

Canada—U.S. Automotive Agreement

however, that democracy can be common-sense and efficient and still be democratic, and this is what we should be aiming at.

In so far as questions of substance are concerned, I listened to a number of members impute to the government statements that the object of this agreement was to reduce or rectify or correct our balance of payments deficit with the United States. Although it is supposed to be bad form to quote oneself, I should perhaps refer to the statement I made when this agreement was first announced. This statement on January 15, 1965 expressed in clear terms the objectives of the agreement. At that time I said:

This program is designed to achieve a substantial expansion in production and employment and promote improved competitive efficiency in this important sector of Canadian manufacturing.

That is the opening paragraph of the statement and it contains, therefore, a statement of the objectives of this agreement. It has been quite evident from the comments of hon. members that these objectives are in the course of being achieved. I am prepared to admit quite frankly that the added bonus for which one would have felt grateful had we been able in the first year of operation to cure the imbalance has not been achieved. However, it should be quite clear to hon. members that the rate of growth of our exports is very much larger than the rate of growth of our imports in this field. If, as one would expect, there will be a continuation of this trend as the agreement becomes fully implemented and effective and this satisfactory trend continues, there will as a consequence be an improvement in the long run in our balance of payments deficit.

As I mentioned in my opening remarks, there has been an increase in absolute terms in the deficit in the first year of operations. It is unrealistic to expect that the industry in Canada, which manufactures only some 60 per cent of total sales of automotive products in Canada, will arrive at a situation in a vastly and rapidly expanding market where our imports would not seem to increase, but we have not been able in the first year to make a sufficient penetration of the American market to offset the increase in imports needed to serve the increase in our domestic sales.

However, I would ask the house to be patient with us and share with me the expectation that the current favourable trend of more rapidly rising exports than the rate of rising imports will continue and that there will be not only an anticipated but a real

improvement in our balance of payments in this field.

I point out again that this is not the main and cardinal object of the agreement. The main object is to increase production in Canada on a more efficient basis and to provide more employment opportunities in our country. This, I suggest, is demonstrably under way.

Reference has also been made to the kind of expansion in production taking place and as a consequence the quality of the labour and the type of jobs which are being created. Mention has been made of the fact that so far there have been created some 10,000 new jobs. I believe the suggestion has been made by some members that all these will be men who put on nuts and bolts on the assembly line and that rather more skilled labour will be disappearing. I should point out that of these 10,000 new jobs slightly less than half of them are in the parts manufacturing industry. This, I think, would indicate that we are not becoming merely assemblers of motor vehicles. Indeed, in terms of total production, the house will recall that one of the things on which we insisted in the arrangements with the motor car companies was that they must maintain in Canada a ratio of assembly to total domestic sales no lower than they had in the past. I am glad to say that in terms of assembly operation in relation to total operation, this ratio continues to be substantially what it was at the outset of the agreement.

● (2:20 p.m.)

Reference was made also to the sales tax and duties and the difficulties facing manufacturers in expanding when forced to pay sales tax and duties on new production machinery they had to acquire in order to meet the expanded production. In the view of some members this was imposing on them an impossible task, and a rather more moderate view was that this was unfair. The answer, of course, to the question of the impossibility of both paying sales tax and duties and making other expenditures is given in the number and size of the expansions already achieved. If it were impossible to expand or set up new plants as a consequence of this taxation statute, then a very large number of Canadian manufacturers of both automobiles and components have succeeded in achieving the impossible.

Mr. Nesbitt: Are those independent manufacturers or subsidiaries of the major automobile companies?