

export of capital from Canada by non-residents, thus undermining one of the main purposes of foreign exchange control.

This will be clearer if I take a moment to explain in more detail the nature of this unofficial market. This market arises because certain Americans or other non-residents of Canada may wish from time to time to withdraw capital from Canada and they find that they are unable, under the Canadian foreign exchange control regulations, to withdraw it by purchasing United States funds from a Canadian bank in the normal way. As members of the house are aware, United States funds are provided under present policies for all current account transactions, that is to say, for all imports, for reasonable travel expenditures abroad, for the conversion of the income earned by Americans on their investments in Canada, and they are also provided for the repayment of debts, including outstanding bond issues which are payable solely or optionally in United States funds. In addition, there are certain other types of capital transactions which we are prepared to see take place in the form of Canadian dollars but for them we are not prepared to provide United States funds out of our official reserves. For example, an American granted a permit to sell a security in Canada comes into possession of Canadian dollars which cannot be converted into United States funds in Canada. Similarly with an American selling real estate in Canada or reducing his capital investment in a Canadian business. Nevertheless, although Canadian dollars so acquired are not convertible into United States funds out of our official reserves, they are not blocked. The American receiving them is perfectly free to sell them to another American who wants Canadian dollars, at whatever rate they agree upon. The American purchasing the Canadian dollars can only use them for certain purposes. For example he cannot use them to pay for Canadian exports on account of the requirement that exports from Canada to the United States be paid for in United States funds. The main purpose for which they can be used is to make new investments in Canada, though Canadian dollars can also be used for tourist expenditures here.

The fact that Canadian dollars acquired in the unofficial market can thus be used only for certain limited purposes naturally makes them less valuable in the hands of non-residents than United States dollars, which can be used for any purpose. Hence a discount may arise, but this discount is no indication whatever of the true value of the Canadian dollar. This discount represents merely the price paid by one non-resident to another as

[Mr. Abbott.]

an inducement to make a capital investment in Canada which cannot be converted into United States funds through the official channels. This unofficial market is highly specialized and accounts for only a small percentage of our total international transactions.

While I realize that this is a highly technical subject, I thought I should make this explanation to remove some of the misunderstandings which appear to exist.

In closing I should like to emphasize that the new pattern of taxation of the gold mining industry which I have outlined must not be regarded as fixed policy. It represents a programme which the government considers proper under the present circumstances, and will, of course, have to be reconsidered when circumstances change and particularly if and when general economic conditions become much more favourable for gold mining.

Mr. HACKETT: Will the Minister of Finance indicate to what extent the discount of the Canadian dollar in the United States market is attributable to the management of the Canadian dollar by the Canadian authorities?

Mr. ABBOTT: I would say not at all.

Mr. COLDWELL: Will the Minister of Finance inform the house why it is that the government alters the basis of the budget established by this house without referring it to parliament?

Mr. ABBOTT: It is not altering the basis of the budget. This is not a statutory provision. It is a provision which is within the discretion of my colleague the Minister of National Revenue. The rates of depletion and depreciation are such as the minister may allow. My hon. friend will recall that those are not fixed by statute.

Mr. COLDWELL: I did not recall that.

Mr. ABBOTT: They are a matter which is within the determination of the administrative branch of the government. That is why I am in a position to make this announcement which is a matter of government policy and does not require an amendment to the existing statute.

UNITED NATIONS

INQUIRY AS TO SPECIAL SESSION OF GENERAL ASSEMBLY TO DISCUSS PALESTINE MANDATE

On the orders of the day:

Mr. GORDON GRAYDON (Peel): I should like to direct a question to the Secretary of State for External Affairs. Has Canada been sounded out either officially or unofficially by