

Bretton Woods Agreements Act

I may say to the committee, Mr. Chairman, that my predecessor Mr. Harris was, while minister of finance, the Canadian governor on the board of governors of the international finance corporation and that I succeeded him as Canadian representative on that board of directors in the summer of 1957. The three reports to parliament to which I have referred were tabled in the house by myself on October 28, 1957; June 23, 1958; and April 20, 1959, respectively.

Mr. McMillan: I was greatly interested to hear the Minister of Finance give us this survey today. I might say that we all know that the international bank and the international monetary fund were established under the Bretton Woods agreements in 1945. Considerable debate took place in this house at that time; it was carried on for a good part of December of that year. All the parties in the house at the present time supported these agreements. In fact the hon. member for Greenwood, the former financial critic of the opposition—now Minister without Portfolio—spoke highly in favour of these agreements as did the leader of the C.C.F. party at that time. As the minister has said, membership in the international monetary fund is a prerequisite for membership in the international bank. Many of the same governors, executors and directors control both of these funds as well as the international finance corporation. I heard the minister this afternoon refer to the international finance corporation and I do not think he gave the status of that fund. Perhaps he might do so later.

Mr. Fleming (Eglinton): The status of what?

Mr. McMillan: The status of that particular fund, whether they are making money, how much they are making and so forth.

Mr. Fleming (Eglinton): I gave the figures on their operation.

Mr. McMillan: I was always under the impression that the bank was established primarily to give assistance to the more underprivileged and underdeveloped countries. I think this was true more in the earlier years than it is today. In those earlier years this was done by sending experts to these countries to help them with their development. They sent in technical assistance and they also lent money under supervision to implement the development programs in those countries. I notice that in the last three or four years there is more of a tendency to lend money to member countries, advancing them money in their development for productive purposes, thereby promoting the long range growth of international trade and the improvement of the standard of living in those countries.

[Mr. Fleming (Eglinton).]

The bank, of course, tries to promote foreign investment by guarantees and participation in loans, and when private capital is not available at a reasonable rate they lend money from their own resources, whether it is borrowed or provided by the bank itself. I realize that bank loans to member governments, government agencies, to authorities or private membership in the territories of member governments have to be guaranteed on a government level, but that is not true, as I think the Minister of Finance said in connection with the finance corporation. They do not require government guarantees. Loans are made for productive purposes, must have good prospects for repayment, and these loans are not competitive with private investment money when it is readily available. I notice loans are made for agricultural development, transport facilities, such as roads and railways, and also for communications and power development. But as I said earlier, in the last three or four years I notice that money is being loaned to member countries for industrial development.

I might say here that our party is very much in favour of supporting these agreements. I could not help but notice, in passing—I do not utter this by way of criticism—that I think we are probably doing our share in backing loans to countries in order to build them up industrially to compete directly against us in trade. Some of these countries, and I have one in mind, borrowed a considerable amount of money from the bank and they have a low wage scale and are very competitive in our markets. In fact, we have had delegations here in Ottawa because certain products from one particular country were more than competitive with our own in our own markets. I would like to make the observation that I am not saying it is a fact that this particular country or any other country has built up industry with money from the international bank to which we contribute, and produced products which undersell our own in our own markets. This is one aspect of these comparatively cheap loans, however, that I would like the minister to comment upon.

As the minister has said, the authorized capital of the bank is \$10 billion, of which \$9.5 billion is already subscribed. The capital subscription of each member is divided into three parts; the 2 per cent, the 18 per cent and the 80 per cent parts. I am not going into that at this particular time. The capital structure is designed to provide the bank with lendable capital up to 20 per cent of its subscribed capital, but I do not think, probably because of the restrictions under the