

Needless to say, we in Canada are asking some pretty fundamental questions about the future. We have proceeded in the postwar period on the assumption of freer trade and stable trading relations between Canada and the United States, relations which have been profitable to both countries. The announcement of August 15 could not help but shake that assumption, and, as a Government responsible for the security and prosperity of more than 20 million Canadians, we have to look at the alternatives.

Let me emphasize that I do not myself assume that questions about alternatives are going to have to be answered in practice, even though they must be studied in theory. I am optimistic enough to believe that reason will prevail. Hence I look forward to an end to this period of uncertainty -- to a renewed, rationalized and more effective international monetary system and better and more liberal world trading arrangements.

Underlying the current crisis is a basic and probably durable change in the configuration of power and industrial wealth in the world at large. Throughout most of the postwar period, the United States was by far the richest and the predominant economic power in the world. It assumed the largest responsibilities and burdens for upholding the international monetary and trading system created at the end of the war. This dominant position found recognition in the monetary field by the unique position accorded to the United States dollar as a world reserve currency firmly pegged to the price of gold. The United States responded with generous and far-sighted leadership, and must be given credit for making possible the remarkable recovery and growth of war-ravaged economies. Thanks to the wealth and far-sighted generosity of the United States, the international economic machinery established at the close of the war proved remarkably successful. In contrast to the disastrous period of the Thirties, the world experienced the most rapid and sustained expansion of international trade that it had ever known, and the principal beneficiary was the United States itself. Canada played its part in the reconstruction of the postwar world, acting generously like the United States, in the enlightened pursuit of its own self-interest.

Within the international monetary and trade system, the most notable developments have been the emergence of a more cohesive Europe and of Japan as major trading and financial centres in many ways comparable in importance to the United States. This is the broad context in which the United States under President Nixon has endeavoured to chart new directions for United States policy, adapted to the new realities.

The "Nixon Doctrine", presaging a lower world profile for the United States, takes account of new trading patterns and new power relations. In the so-called "Western" world, the United States is no longer a giant among mere mortals. The economic paramountcy of the United States will be challenged by the Europe of Ten, which, with its associated states and special arrangements with former colonies, will encompass some 45 per cent of the world's trade.

On the other side of the world is the economic miracle of Japan. Just as in the field of world politics a triangle of centres of power is emerging -- the United States, the Soviet Union and China -- so in the