

Bretton Woods Agreements Act

and make provision for our subscriptions in terms of United States dollars. By doing so we make automatic provision for any possible movement in the exchange rate.

Mr. Chairman, I have been asked certain questions concerning the international finance corporation and I think perhaps it might be of assistance to hon. members if I say a brief word on that subject at this time. The international finance corporation is an affiliate of the international bank for reconstruction and development with membership open only to governments which are members of the bank. Its objective is to further economic development by encouraging the growth of productive private enterprise in its member countries, particularly in the less developed areas. It seeks to accomplish this end by:

(1) Investing in productive private enterprises, in association with private investors and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms.

Mr. Pearson: Might I ask the minister a question there?

Mr. Fleming (Eglinton): Yes.

Mr. Pearson: May I ask whether this international finance corporation about which he is now speaking has any relationship to the proposed international development association?

Mr. Fleming (Eglinton): No.

Mr. Pearson: They are quite separate from each other?

Mr. Fleming (Eglinton): Yes. There is no relation between them. To continue:

(2) Serving as a clearing house to bring together investment opportunities, private capital—both foreign and domestic—and experienced management; and

(3) Helping to stimulate the productive investment of private capital both domestic and foreign.

The corporation has an authorized capital of U.S. \$100 million. Of that total \$93.7 million had been subscribed by March 31, 1959. Fifty-seven countries are members. The corporation began operations in July, 1956 and has so far made nine effective operational investments totalling \$9.2 million. Commitments have been made in connection with five other projects. These investments were for the manufacture of rubber products, automotive parts, motor vehicles, cement, steel products and cotton textiles, also for flour milling and steel forging. The projects were located in member countries in Latin America, Asia and Australia. Because of the fact that the organization has a very short history and has been able to make relatively

few investments, it has been able to rely entirely upon its subscribed capital for the necessary funds. It has, however, the authority to borrow funds by the sale of its own bonds or obligations.

At this point, Mr. Chairman, perhaps a brief review of Canadian legislation in relation to the international finance corporation might be of interest to hon. members. Authority for Canadian participation in the two main Bretton Woods organizations—the international monetary fund and the international bank for reconstruction and development—was, of course, given by the Bretton Woods Agreements Act of 1945. Special legislation was necessary in their case because of the undertakings regarding national monetary and exchange policy involved in the acceptance of membership in these two organizations. No such undertakings were required in connection with the international finance corporation and it was, therefore, evidently decided by the government of that day that the simpler procedure of an item in the estimates would be sufficient to authorize Canadian participation in the international finance corporation. I am informed that before making this decision the then minister of finance, my predecessor, was assured by the Department of Justice that such procedure would be sound legally. Accordingly an item was inserted in the estimates for the fiscal year 1955-56. This item, No. 789, was discussed in the estimates committee on July 5, 1955.

Although the Canadian ambassador to Washington, under authority from council, signed the articles of agreement of the international finance corporation on October 25, 1955, sufficient signatures to bring the corporation into existence were not deposited until the summer of 1956. The authority for payment of the Canadian subscription having lapsed on March 31, 1956, parliament was once again asked to provide in the estimates for the purchase by Canada of shares in the corporation. This was done by means of item 731 in the supplementary estimates for the fiscal year 1956-57. This item, if I may remind hon. members of it, read as follows:

731. To authorize the purchase of 3,600 shares of stock of the international finance corporation being Canada's subscription as a member thereof for the amount of \$3,600,000 U.S., notwithstanding that payment may exceed or fall short of the equivalent in Canadian dollars, estimated as of May, 1956 (Revote).

This item was passed on August 14, 1956.

To my knowledge there has been no discussion in parliament of the international finance corporation, although a section on the corporation has been included in the last three annual reports to parliament required under the Bretton Woods Agreements Act.