

U.S. stands to gain from the elimination of the British preferences...in Britain and in Canada.)

However, the trade-restrictive and trade-diverting measures imposed or proposed by the U.S. as part of the "new economic policy" are matters of the most serious concern to us.

I refer to the 10 percent surcharge that is now in effect on imports of almost all dutiable Canadian goods entering the U.S. (\$2.5 billion, largely manufactured goods); to the proposed "job development tax credit", which would discriminate against foreign suppliers of machinery and equipment; and to the proposed DISC program which is a roundabout way of subsidizing exports from the U.S.

To speak first of the U.S. surcharge. We have joined with other countries in urging the U.S. to remove this surcharge within the shortest possible period of time. We have also made it clear to U.S. Secretaries in Washington that the effects of this surcharge on Canada are particularly severe and far-reaching and that because of the very reasons given by President Nixon in announcing this measure (correction of exchange rates and trade practices), the surcharge should in any event not be applied to Canada. Indeed, Canada has allowed its currency to float since the spring of 1970 and there has been significant appreciation of the Canadian dollar. We have not "played" with our U.S. dollar reserves. We have fully implemented the tariff cuts negotiated during the Kennedy Round ahead of schedule. We apply no unfair restrictions to the importation of U.S. goods - indeed, no market is more open to U.S. goods of all kinds than ours.

EFFECTS OF SURCHARGE ON CANADA

The Canadian Government has put forward legislative proposals for a program of temporary employment support designed to prevent layoffs or closures in plants where the labour force would be seriously affected. This is only a short term measure to ease the pain. It is estimated that some \$2.5 billion of Canadian goods are directly affected by the surcharge, and the impact falls largely in the sector of secondary industry which is essential to employment.

Let there be no misunderstanding. The cumulative effect of such measures would, over time, have an impact on Canada going well beyond the need for temporary adjustments. Because of geographic proximity, close corporate and labour interrelationships, cultural and social affinities, and because of our own

open and very liberal policies, the Canadian economy is oriented to the U.S. to a unique degree. Our industrial strategy over recent years has been aimed at developing efficient, competitive and specialized manufacturing industries. Due to the small size of our domestic market, these industries *must* export, and access to the U.S. market on normal competitive terms has always been counted on as a vital and central element in this approach. Canadian and American businessmen, and their governments, have always postulated that north-south, south-north trade movements were "natural", that companies could establish plants north or south of the border without fear of political "accidents". Because of the "new economic policy", these assumptions are now in question.

CONCLUSION

If we were now to find that U.S. policies were turning inward and that the U.S. considers it in its interest to import our raw materials and our energy resources but to impede and obstruct the development of our secondary industries, we would have to take a very hard look at our whole economic relationship with the U.S. Indeed, in that case we would need to fundamentally reassess our own trade and industrial policies. It would be an "agonizing reappraisal". I must assure you, however, that there can be no question of our departing from the high priority we have given and must continue to give to the manufacturing and processing sectors of our economy, which are essential to increased employment in Canada.

It would be wrong to suggest that we have reached this point of reappraisal in our thinking. We still have confidence that the dangers ahead may be averted, that the U.S. will resume its positive and constructive role in continental and world trade and economic affairs.

All things considered, we would find it infinitely preferable to hold to our present policies, that is to say, to maintain a broad multilateral approach to international trade; to improve the flow of that trade by dismantling, not building barriers to, trade, including those between our two countries; to develop a constructive exchange of views for the most effective use of the resources in our two countries and to pursue our joint efforts to develop a still more rational and better synchronized industrial and trade pattern in the world at large.

* * * *

Corrigendum

Please read "Assembly" for "Alliance" in the title and fourth line, lead article Page 1, *Canadian Weekly Bulletin* dated October 6, 1971.