

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 per cent of Canada's exports and provides 75 per cent of our imports. This 75 per cent of our imports amounts to 25 per cent 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 per cent.

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 than 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 percent import surcharge affects about \$2.25 billion of Canada's exports to the United States, some 25 per cent of the total. This is serious in itself. It becomes more serious when one considers that the \$2.25 billion 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 readjustments. On that assumption the Canadian Government has already introduced legislation of a temporary nature to mitigate its effects and we have other contingency plans should they be required. The purpose of these measures, I should emphasize, is to support employment, not to subsidize exports to the United States. The companies affected can claim assistance whether or not they export to the United States.

It is instructive to look again at the purposes of the 10 percent import surcharge as expressed by the President on August 15 and elaborated on by other spokesmen:

To encourage the United States' trading partners to revalue their currencies in terms of the American dollar;

to encourage the lowering or removal of tariff and non-tariff barriers that discriminate against American imports;