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CANADA-UNITED STATES ECONOMIC ISSUES

The following passages are from an address by Mr. Mitchell Sharp, Secretary of State for External Affairs, to the Rotary Club of Armour Heights, Toronto, on June 20, 1972:

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...Whether this has been a good year or a bad year for Canadian-American relations is something we can discuss; it has undeniably been a big year. More persistently than any others, economic issues have caught the headlines. Last August 15, came the dramatic announcement of President Nixon's new economic policy. This carried a number of implications for Canada. Some of these are only now coming fully into focus. At the time, you will recall, Canadian interest centred on the American decision to impose a temporary import surcharge, as one of a number of measures designed to deal decisively with the chronic problem of the United States balance of

payments. We spent a good deal of the late summer and autumn locked in discussion, both in Canada and abroad, about the wisdom, equity and probable effects of the surcharge. Finally, toward the end of the year, the United States agreed to drop the surcharge as part of a bargain involving the readjustment of the parities of the major international currencies.

For Canada, the vital element of this bargain was that our case for allowing the Canadian dollar to continue to float received international recognition. The Smithsonian agreement dealt for the time being with the monetary side of the problem. Attention then turned to bilateral trade issues. A number of the issues in Canadian-American trade relations were long-standing. They had been only temporarily pushed into the background by concern over the surcharge. The notable example is the auto pact. This subject had already been under discussion between the two countries for some time. A new complication was added, however, with the introduction of the DISC legislation in the United States. There were other trade "irritants" on both sides. An attempt was made to dispose of some of these outstanding issues in the winter by negotiating a package of reciprocal and balanced concessions with the United States. The attempt at negotiation was not successful. At the moment, the position is that negotiations on outstanding trade issues are to be resumed at a time still to be fixed. Pending resumption, each side is reviewing its negotiating position.

Meanwhile, the Government has introduced legislation to control takeovers of Canadian firms by foreign capital... Strictly speaking, this is a Canadian, not a bilateral issue. Everybody knows, of course, that the capital involved is largely capital from the United States, and that the issue of American ownership of Canadian business and industry is a matter of intense debate in Canada.

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