

Government Orders

issues to consider was "the direction and situation of exchange rates over the last 10 years, and efforts, if any, to change it, both in Canada and the United States." That might be seen simply as a small point and simply a review of what past exchange rates had been.

It is interesting that at the same time, virtually, in fact about a month later, James Baker, the United States Treasury Secretary at that point, had this to say. We all know that he is now the Foreign Secretary, but at that point he was the Treasury Secretary. The following appeared in a story by Alan Toulon, who now works for *The Financial Post*: "Yesterday Baker told a Senate committee that entry of Canada and Italy into the G-5 could swing the spotlight on to the economic policies of both countries and require them to meet policy goals set by the G-5."

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Again, it was a relatively innocuous comment, one might think, until further on in the story one gets the following comment: "Re-evaluating the Canadian dollar could also figure in the free trade negotiations slated to begin today," U.S. Senator Daniel Evans said yesterday in a CBC interview."

One might think that this, again, is a relatively insignificant act, but what is fascinating is that these kinds of comments continue throughout 1986. In a story from September 10, 1986 written by Jonathan Ferguson who reported on U.S. Secretary Malcolm Baldrige speaking before a committee of the House of Representatives in Washington. This is precisely the same person who the former minister of industry in this Conservative government said in 1985 had told him that it was essential to get the Canadian dollar higher. A year later, September 10, 1986, after the free trade negotiations had started, he is saying precisely the same thing and I quote from this story by Jonathan Ferguson: "U.S. Commerce Secretary Malcolm Baldrige told a committee of the House of Representatives in Washington yesterday that an increase in the value of the Canadian dollar would help ease the record U.S. trade deficit."

Well, again, one might say this is just an idle comment by somebody who was not deeply involved in these issues.

Then there is a front page story from *The Ottawa Citizen* of November 21, 1986 in which Peter Murphy, who was the chief United States negotiator in these free trade negotiations, speaks out. This story, written by Wendy Warburton, starts as follows: "The U.S. Congress would likely want changes in Canada's exchange rate, the value of the Canadian dollar compared to the U.S. dollar, before it would pass a free trade agreement," American trade negotiator Peter Murphy said Thursday."

He went on to say that this was being looked at by Treasury Secretary James Baker. That is a direct quote. "Secretary Baker is dealing with that, but what you cannot do is separate that in the mind-set of the Congress who will vote for a deal, that is for a free trade deal, or vote against it". Here we have Mr. Murphy talking in these terms.

We followed up on some of these comments by these various people who have been noted here. There are, for instance, Malcolm Baldrige's comments from the testimony which he presented to the House of Representatives which has been quoted here from September. It is quite clear. He is talking about the United States dollar and he said: "The U.S. dollar remains strong against the currencies of countries accounting for over half of our total trade, including our largest trading partner, Canada". He went on to say: "We are seeking discussions with a number of countries on the exchange rate issue. Progress there would be beneficial".

James Baker, in his testimony to the committee on finance in the United States Senate said: "There is not a lot we can do about those countries that tie their currencies to ours", and he goes on to talk about other countries, "but I think the fact there has been a depreciation of the dollar, that is the U.S. dollar, will help our trading relationship with those countries by putting more pressure on their markets and less on ours".

Finally, I would stress that despite the fact that Mr. Reisman, the Canadian negotiator in 1987, said: "We will not discuss the dollar in any way, shape or form", January 17, 1987, he did this in the aftermath of the comments by Mr. Murphy, the U.S. negotiator, in which he made it quite clear that the value of the Canadian dollar was quite important in consideration of the U.S. trade deal.