

the strongest possible action be taken by the Canadian government to obtain an exemption in respect of Canadian exports. I believe the government has applied all reasonable pressure to persuade the United States administration to exempt Canada. This included meetings of senior government ministers, the Minister of Industry, Trade and Commerce (Mr. Pepin) and the Minister of Finance (Mr. Benson), with Mr. Connally, Secretary of the Treasury, as well as meetings of senior departmental officials. In spite of all this it seems the surcharge will be applied, at least for the time being.

It seems to me that the bill before us today is the best possible solution in respect of the \$2.5 billion worth of exports which will be subject to the surcharge. This solution is flexible, giving assistance only when the company or the U.S. customer cannot absorb the increased cost due to the surcharge. As I understand the measure, it will only provide grants when there is an imminent danger of manufacturing plants having to shut down and lay off workers. By proposing the legislation in this form, tied to employment in plants rather than across the board as an export subsidy, I believe we will have the least danger of the United States imposing countervailing duties. Grants will be made, on the basis of need, of up to two-thirds of the surcharge cost, so companies will have to absorb at least one-third of the surcharge.

• (8:30 p.m.)

The sum of \$80 million for the rest of the fiscal year 1971-72 may be viewed as a vast amount of money and surely, if the program is extended into the 1972-73 fiscal year, it could escalate into two or three times this figure, which represents a high amount of taxpayers' hard earned dollars. However, if we consider the alternative which the Minister of Industry, Trade and Commerce suggested in his speech, of facing the prospect of lay-offs of possibly 40,000 workers in Canada in the next three months and up to 90,000 workers by the end of the year, there does not seem to be much choice.

Also, we must consider the long-term value of the trade patterns which have been established between Canada and the United States. If we look at how many of our industries in Canada have specialized in certain products and have been able to sell them to the vast North American market of some 220 million people as opposed to only 21 million people in the Canadian market, perhaps we can view this as a much smaller price to pay for retaining these markets through a difficult period.

So if we adopt this measure we can maintain the plants, the workers and the technology we have developed in this country. No one can know just how much it has cost Canadian industry to develop the markets in the United States over the past years, but surely it is a sizeable amount and is perhaps equal to the amount provided in this bill.

The bill includes certain safeguards to ensure that only those companies which provide and maintain a satisfactory level of employment and production will qualify for the grants. It ensures that manufacturers of a product are not, in effect, receiving a grant as well as lowering their

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cost of production by paying their suppliers at a lower rate. Furthermore, in respect of any company receiving the grant it takes into account the level of employment at other plants owned by the same company both in Canada or abroad. I believe that with these safeguards and the appointment of capable people to the employment support board, including someone from labour, the interest of the taxpayers of Canada will be protected. I feel it is important to have representation from labour on this board because that is what the whole bill is about; it is to provide employment and prevent unemployment.

The situation created by the United States 10 per cent surcharge has brought home forcibly to Canadians the importance of trade to our economy. Approximately 20 per cent of our gross national product is sold to other countries and of this some \$10 billion worth is sold to the United States, representing well over half of our exports. From a quick glance at these figures it is obvious that our relationship with the United States is a very special one not only in terms of social and cultural ties but especially in terms of our economic relations. We must maintain the best possible working relationship with our friends and customers in the United States. But I doubt that the kind of reprisal proposals in respect of duties on natural resources proposed by the NDP would do anything but lead to a trade war in which we would be the losers because of our high dependence on the United States market for our exports. Our exports to the United States represent one-ninth of our gross national product, whereas their exports to Canada represent one-hundredth of their gross national product.

Likewise, the proposal by the Ontario government to peg the Canadian dollar at a devalued rate would be no solution in the present difficulties. Practically every international currency is at a floating rate today, and until there is international agreement concerning the appropriate levels of value I believe it would be unworkable for the Canadian government to peg our dollar below its current value.

The effects of the United States surcharge have brought to light in a forceful way some of the problems of the pulp and paper industry. Of course, fine paper and specialty paper is affected most because the surcharge does not apply to newsprint or pulp. This industry during the past three years has received several serious blows. In 1969 the Kennedy round tariff cuts were fully implemented by the Canadian government as an anti-inflationary measure two years ahead of schedule. This meant that the Canadian paper companies had to become more efficient to compete with United States producers.

In 1970 the Canadian dollar was floated, thereby increasing its value by some 6 per cent. This was a tough blow not only to the pulp and paper industry but also to many of our resource industries because for many of our companies this 5 per cent or 6 per cent was the margin between a profitable enterprise and one which was losing money. The general slowdown of economic activity in the North American continent during 1970 has meant decreased sales as well for the paper industry. If you add to this the demand of the public for improved anti-pollution programs which has resulted in large capital expen-