

countries, I believe our best chance for substantial market development lies in the Pacific rim countries. However, before addressing myself to Pacific rim trading possibilities, please allow me to express a few personal thoughts on the serious problems confronting international trade today.

We are all aware of problems of inflation and unemployment that we are confronted with, problems that have not only affected our domestic economy but which have seriously affected our ability to compete in the markets of the world. Our Government has been grappling with these problems with some success, although many Canadians are still far from satisfied with our accomplishments to date.

Our own Standing Committee on Finance devoted a lot of time and energy to these problems last spring. They had the benefit of the views of many outstanding economists, not only Canadians but other people prominent in this field from other countries. Although all of these experts seemed to agree as to the seriousness of the situation, unfortunately to my mind—and I sat in on a number of these committee meetings—no real solutions as to how we should deal with these problems were advanced. There were many suggestions, but no clear-cut policies that would correct the situation emerged.

After sitting in on a number of these sessions, my personal reaction is that economists are people similar to the grain marketing experts. You select a group of grain specialists and ask them to study the market situation, and after they have studied world markets they will report to you that there will be a buoyant demand and that prices will rise. Another group of equally competent grain men studying the same situation will report that in their view the market will be sluggish and that prices will decline. It is then up to the marketing board, producers or traders to make their own decisions, trusting that the experts, whose advice they followed, were correct in their forecast.

However, out of these meetings of the Standing Senate Committee on Finance there was one view at least which all the experts appeared to subscribe to which greatly impressed me. This was that Canada's efforts to cope or deal with the problems of inflation and unemployment were the most successful of any country in the western world. Another opinion I formed as a result of their testimony was that inflation, unemployment and monetary problems in the United States were much more serious than the problems that we in Canada have to cope with.

I also developed a strong feeling that the economic policies in all countries were becoming outmoded and that new policies or solutions were going to have to be developed to deal with the many problems that have been plaguing the western world in the last few years. I think, however, that the main impression I gathered from the meetings of the Standing Senate Committee on Finance was that although we were in trouble other countries of the western world were faced with similar problems, and that the situation here in Canada was in no way as serious as the situation that confronts the

United States of America. I have always held the view that, although Canada must retain its sovereignty, our economy has been and always will be affected by the economic situation in the United States. When they prosper, we usually are also prosperous; when they are encountering monetary inflation and unemployment difficulties, so are we. When they have international trading problems, we will experience the same difficulties.

These views which I hold will explain why I have not been as disturbed as many other Canadians about the policies and the subsequent barriers to trade that were announced by President Nixon on August 16 last. I am convinced that the Americans were forced to take drastic action to cope with their current economic problems. I am not an economist. I cannot judge whether the policies decided upon by them are the best that could be instituted or whether they will prove to be successful, but I earnestly hope they will have the desired results. If they are successful, I am satisfied that in the long run this new United States policy will be of benefit to Canada and our economy.

I hope I am not discounting the serious short-term effect that this American policy will have on our trade, particularly in so far as our export firms are concerned. There is no doubt that normal trade with the U.S.A. will be seriously disrupted, but I think that this is something we are going to have to live with for a period, which I sincerely trust will be of limited duration.

In this regard I have been pleased to note that our Government has already introduced legislation which, I believe, will be helpful in alleviating the problem that this new policy has created for us. I am hopeful that this new legislation will be approved by both houses in the near future.

I must, however, admit that I am not as optimistic today as I was when I was drafting this presentation about the effect of our new legislation and the help it will provide to our trade. Recent press reports emanating from Washington suggest that the United States may react unfavourably to the legislation we are considering and they may consider it necessary to impose further duties to nullify its effect. I cannot understand such reasoning. Surely any nation is free to institute legislation regarding its own taxation policies. But we will just have to wait and see their reaction.

If they do react as suggested in these press reports, if Congress approves new legislation in a proposal the press refers to as "Disc"—a proposal I do not fully understand—then it may be that my optimistic views about the short duration of their trade barriers will not materialize and the situation will become even more serious than I envisioned when the announcement was made.

Naturally, all Canadians do not subscribe to my views in this regard. There are some who have criticized our Government for rushing down to Washington—I think they referred to it as "cap in hand"—asking for removal of these trade barriers and asking Washington to give our position special consideration. We have a very good case for exemption and special consideration. We were not major contributors to their monetary problems nor

[Hon. Mr. McNamara.]