

Mr. Trudeau: Mr. Speaker, the members of the commission discussed with the provinces, as they did with the federal government, the kinds of sanctions which could be applied. In looking into our arsenal, we have found that there are lots of sanctions available and we agreed to use whatever sanctions would be needed in cases where they had to be called into play. But as far as the provinces are concerned, I have no knowledge of the promises they might have made to the commission. They did agree that they would use the sanctions which were required in particular cases.

Mr. Douglas (Nanaimo-Cowichan-The Islands): A further supplementary question, Mr. Speaker. What sanctions has the federal government committed itself to applying in the event that prices rise by a greater amount than costs during the year?

Mr. Trudeau: Well, Mr. Speaker, we do not say in advance what gun we shall shoot at what target until we know what the target is that must be shot at. The Minister of Finance and I have given various examples in the past as to the kinds of sanctions which could be used: the use of the government's procurement policy; the use of the tariff; the use of governmental discretion in allocating funds to industries which are embarked upon research with federal help, and so on. All these sanctions are available to us. We cannot say, in answer to a theoretical smile, what sanctions will be called into play until we know the problem which has to be solved.

[Translation]

INFLATION—EFFECT OF QUEBEC BORROWING
IN LONDON AND EUROPE

Mr. Bernard Dumont (Frontenac): Mr. Speaker, I have a supplementary question.

As far as the control of inflation is concerned, does the Prime Minister think that loans being negotiated by Quebec in London and on the European markets will result in Canada in huge amounts of money being put in circulation, as if this money were created by the Canadian banks, thus contributing to higher inflationary pressures?

Mr. Speaker: I feel the hon. member is inviting the Prime Minister to express an opinion. The question as asked is out of order.

Mr. Gilbert Rondeau (Shefford): Mr. Speaker, I should like to ask a supplementary question.

Inquiries of the Ministry

Has the Prime Minister offered to the provinces an alternative scheme enabling them to borrow money on the world market, as they are doing now, but at an interest rate lower than the prevailing one which is a serious cause of inflation?

Did the Prime Minister suggest a solution to the provinces about loans?

Right Hon. P. E. Trudeau (Prime Minister): Mr. Speaker, because we are creating budget surpluses and not putting ourselves into the position of having to negotiate loans, we have given provinces and municipalities a solution, leaving them an open field when they want to borrow money.

[English]

CANADIAN SOVEREIGNTY

RIGHT OF RUSSIAN SHIPS TO USE
NORTHWEST PASSAGE

Right Hon. J. G. Diefenbaker (Prince Albert): Mr. Speaker, my question is directed to the Secretary of State for External Affairs and has to do with observations he made yesterday in connection with the *Manhattan* to the effect that it is free to go in and through the northern waters of the Arctic archipelago and that if it needs the assistance of the Canadian government that assistance will be freely given. Can the minister say whether Russian ships, no matter whether they are engaged in business of any kind or trade or are warships or ships undertaking obviously peaceful purposes, will be permitted to go through our northern waters without the permission of the government of Canada?

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, this is the most hypothetical question I have ever been asked in my career.

Mr. Diefenbaker: Mr. Speaker, there is nothing hypothetical about the dangers to this country if northern Canada is opened in the way it is now being opened.

Mr. Speaker: Order, please.

FINANCE

SHARED-COST PROGRAMS—ROLE OF PRESIDENT OF TREASURY BOARD IN ASSISTING PROVINCES

Mr. Gordon Ritchie (Dauphin): Mr. Speaker, may I direct a question to the Minister of Finance. Will the minister explain to the