

self-sufficiency in oil by 1990, or whether it is also to mean self-sufficiency in coal, in which we are presently in imbalance because we import more coal in the east than we export in the west? Is it meant to be self-sufficiency in petro-chemicals, meaning a combination of oil and gas, or are we to balance our exports of gas against our imports of oil?

These are very important questions. This statement is meaningless as stated in the Speech from the Throne, because we are presently more than self-sufficient in energy to the tune of \$2 billion a year.

I have asked three questions and I think the minister has them.

Senator de Cotret: Honourable senators, I certainly have one question: What is meant by the term "self-sufficiency"? I would be pleased to answer that question specifically.

What we mean when we talk about self-sufficiency by 1990 is that Canada would be independent from foreign sources of supply. In other words, not only that we have, in terms of consumption in Canada, an equal amount of production, part of which may be sold abroad to compensate for part of which may be bought abroad, but that we in Canada will not have to rely, by 1990, on foreign sources of energy supply. That is what is meant by the term "self-sufficiency."

Senator van Roggen: Does that include coal as well as oil?

Senator de Cotret: It includes everything. It means that we not be dependent at that point on foreign sources of energy supply; that we can at that point be self-sufficient within Canada on a coast-to-coast basis.

Senator van Roggen: I have a supplementary which was part of my original question. That specifically includes coal?

Senator de Cotret: Yes.

Senator van Roggen: I might remind the minister that we will import a lot of coal into eastern Canada at the moment from the eastern United States, which is cheaper than bringing it all the way from western Canada. It would seem to me that his answer would be that by 1990 we will not be importing coal from the United States but will be bringing it from western Canada. Is that correct?

Senator de Cotret: That is the intention. We would be self-sufficient by 1990, in the sense that we would be able to supply ourselves fully from domestic resources.

Senator van Roggen: Thank you very much.

THE ECONOMY

INCREASE IN BANK RATE

Senator Hays: Honourable senators, I should like to direct a question to the Minister of Industry, Trade and Commerce in connection with interest. I believe the interest rate that the bank is charging now to its blue chip customers is 13¾ per cent.

What triggered the government and the Bank of Canada to increase the interest rate? If it is a drain on the money going

[Senator van Roggen.]

out of Canada into the United States or into other countries, how much money is involved?

Senator de Cotret: The honourable senator is asking a question that I struggled with for a great number of years in my former incarnation. The elasticity, to put it in technical terms, and I am afraid I don't know how to explain it otherwise, but the elasticity of capital flows to changes in interest rate differentials is something that has escaped me for a great number of years, and it varies. It varies. It is not something that will be constant over time. It depends on a number of psychological factors, a number of market factors, and one month you may have a small change in interest rate differentials or the value of currencies that will mean a large outflow, or vice versa, and another month it may be quite the opposite. I don't think there is any constancy in that.

Senator Hays: The trade deficit dropped another \$161 million in the last six weeks, or something like that. Did that have anything to do with triggering the boosting of the interest rate?

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Senator de Cotret: Honourable senators, the short answer to that question is no. There is no question that when one looks at the total system, the current account position does have an impact on our foreign exchange position and the foreign value of the Canadian dollar. Certainly one could argue that if the stream is followed down far enough, it probably does have a distant relationship. However, I believe the short answer to the question would be no.

Senator Hays: As a supplementary, the Minister of Finance said that we did not necessarily have to follow the United States in raising interest rates, that we could carry on quite well without having to do so. In some cases our interest rates are now up to 15 per cent, and many banks have added another one per cent.

When the Governor of the Bank of Canada telephoned the Minister of Finance—and I am sure the Minister of Industry, Trade and Commerce must have been there, because he is part of that committee—what figures were given to that committee so that it agreed that the Governor of the Bank of Canada should go ahead and hike interest rates to an all-time high?

Senator de Cotret: Honourable senators, I feel at ease in answering only part of the question. The Minister of Industry, Trade and Commerce was not a party to that conversation, and therefore I cannot answer the substance of the question. I shall have to refer the question to my colleague.

EXCHANGE VALUE OF CANADIAN DOLLAR

Senator Everett: Honourable senators, I have a question for the Minister of Industry, Trade and Commerce. The Governor of the Bank of Canada, in his statement, said that one of the reasons why interest rates in Canada had to be increased was that we could not allow the Canadian dollar to fall any further in terms of the currencies of our major trading partners because of the inflationary effect that would have.