mpt as quickly as possible to improve relations with China.

This interpretation of recent developments in Sino-Western relations has focused on the shift in the balance of power in Asia and China's perception of the implications of this in terms of threats to both its national security and regional influence. It is, however, meant to refer only one — though an important — dimension of the complex set of domestic and international reasons behind the events of the past year.

The role Canada played in breaking the diplomatic log-jam was extremely important. The Canadian position symbolically and substantively, including the pivotal role played by the Chinese Embassy in Ottawa, was also of very real value in the field of direct Sino-American relations. Finally, the strong and unequivocal stand Canada took at the United Nations undoubtedly influenced the outcome of the vote on the China issue.

There is still a long and difficult road to be travelled before Sino-American relations can be normalized. But the first important steps have been taken. Ottawa-Peking relations will now level off to a less dramatic position as bilateral ties between the world's most populous nation and a middle power dictate. Yet the events of the past year must be reassuring for those who believe, without any inflated sense of importance, that the role of a middle power in international affairs can still be a very important one.

The question facing Canada in wake of monetary pact

By Stephen Woollcombe

On Saturday afternoon, December 18, the Government of the United States agreed to devalue its dollar in terms of gold for the first time in 37 years. This decision was part of an international monetary agreement which the U.S. President described as the most significant in the history of the world. It marked the culmination of a four-month series of monetary talks, which had almost reached fever pitch before the settlement.

The story behind this event began on August 15, when President Nixon appeared on television to jolt the economies of the world with one of the sharpest blows struck in modern times. The announcement he made had no less an objective than the drastic and fundamental reordering of established world monetary and trading systems. What Mr. Nixon presented was a complex package of internal and international measures designed to provide major strengthening of the American economy and, in his words, "to lay the basis for renewed confidence, to make it possible for us to compete fairly with the rest of the world".

The root cause of the whole crisis is generally recognized to be the serious and growing disequilibrium in the United States balance of payments. The postwar era was characterized by the role of the U.S. dollar as the principal monetary base of international commerce.

But there was also, especially in recent years, a tremendous net outflow of U.S. dollars, for a variety of reasons including the need for international liquidity, to numerous other countries of the world. At the same time, the United States was supporting governmental budgetary deficits on a huge scale and prices were rising in an inflationary manner. Concurrently, Europe and Japan were making rapid economic progress, and the relative price competitiveness of U.S. manufactured goods, both for export and for domestic consumption, was significantly affected. International fears for the collapse of the U.S. dollar and the prospect of a consequent breakdown of the whole international monetary and trading structure were generated.

The need for determined action by the United States and other countries was thus widely recognized. The desirability of adjustments in the international monetary system so that it would be less dependent on the U.S. dollar and more reflective of the new economic and com-