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Ottawa's antidote to U.S. surcharge ready in 10 days

OTTAWA — Within the next 10 days, Canada's first concrete response to President Richard Nixon's economic measures will become a functioning government program. The new Employment Support Act is now back in the House of Commons awaiting the concurrence of the House with amendments made by the Senate. As soon as this motion is passed and the act becomes law, application forms for assistance will be mailed to every exporter of Canadian goods to the United States.

The \$80 million scheme is a short-term measure to limit the impact here of the 10 per cent U.S. import surcharge. It will pay up to two-thirds of the surtax applicable to a Canadian plants U.S. exports provided that the company undertakes to maintain employment and production "at a satisfactory level."

The program has been overshadowed in recent weeks by a loud and inclusive debate in Parliament, in the press and among the public about Canada's long-term response to the U.S. measures. But this debate owes its existence, in part, to the breathing space provided by the employment support program.

While it lacks the drama of high political strategy, the program is a good example of a specific Canadian response to a serious economic threat coming from our most important business partner.

Response swift, certain

In this case, our response has been swift, co-ordinated, certain of its objectives and, so far, more successful than anyone would have dared to expect in the dark days immediately following Nixon's first announcement last Aug. 15.

The Canadian response began to take shape within hours of Nixon's Sunday night announcement. At 9 the next morning, a number of deputy heads of concerned government departments, and their immediate assistants, gathered for a special meeting in the board room of Deputy Finance Minister Simon Reisman. The urgency of the situation was evident. In little more than three weeks, Parliament would be back in session, on Sept. 7. This was the final deadline for a decision not only on policy but on the specifics of legislation.

It was the department of industry trade and commerce that bore the brunt of the early work. On Aug. 16, the day after the Nixon announcement. Acting Prime Minister Mitchell Sharp said that the surcharge could affect from \$2.3 billion to \$3 billion of Canadian exports, or almost one-third of the total dollar value of our exports to the United States. But this was a quick estimate. The first priority was to make an accurate assessment of the situation.

This was done by two teams within the Department of Industry, Trade and Commerce. Working around the clock for four days, one team went through the entire tariff schedules of the United States, item by item, calculating the rate and estimated annual amount of the surtax on every Canadian export. Because of various factors, the rate was not always exactly 10 per cent. There were constant references to Washington for clarification. As one official recalled, "We raised many uncertainties that they hadn't thought of."

While this process was underway, Finance Minister Edgar Benson and Trade Minister Jean-Luc Pepin flew to Washington on Aug. 19 to ask for an exemption from the surtax. This request was repeated on Aug. 26 in Washington by Reisman, Deputy Trade Minister J. H. Warren and A. E. Ritchie, former ambassador to Washington, now deputy minister of external affairs. Before this second visit, about a week after Nixon's announcement, a paper was prepared for the cabinet outlining the various options available to Canada.

Consensus came early

There was fairly early consensus on the part of the ministers and their senior advisors that "the immediate thing to do was to get a position to have some money available for people who would really get clobbered."

Prime Minister Trudeau had said on Aug. 19 that Canada wouldn't go on a "retaliatory kick." In fact, the main problem faced by the circle of ministers and civil servants who were immediately concerned with the situation was the danger of walking straight into a countervailing action by the United States. They had to find a way to cope with specific plant-by-plant instances of threatened unemployment caused by the surtax without appearing to subsidize exports to the U.S. Theirs was a rather fine definition but one that, so far, has stood up.

Once the principle of short-term assistance to maintain employment was accepted, the finance and industry departments started to draw up legislative proposals and estimate their practical effects. The criteria for assistance to industries were accepted in principle at a single meeting of the involved ministers and their advisors, and the actual bill and regulations were drafted in a matter of a day and a half. In normal times, this whole process would have occupied many months and, in legislation of this sort, would have involved some consultation with business leaders. On Sept. 2, Pepin was still silent about government plans when he met his 43-man advisory council of leading Canadian businessmen.

But it was evident that by Sept. 1, only 17 days after the Nixon announcement, Canada's immediate response had been formulated. Prime Minister Trudeau announced on that day that Parliament would be asked the following week to give immediate priority to a government plan to help industries affected by the surtax. The bill was made public on Sept. 7.

17 days of decision

The program will be administered by a seven-member employment support board. Names of the three non-government members of this board are before ministers now and will be announced as soon as the act becomes law. Applications for grants will be reviewed initially by officers of the nine branches in the industry department and will then go through a new secretariat which is being staffed at the moment by personnel already employed by the department. Officials of the department say that they will be able to process the initial rush of applications without increasing their permanent staff, mainly because the grant program is relatively simple to administer and police.

The government has earmarked \$80 million to finance the scheme for six months starting last Aug. 16. Officials here who worked on the program said that it suits this time period but couldn't be extended indefinitely.

"The longer the surtax lasts, the greater the effect," said one official. "If it goes on for a year, we're in an entirely different ball game."