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Trade and monetary policies vis-à-vis the U.S.

The following passages are from an address by Secretary of State for External Affairs Mitchell Sharp in the lecture forum series of the Chicago Council of Foreign Relations, Chicago on April 3, 1973:

...Inevitably even the best of friends and allies, as Canada and the United States are, disagree from time to time on international issues. Although the results at times appear abrasive, one of the essential elements of genuine friendship between two nations is the capacity to speak frankly and as each sees it, constructively to one another. The irritants and differences which sometimes arise do not, however, obscure from us an awareness of the burdens which your country bears.

And there are irritants. There have been in the past and will be in the future. Some are the inevitable result of different outlooks on particular questions. Others tend to be misunderstandings — in part or in whole. Of the present roster of difficulties between us, I believe that many fall into this latter category. Let me give you some examples.

Statistics gap

For some time it was felt in this country that Canada was one of the culprits contributing to the serious American international trade deficit. This view was supported by your statistics which, as sometimes happens in our computer age, were contradicted by our statistics. The discrepancy for 1972 was in the neighbourhood of \$1.5 billion. Happily our statisticians are now getting together and managing to reconcile the differences. For example, on the 1970 trade figures what the U.S. side thought was a \$2-billion deficit for them and what Canada thought was a \$1-billion surplus for us has turned out to be, in fact, a surplus of \$1.4 billion for Canada. Similarly, on current account — which is a more reliable indicator as it takes into account the flow of in-

visibles such as investment income, dividends and interest payments — a reconciliation has taken place for 1970. In this case what the United States thought was a \$600-million deficit for them and what Canada thought was a \$200-million deficit for us has turned out to be a \$100-million surplus for Canada. For 1972, our figures, including invisibles, show a current-account deficit with the United States of \$416 million. We expect that when the Canadian and U.S. figures are finally reconciled, Canada will remain in a deficit position.

Washington has been, understandably, sensitive about the efforts or lack of efforts by the world community to stand behind American efforts to stabilize the international monetary situation. The devaluation of the dollar has, of course, been a key initiative in efforts to achieve a reasonable international monetary equilibrium. There was at one time a feeling in some quarters in the United States that the floating Canadian dollar has exempted us from the intended impact of the American measures. It has also been suggested that our float is managed to our advantage. However, I am pleased to say that the question marks in Washington about the "cleanness" of our float have been overcome. The Canadian dollar has floated downward with market forces and has largely maintained its previous relation with the American dollar.

Foreign takeovers law misunderstood

Legislative proposals concerning foreign takeovers and new foreign investment were introduced recently in our Parliament in Ottawa.... This is the sort of thing which sends shivers of alarm through the free enterprise