

governor of the bank. When some change is made, we will make an announcement publicly after the market is closed. No such decision is being made at this time.

Mr. Stevens: Mr. Speaker, my next question does not deal with any speculation. Is the Minister of Finance aware that the 1.5 billion Deutschmark loan which he arranged last May would cost \$136 million Canadian more to repay if it were to be repaid today? Is he making any allowance for this type of eventuality, bearing in mind that we borrowed less than \$800 million from the Germans and we would now have to repay them \$936 million to make complete repayment, plus interest, on their loan?

Mr. Chrétien: Mr. Speaker, when we borrowed from Germany we knew we had to make some provision for the level of exchange fluctuation. Of course, the money we borrowed there was at a much lower interest rate than other money available in the market. I am not about to speculate on the level of the Canadian dollar at the time we have to repay the loan.

Mr. Stevens: Mr. Speaker, as the minister probably knows, if the loan were repaid today, capital appreciation alone would be 18 per cent in five months. The government tends to support the wobbly, cheap dollar; it tells us that it has a tremendous effect on our exports. Is the minister aware, in terms of the Japanese yen, which is now almost 90 per cent more in value than that of the Canadian dollar only two years ago, that this means the Japanese can now buy our raw resources at approximately half the price they used to pay? They manufacture them and then export them back to us.

Mr. Speaker: Order.

Some hon. Members: Order.

Mr. Stevens: Is he aware of this? Is he aware of the fact that Mitsubishi Petrochemical Limited, the thirty-seventh largest company in Canada, employs only 98 Canadians today?

Mr. Speaker: Order. The hon. member for St. John's West.

FORECAST OF 1978 TRADE BALANCE

Mr. John C. Crosbie (St. John's West): Mr. Speaker, on September 28 the Minister of Finance predicted that Canada's trade surplus this year would be \$4 billion, and on September 29, when he revealed that our surplus for August was only \$186 million, the Canadian dollar declined sharply because the experts felt deceived by the minister's statement. The Minister of Industry, Trade and Commerce predicted a trade surplus of \$5 billion this year. Of course, no one pays much attention to his predictions.

My question to the minister is, could he now give the government's considered, best estimate of the likely merchandise trade balance for 1978, keeping in mind that for the first eight months of this year the surplus was \$2,084 million which, continued for the rest of the year, would only give us a surplus of \$3.1 billion? Can the minister give us the official

estimate of the merchandise trade surplus, so that the Canadian dollar will not suffer any longer because of ministerial lack of credibility?

Hon. Jean Chrétien (Minister of Finance): Mr. Speaker, I have said that at the time of my budget I will review the forecast which we made some time ago. However, I should like to tell the House of Commons that I am convinced the surplus in trade this year will be at a record level. Last year we had \$2.9 billion. It will be substantially more than that this year: it will be a record year.

Some hon. Members: Hear, hear!

Mr. Crosbie: Does the minister still stick to his prediction of June 1, as taken from *Hansard*, that we had a trade surplus of \$3 billion last year and, if the present trend continues, the surplus could be \$5 billion this year? Is he still sticking to that? Could he explain how, during the last three months of this year—that is, June, July and August—our trade surplus totalled only \$101 million, whereas for the same period last year it totalled \$542 million?

● (1417)

In view of these alarming results, how can he justify an estimate of up to \$5 billion for the merchandise trade surplus this year, particularly in view of the result of the last three months?

Mr. Chrétien: I did not say it would be \$5 billion, Mr. Speaker. I said that if the trend remained the same—and, obviously, during the last three months it was not the same—for the over-all year we would have a trade surplus higher than last year and it would be at a record level. I hope the hon. member will recognize that good performance. In fact, Mr. Speaker, in passing let me say that the Canadian dollar, being somewhat weaker, has been of very much help to the fishermen of Newfoundland.

Mr. Crosbie: Mr. Speaker, in view of the fact that the dollar is now trading at just over 84 cents, which is far below what the Minister of Industry, Trade and Commerce said the dollar should be trading at—he said par should be 90 cents—would the minister tell us what is, in fact, the policy of the government? Is it that the dollar should be 90 cents, should par be 90 cents, should it be 84 cents, or 80 cents? What is the minister's policy?

[*Translation*]

Mr. Chrétien: Mr. Speaker, perhaps for the hundredth time since I am the minister, I must say that the policy of the government is to let the Canadian dollar float. The level of the dollar is determined by the market and the Bank of Canada intervenes only to maintain an orderly market.