The enunciation of the Nixon Doctrine, and more particularly its specific manifestation in the economic measures taken by the United States last month, has effectively, and perhaps brutally, challenged some of our assumptions and led us to re-examine our position as an industrial and trading nation.

The Canadian and United States economies are interdependent to an extent that is probably unequalled anywhere else and to an extent not always recognized on either side of the border. The United States takes 68% of Canada's exports and provides 75% of our imports. This 75% of our imports amounts to 25% of total United States exports. Certain elements of our industrial production are fully integrated, farm machinery, automobiles and defence production. About half of Canada's manufacturing industry is controlled by multinational corporations based in the United States, in the case of the petrochemical industry the figure is over 90%.

The United States depends on Canada as a secure and reliable source of essential resources, oil and gas, forest products and minerals. The uninterrupted flow of these materials is essential to the proper functioning of the American economy. Canada's export trade, though world-wide in extent, is heavily concentrated on the United States and the United States relies heavily on Canadian manufactures. This amounts to a true interdependence, but it is an interdependence between powers of different orders of magnitude. A United States measure that damages the Canadian economy also damages the American economy and the reverse is also true. It is also true, because of the different order of magnitude of the two economies, that United States actions can have much more far-reaching effects that could those of Canada.

This is the background of reality in which the effect on Canada of President Nixon's measures must be understood. The 10% import surcharge affects about 2¼ billion dollars of Canada's exports to the United States, some 25% of the total. This is serious in itself. It becomes more serious when one considers that the 2¼ billion dollars affected is in the labour-intensive secondary manufacturing sector already adversely affected by the appreciation of the Canadian dollar. If this surcharge remains in effect, employment will be exported from Canada to the United States at a time when unemployment in Canada is running at a level even higher than that in the United States.

The surcharge is said to be temporary in nature. If it is very temporary Canada will be able to absorb its effects without the need for major re-adjustments. On that assumption the Canadian Government has already introduced

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