



Bulletin

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CANADA WEIGHS THE U.S. TAX MEASURES

Mr. Mitchell Sharp, Secretary of State for External Affairs and Acting Prime Minister, made the following statement at a press conference on August 16, concerning the effect of United States import surcharges on Canadian goods:

The President of the United States yesterday made a statement which contained four main points. First of all, he announced a wage-price freeze, 90 days; he announced a number of budgetary and tax measures to stimulate the United States economy; he announced the application of a temporary import surcharge up to a maximum of 10 per cent applying to all dutiable imports not already subject to quantitative limitations by the United States; then he announced that the United States had informed the International Monetary Fund that it will no longer freely buy gold for settlement of international transactions – in other words, the United States dollar is not any longer convertible at a fixed price of gold. As far as Canada is concerned, we recognize that the United States has a very serious problem – a very serious problem, quite different to ours in balance of payments. It is

running a big deficit on overall account; the United States dollar has been weak. They also have the internal problem of inflation, which has been rather more serious even than it has been in Canada; and they have problems of unemployment not unlike problems that we have here in Canada too. We are prepared to co-operate with the United States in trying to bring about a better international monetary system. It is as much in our interest as it is in the interest of the United States that there should be some basis for international transactions. The United States is a great trading nation and so are we, proportionately even more important in terms of its contribution to our gross national product. Therefore, as far as the Canadian Government is concerned, we are very anxious to co-operate with the United States in trying to work out better monetary arrangements, throughout the world. Indeed, the Minister of Finance, Mr. Benson, is the chairman this year of the Group of Ten, which is the group of the ten most important finance ministers in the world, and it may be that he will want to call a meeting to discuss this very question that has been laid before the world so dramatically by President Nixon. As to the particular measures, we are much concerned about the proposal to apply a surcharge on duty about imports not subject to quantitative restrictions into the United States.

IMPACT ON CANADA

We made a preliminary estimate of the impact of this upon Canada and it appears that something in the order of 25 per cent of our exports to the United States would be affected by this surcharge. It is very difficult to be too precise at this point but, since none of the goods that are free entering the United States will be subject to the surtax, we can take off a high proportion of our exports for that reason (for example newsprint is not subject to the surcharge). We can also eliminate our exports to the United States under the Automotive Agreement, since these are not

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