case the depreciation of those currencies against the American dollar was greater than the depreciation of the Canadian dollar. In every case, each of those currencies was weaker against the American dollar than was the Canadian dollar. If countries like Germany and Japan, so often described as the real success stories, cannot insulate their currencies and their economies from the impact of high real interest rates in the United States, how much more naive to think that Canada, with its greater degree of trade and financial relations with the United States, can insulate itself from the high interest rates in the United States which contribute to and provide strength to the American currency.

The fact of the matter is that as a country we have had to walk a narrow path between moderating volatile interest rate movements and maintaining a degree of stability in the foreign exchange rate. Those who assume, totally erroneously, that the government has abandoned the dollar and is engaging in the *de facto* devaluation fail to recognize the incredible magnitude of the depreciation in recent weeks of all OECD currencies against the American dollar.

What does become painfully obvious, however, is that such a marked depreciation in the value of the Canadian dollar, a strategy proposed by some people in the country, does not bring interest rates down but, rather, adds more pressure to already onerously high interest rates in this country.

Observe what is happening. It gives the lie to those who say there is an easy way out by letting the currency go. Like many other countries, Canada has had to intervene in the market to maintain orderly conditions. The other evening I listened to the radio telling us that the central bank of the Federal Republic of Germany and the Bank of Switzerland were active in the exchange rate market for the same reason Canada was at the same time.

I do not believe there are underlying weaknesses in the Canadian dollar. I do not believe that at all, and I ask hon. members to take a look at the recently released balance of payments figures for the first quarter of this year. Canada's current account, seasonally adjusted, swung into surplus at an annualized rate of $1.2 billion. The performance of the current account in the first quarter, if annualized, gives us a surplus. That is a rather significant performance, and it reflects a healthier merchandise trade balance, which virtually doubled to a $3.6 billion surplus over the first quarter of last year. Part of it is due to declining imports, but not all of it. There has been movement in exports as well.

We hear about capital outflows. Today the Leader of the Opposition attempted to spook everyone about a flood of capital leaving Canada. I ask him to take a quick glance at the balance sheet; it reveals some encouraging signs. It shows a strengthening of the long-term capital account, from the net outflow of half a billion dollars in the first quarter of 1981 to a net inflow of $4 billion in the first quarter of 1982.

If there is pressure on the Canadian currency—and there is—it comes from transactions in short-term financial instruments, often the form for highly speculative and interest-rate-sensitive transactions. That is where the principal pressure on the Canadian currency is coming from at the present time. I say to the Leader of the Opposition that he should not continue with this blind opposition to the facts. The Canadian currency, compared with all other currencies, is weakening less—or is stronger—than all the other currencies I have mentioned. That was pointed out today in a very interesting commentary by an economist on the CBC.

Mr. Wilson: That is authoritative?

Mr. MacEachen: I do not ask members of the opposition to pay much attention to that; I sometimes do not myself, but I find it very odd that the same motion which calls for a strengthening of the Canadian dollar also calls for lower interest rates. How can that be done? How can it be done immediately? Hon. members opposite want immediate action. Can anyone in the Conservative Party get up today and tell me how we simultaneously can have lower interest rates in Canada and a strengthening of the Canadian dollar? I am afraid, given the harsh realities which all industrialized countries face, this is hardly a workable alternative strategy. However, I am preparing an economic statement, and I would be prepared to hear how we can have lower interest rates and a strengthened dollar at the same time.

Mr. Mazankowski: Ask Herb Gray.

Mr. MacEachen: The last time these questions were linked together was at the first ministers' conference when the Premiers said we should lower interest rates by reducing the value of the dollar. Some of them said they could live with a 75-cent dollar. We argued against that at the time. I must say the hon. member for Etobicoke Centre (Mr. Wilson) was on the right side at the time because he said what had been proposed by the Premiers at the first ministers' conference was a policy of desperation. I ask the hon. member for Etobicoke Centre to take us into his confidence.

Mr. Wilson: I am.

Mr. MacEachen: What are his solutions to the recent decline in the exchange rate? I know that in a television interview he trotted out a few tired old hobby horses which might not make it to the home stretch, if they were permitted to get to the starting gate. His solutions are so long term, so vague and so general that they cannot be implemented in any concrete or specific way. As I read his proposals, if we were to try to adopt them, we would be jeopardizing energy self-sufficiency and jeopardizing greater Canadian control over Canadian resources. The Leader of the Opposition has to get his lines in order. Does he believe in greater control by Canadians over our resources? That is what the Canadianization program is all about. We believe in that, but the Leader of the Opposition is asking us to withdraw the Canadianization program. Is he ready to make that proposal in a concrete way? I believe that is the dilemma the Conservative Party faces at the present time.

I turn now to interest rates. How can we lower interest rates immediately, except by some general proposal that can never be implemented? Interest rates in Canada are high for two