

Bretton Woods Agreement

Bonn should stop saying it is the fault of Ottawa and Ottawa should stop saying it is the fault of Bonn, but we should intensify our negotiations and reach an agreement as soon as possible on the question of the pensions and the tax convention. I agree entirely with him, and as I said, last week officials met and I believe we must put the pressure on to reach an agreement as soon as possible.

Mr. Knowles: Thank you.

[English]

Mr. Deputy Speaker: Is it the pleasure of the House to adopt the said motion?

Some hon. Members: Agreed.

Mr. Stevens: On division.

Motion agreed to, bill read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

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[Translation]

BRETTON WOODS AGREEMENTS ACT**MEASURE TO INCREASE AMOUNT OF SPECIAL DRAWING RIGHTS**

Hon. Pierre Bussières (Minister of State, Finance) moved that Bill C-5, to amend the Bretton Woods Agreements Act, be read a second time and referred to the Standing Committee on Finance, Trade and Economic Affairs.

He said: Mr. Speaker, I shall be as brief as I was earlier. The hon. member for St. John's West (Mr. Crosbie) kindly invited me to seize this opportunity to expand on our major international positions, considering the interest he took and still takes, I am sure, in this bill he introduced when he was minister of finance and considering the interest we all have in this House, but I shall restrict myself and be as brief as possible.

The bill before us today, to amend the Bretton Woods Agreements Act, provides for the acceptance of an increase in Canada's quota in the International Monetary Fund from \$1,357 million Special Drawing Rights to \$2,035 million SDRs. In terms of Canadian dollars this means an increase of approximately \$1 billion to \$3 billion.

● (1540)

As hon. members will realize, this will be a part of our foreign exchange transactions and will have only a minimal impact on our Canadian dollar requirements. In fact, the Canadian dollar cash payment associated with this increase will amount to one-quarter of 1 per cent of the total, or about \$2.5 million. Twenty-five per cent of the increase will be paid in Special Drawing Rights held by the exchange fund. The

remainder, about \$748 million, will be paid in non-bearing demand notes.

The drop in the exchange fund's holdings of SDRs will be fully offset by an increase in what is called our "reserve position" in the IMF. This represents the amount that we are entitled to draw on demand from the IMF for balance of payments purposes. This reserve position is part of our official international reserves. As a result, their composition will change—with SDRs falling and our IMF reserve position rising by equal amounts—but their total will not.

The increase in the Canadian subscription is part of the 50 per cent increase in IMF quotas agreed to in December of 1978 by the fund's board of governors. If all members agree to their proposed quotas this will raise total subscriptions from SDR \$39 billion to SDR \$59 billion. This over-all increase is designed to ensure a better balance between the size of the fund's resources and the needs of members for balance of payments financing over the next five years.

The International Monetary Fund is the central institution of the international monetary system and, as such, its continued ability to operate effectively is crucial to the smooth operation of that system. Quotas are an important feature of the IMF as they serve four purposes in its operations. First, the quotas which members subscribe are the major source of the funds which the IMF lends to countries in balance of payments difficulties in order to allow them to correct their imbalances without taking protectionist or other restrictive and disruptive measures.

Second, quotas serve to limit the amounts which members can borrow under the various facilities of the IMF. Third, quotas determine the size of individual allocations of Special Drawing Rights when SDRs are created. Finally, quotas determine the voting strength of members and the composition of the executive board.

Since the absolute size of payments imbalances tends to increase as international trade expands, the amount of funds subscribed to the IMF must be increased periodically to meet the needs for international liquidity. The current increase in fund quotas comes at a time when there exists a possibility of large payments imbalances over the next few years. Resources made available through increases in quotas will place the fund in a good position to meet the needs of members during this period.

The increase in Canada's quota will preserve our share in total IMF quotas. This will allow us to maintain a position in the fund which reflects the relative importance of Canada in the global economy. A higher quota will also increase our eligibility for future allocations of Special Drawing Rights and add to the resources available to Canada in the event of balance of payments need.

Mr. Speaker, in view of the unanimous approval given to the proposed general increase in quotas by the board of governors,