals from our predecessors in office.

Mr. Pearson: I wish to put a supplementary question on the minister's somewhat long and involved reply to my first question. Is it not a fact that at this meeting the members of the fund indicated they were not satisfied with the exchange policy of the Canadian government, and that they have announced there are to be periodic consultations with the Canadian government on this matter?

Mr. Fleming (Eglinton): I just said that no date had been set for further consultations. I have also said the fund has its ultimate goal, but the Canadian representatives, acting on behalf of the Canadian government, have not entered into any new undertaking or commitment. I have also stated the view of the government in that respect. However, we do not take a dogmatic view of the matter, as to what may be the ultimate optimum in that respect. We say nobody can establish what may be the ultimate optimum relationship at the present time, and I think all Canadians will realize that the beneficial policies that have been followed in that regard should be allowed to operate, and so long as they are—

Mr. Speaker: Order. I think the minister has been given ample opportunity to explain. He is now entering into the realm of opinion as to effects, and therefore debate, and should he continue it will be necessary to allow a reply. We would then enter into a debate which would be improper at this stage. Has the Leader of the Opposition something to say?

Mr. Pearson: I would like to repeat my question. Is it a fact that announcements have been made in Washington that there are to be periodic consultations with the Canadian government on this matter?

Mr. Fleming (Eglinton): I am not aware of any such announcements; and so far as the newspaper reports are concerned, I have seen three of them and they are quite at variance with each other, so I hope I will not be held responsible for those reports, or for at least one headline I have seen since in regard to it. By way of answering that particular headline I say that the Canadian government has entered into no new undertaking.