

subject to duty and they are exempted. We can also exempt, or at least include in the exemptions, our exports of oil, since these are subject to quantitative import restrictions into the United States. However, even the 25 per cent is serious. I should make another qualification - that it isn't necessarily 10 per cent in all cases, it is a maximum of 10 per cent subject to a limitation in the Trade Agreement Act of the United States, whereby the result in duty cannot be returned to a level higher than it was before the Trade Agreement process began. So, in some cases, the surcharge will not be as high as 10 per cent. In his statement, the President made clear that the purpose of this import surcharge, which as I have just said, would apply to something like 25 per cent of our exports to the United States, was to bring about a correction of unfair exchange rates and bring about modifications in discriminatory tariff and non-tariff barriers against the United States. Now, we have had a floating dollar since May of 1970; the Canadian dollar itself has appreciated substantially in value since that time. We do not restrict imports from United States. In the President's own terms, and I would quote from his speech yesterday, he said: "This import tax is a temporary action, not directed against any other country, but an action to make certain that American products will not be at a disadvantage because of unfair exchange rates. When the unfair treatment is ended, the import tax will end as well."

DELEGATION TO WASHINGTON

In the President's own terms, the import surcharge should not apply to Canada; and this will be the burden of representations that will be made by the Canadian Government to the United States administration within the next few days. A delegation will be leaving some time this week, I hope as soon as it can be arranged, which will be led by a minister or perhaps more than one minister and will make representations along these lines as well of course, as engage in consultations with the United States on the other measures upon which we are very anxious to co-operate. The Minister of Finance, Mr. Benson, who is on holiday, is coming back to Canada immediately, and will, of course, be engaged in the discussions. I am not sure whether he will be going to Washington, but the chances are that he will form part of the delegation. As far as the Prime Minister is concerned, he is being kept fully informed of what is going on; my colleagues and I do not think that it is necessary at this stage for the Prime Minister to return....

NOTE

Since this statement was made, Prime Minister Trudeau cut short his European holiday and returned to Ottawa on August 19, to evaluate the results of discussions held in Washington by Canadian and U.S. government officials.

HOUSING AGREEMENT WITH QUEBEC

The Federal Government and the government of Quebec recently concluded further administrative and financial arrangements concerning housing. Under the terms of this latest agreement, the Federal Government will contribute half the operating losses on public-housing developments in Quebec.

Central Mortgage and Housing Corporation is authorized under the National Housing Act to enter into an agreement with a province for the purpose of contributing towards any deficits arising out of the operations of a public housing project leased to individuals or families of low income at rentals less than those required to meet the cost of amortizing and operating the project.

JUNE TRADE

Canada's merchandise-trade surplus dropped 16.6 per cent in June from the June 1970 level to \$203 million, with exports up 6.3 per cent and imports up 10.4 per cent. Nevertheless, the trade balance for the first half of 1971 at \$1,197 million stayed within 3.9 per cent of the figure last year.

Record imports in June 1971 totalled \$1,437 million, up \$135 million or 10.4 per cent from the level a year earlier. Shipments from the United States increased by \$65 million, or 6.9 per cent, to \$1,006 million. Purchases were up by \$45 million from Japan, together with the European Economic Community, and by \$36 million from all remaining countries except "other Commonwealth" and "preferential", whose shipments dropped by \$11 million.

Cumulative imports for the first half of 1971 reached \$7,535 million, up \$312 million, or 4.3 per cent, from the first half of 1970. Higher purchases of \$138 million from the United States, \$58 million from Japan, \$44 million from the European Economic Community, and \$97 million from elsewhere more than offset lower purchases of \$25 million in other Commonwealth and preferential countries.

June imports of automotive products, crude petroleum, iron and steel fabricated shapes, industrial machinery and tractors accounted for over half of the increase over those of June 1970. The trend noted for automotive products and crude petroleum held also for cumulative imports for the first six months of 1971.

Seasonally-adjusted imports rose by \$53 million to \$1,332 million in May and June 1971. Adjusted imports turned upward in the first quarter of 1971, reversing the downward trend from the second quarter 1970 level. They continued to climb by a further \$144 million in the second quarter to reach a level of \$3,793 million.

Canada's seasonally adjusted trade surplus amounted to \$611 million in the second quarter. The trade surplus in the first six months of 1971 totalled \$1,296 million, compared to \$1,610 million in the second half of 1970.