is creating tomorrow's problems today. I can guarantee that within five to ten years time a committee of parliament will be reviewing the deals which have been signed by this corporation and they will be trying to figure out why we were so stupid. The committee will be trying to ascertain why these deals were entered into by the corporation without more precautions being taken, and I would remind hon. members that when I speak of deals I am speaking of deals which are made not for one year only but, as the President of the Export Development Corporation told us, are operative for up to 20 years.

Let me return to an earlier point I made. How desirable in terms of world trade is the activity of the Export Development Corporation? In this regard it is important, I believe, to read various references which are available in a world context on this subject. The first I should like to mention is a reference in an article by the late Lester B. Pearson entitled "Partners in Development". This is a report of his commission on international development and, as recorded on page 119, Mr. Pearson makes some very relevant statements. Incidentally, the Berne Union which he mentions, is the name given to a loosely knit association into which all or most of, the export associations belong. He states:

> The Berne Union understanding that credits should not normally be extended for periods exceeding five years has effectively been abandoned by all major capital goods exporting countries and maturities frequently exceed eight, and sometimes even ten years. Virtually the entire net flow of export credit to developing countries in 1967 involved credits with maturities of more than five years.

And here we are, in 1973, being told by the President of the Export Development Corporation that they are now considering loans for 15 years in the same field. In the review Mr. Pearson points out that export credits have a part to play in development, but that their imprudent use involves very real dangers. First, export credits are usually an expensive form of external finance. This may be true, he says, even where the nominal rate of interest is low. However, this is offset by adjustments to the price of equipment purchased. Cases were reported to the commission involving price adjustments exceeding 100 per cent of the world market price. Although these cases are presumably rare, smaller adjustments are understood to be common.

● (1620)

In that connection, I think it is interesting to note that when he appeared before the Standing Committee on External Affairs and National Defence on March 9, the Most Reverend Edward W. Scott, Primate of the Anglican Church of Canada, referred to the problem of international financing activities. He pointed out that he was convinced from experience and studies that two crucial areas required much more attention and action: one was trade policy and the second was population. Mr. Scott made it clear in his remarks that he knew of examples where what he called fast selling salesmen were able to sell to persons in underdeveloped countries merchandise at over 100 per cent above the going market price for such merchandise.

Coming back to Mr. Pearson's article, his second caution is that the excessive use of export credits has created serious balance of payments problems for developing countries which have relied on short-term borrowing to finance long-term investments. Since the mid-1950s an undue accumulation of short-term suppliers' credits has been a major reason for the need to reschedule the debts of a number of countries, namely Argentina, Brazil, Chile, Ghana, Indonesia and Turkey. With the exception of Ghana, our Export Development Corporation, either on their own account or as agent for the government, have been actively giving further credits to each and every one of those countries referred to by Mr. Pearson. When I say "credits", I am referring to credits aggregating almost $250 million, approximately a quarter of a billion dollars of the total $1 billion signed up to date by the Export Development Corporation.

Mr. Pearson goes on to say that export credits are frequently used to finance industrial projects in the public sector, because in general neither international aid agencies nor the main bilateral aid donors are eager to finance industrial projects in that sector. Instead, credits are used as the next best alternative.

Mr. Pearson then comments that, as a rule, proper investigation is not made before these credits are granted, and that often they are probably motivated by an awareness that the project at issue might not pass rigorous economic reliability standards. Mr. Pearson recommends that the World Bank group draw up ground rules which would guide various contries in this field in order to avoid what he felt was a key problem in the field.

Nevertheless, Mr. Pearson comments, some restraint on the part of creditor governments is indicated. They, themselves, have an immediate interest in avoiding excessive use of export credits which is likely to lead to default or to a rescheduling of debt. Then he says:

> We recommend a strong early warning system based on the external debt reporting which is being evolved by the OECD and the World Bank. The World Bank should be charged with the responsibility of issuing definitive recommendations against further encouragement of export credits to countries which are in the danger zone from the standpoint of debt liabilities and interest burden. It should fix ceilings which should not be exceeded.

Not only does the Export Development Corporation not adhere to any such ceilings, but the fact is that in evidence given to the committee it turned out that it has no internal guidelines even as to the amount of credit it might extend to any country in the world.

If I may, I feel I should point out that the Export Development Corporation was likely born, as much as anything, out of the report on Canadian financing facilities for export by J. W. Gibson, issued on May 14, 1968. This is an interesting report. Unfortunately, the various things that Mr. Gibson expected to happen with respect to the Export Development Corporation have not, in fact, materialized to any great extent. I am referring, for example, to his wish to see Canadian chartered banks participate in export activity to a much greater extent. He mentioned the various means by which the Export Development Corporation could enhance export activity in the country. In short, I believe that what has happened is that a good idea has been warped, and this matter will become a problem child with which future Canadian governments will have to live.

I suggest it is being warped because Crown corporations, as they are administered by this present government,

[Mr. Stevens.]