

*Employment Support Bill*

structive to say what the U.S. should or could have done a few months or a couple of years ago. Nor is any self-righteous posturing on our part likely to be either helpful or appreciated. It was critical to us that the U.S. do something to improve their economy. It was vital, in order to have the essential psychological impact domestically and to gain nationwide support, that it be decisive and dramatic. This was not only necessary domestically but internationally, in order to have the effect on over-valued currencies the U.S. desired, an effect that will ultimately militate to Canada's benefit if effective.

In this respect it is also interesting to reflect on our own Minister of Finance's (Mr. Benson) remarkable clairvoyance in the week or so preceding President Nixon's announcement. If you recall, he predicted that rather than devalue the U.S. dollar the Americans would resort to other means which would effectively achieve devaluation without calling it that. If I recall correctly, he used the somewhat indelicate term "sneaky ways" which, with his usual sensitivity and wisdom, he quickly qualified in more delicate phraseology. In any event, he was dead on.

Well, the U.S. has acted. The action appears to have broad acceptance in the U.S., and is even gaining the support of those who at first opposed some of the measures. With this broad base of support, the beneficial effects are likely to have substantial success in the shortest possible time. In my view, this time factor is critical, for the surcharge can have devastating effects on other nations and none more so than ours. These adverse effects can increase almost geometrically each week the surcharge remains.

As we, and others, are dependent on the health and vitality of the U.S. economy, so the U.S. is dependent on the health of the world economy. While exports are only some 4 per cent of the U.S. GNP they may appear to have only a marginal role, but their relationship to the U.S. balance of payments is significant. Of equal, if not greater significance is the health of the economies of other nations in which the U.S. has a major economic presence through investment and subsidiary involvement by way of U.S. based multi-national corporations which contribute substantially to their balance of payments condition.

The U.S. cannot forget these factors for a minute. If they do so, they do so at their peril for the rest of the world cannot stand idly by indefinitely. This action hurts, and hurts Canada far less justifiably than any other nation. If it is effective in turning the U.S. economy around quickly, and by this I do not mean solve all the problems instantly but point it in the right direction, the damage to our economy will be far less than the lack of such action by the U.S. for, as I have suggested, this absence of policy would have greater long-term detrimental effects on Canada than others.

Should they not soon remove the surcharge we, in concert with others, must also take actions which will protect our own legitimate interests. I believe it would be both ineffective and suicidal for nations individually to take retaliatory action. It would likely produce a competitive tariff war and other restrictive measures which could undermine many of the international trade

arrangements which are already sufficiently imperilled by the U.S. action and the sub-surface desires—not to mention devious practices—of others. In addition, each action by itself would act as an annoying pinprick to the U.S., which would evoke a further protective response from them. Indeed, it would enrage our neighbourly elephant into a rampage or stubborn introversion, which could only be harmful to all.

The Americans are practical people and also hard bargainers. They have the bit in their teeth for the moment, and I suspect that it will be difficult to change their direction until they have run their course a bit and expended some of the political energy domestically. Using the crop with such a powerful and energetic mare can prove counter-productive. When she has tired herself a bit, and sees that she is leading herself further from her stable and could damage herself seriously if she continued to rampage, the bit will slip out of her teeth. She might then be even more receptive to the gentle pressure of the reins than to jabs of the spurs. Knowing there is a crop in hand, too, doesn't necessarily control a mighty beast, but it does have a sobering influence.

I genuinely hope that this won't be necessary, but if our interests continue to be imperilled I think that the greatest influence can be exerted by the joint actions of America's friends and trading partners, who jointly possess greater leverage and can act together in an orderly manner. Canada can take a responsible lead in this respect. We must also realize that many of the factors which the U.S. hopes to rectify, particularly the revaluation of the yen, are factors which are having an adverse impact on our own economy.

We are dealing with a disease which is highly contagious. We are better to see it dealt with decisively, even if there is some damage to the surrounding tissue, rather than be permitted to spread. We should do our best to assist in its immunization and containment. In this process some Canadian industry is going to be hurt; some moderately and some severely. I would urge that we do not panic or, more positively, as has been counselled, that we keep our cool. I know of businessmen who were certain that the floating of our dollar would have unbearable effects on their businesses, which were highly dependent on the U.S. market. Incredibly, our exports and trade balance improved with our strengthened dollar—the reverse of that which one would expect and a good indication that sensible, far-sighted and fair policies can bring their own good results. This is a lesson others might learn and, hopefully, appreciate when the bargaining starts again in earnest.

The difficulty is that some are seriously injured in this process and it is the fear of this, sometimes short-term reaction both economic and political, which can distort policy. Many of those who are adversely affected were in difficulty in any event and were being artificially sustained, many unknowingly protected, by conditions which did not reflect the true forces of economics. None the less, the injury is there and it will take a considerable amount of knowledge, wisdom and instinct for those charged with making the judgement on the fact and extent of injury to make a balanced, fair judgment. I urge, how-