Canadian goods, the greater will be the adverse impact of the measure on the whole economy, an impact that could more than offset any benefits to be derived from an acceleration in growth of the United States economy.

Mr. Hees: Jean-Luc said it all this afternoon, and a little better, Ben. Just skip the next few paragraphs and get down to the guts of what you are going to do.

Mr. Benson: Four days after the announcement of the United States economic measures, the Minister of Industry, Trade and Commerce and I—unfortunately, George Hees was on holiday and could not go with us—led a Canadian delegation to Washington to meet with Treasury Secretary John Connally, Commerce Secretary Maurice Stans and their senior officials. The primary purpose of our discussions was to explain to the United States that if they damaged Canada it would hinder rather than help their program. That is why it is in the interest of the United States to exempt Canada from the surcharge.

During our meeting with members of the administration we readily acknowledged the necessity for the United States to take appropriate steps to deal with its deteriorating balance of payments and exchange situation. We recognized that they had posed increasingly critical problems, not only for the United States but for the continued stability of the international trade and monetary systems.

Mr. Stanfield: Did they ask for your services?

Mr. Benson: Yes, they asked me to help them all I could in the Group of Ten. The solution of those problems and the improvement in the domestic economy of the United States by fair and effective means is in the interest of every nation in the western world: Canada, Britain, France and Germany all benefit, and the Japanese too, if they improve their situation. At the same time, however, we also emphasized that for the United States to attempt to deal with its balance of payments problems by measures that could cause such disproportionate damage to the Canadian economy would be self-defeating. Canada is the best customer of the United States. Roughly a quarter of all United States exports abroad are purchased by Canadians, more than the total sold to Germany, Britain, France and Japan combined. For the United States to adopt measures which would have the effect of restricting the growth of the Canadian economy could only serve to restrict the amount of goods and services Canada can import from the United States.

We also pointed out in our discussions with members of the administration that the reasons put forward by the President for imposing the surcharge did not apply to Canada. Our currency has not been unfairly valued in relation to the United States dollar. Since a year ago last May we have allowed the Canadian dollar to float. Our dollar is valued each day by the forces of demand and supply. As a result of this process the exchange rate has appreciated by more than 6 per cent. This surely cannot be considered unfair in the sense expressed by President Nixon.

By the same token, the United States government has not contended that Canada maintains trade restrictions that impede their exports to this country in a major way, a complaint they have directed against some other nations. Given the massive volume and diversity of trade between the two countries, there are, of course, almost always minor problems concerning each government, but the United States has acknowledged there is not at present any problem outstanding between Canada and the United States that they regard as one of substantial dimensions.

While the United States has indicated concern about the substantial surplus Canada built up with it in merchandise trade last year, we have pointed out that this was due to a number of special and temporary factors. Even this surplus of over $1 billion was more than offset by our deficit with the United States in non-merchandise trade, with the result that we ended last year with a small over-all deficit on current account. With the advance of the Canadian economy and the consequent rise in our imports, Canada's merchandise surplus with the United States is in the process of declining, and the current account deficit increasing.

• (8:40 p.m.)

There has also been a substantial decline in the flow of long-term capital into Canada over the past several months, which undoubtedly reflects to some degree the request which I made to provinces, municipalities and corporations to restrict their borrowing abroad to the greatest extent possible because of the upward pressure, at places, on the Canadian dollar. While our most immediate and pressing concern is the impact of the surcharge on Canadian exports, the series of protective measures put forward by the administration will have implications for the longer term which may be of even more fundamental importance.

Since the mid-thirties the world has turned away from protectionism. Canada and many other countries worked with the United States to reduce barriers to international trade substantially, including our own. This move was consistent with, and in fact a vital part of our own industrial and commercial policy. Within this framework a series of Canadian governments has sought to build up a sound and viable manufacturing industry in order to escape from undue dependence upon the output of natural resources and to provide employment for our fast-growing labour force. In earlier years the manufacturing sector was confined largely to producing a wide variety of goods in relatively small volume to serve the Canadian market alone. I felt shades of this when I heard the leader of the NDP speak this afternoon. During the post-war period, however, we have made intensive efforts to restructure this sector of the economy so that it could take advantage of the opportunities for multilateral trade by specializing in the efficient production of goods that could compete effectively in the markets of the world.

Some 85 per cent of exported Canadian finished goods are sold in the United States. The basic question that is raised for consideration is whether we can continue to count on access to the United States over the longer term on mutually acceptable terms—that is, on terms negotiated and agreed between the two governments—or