

Productivity and Trade

States. The Prime Minister wanted to diversify our export markets and to change our export mix away from the high proportion of resource exports in the Canadian economy.

The Prime Minister was trying to establish a contractual link with Europe in his trip of 12 months ago. Actually, diplomatic negotiations to do with the link began with a Canadian aide-mémoire in November, 1972. Both this aide-mémoire and a later one in April, 1974, were unsuccessful in generating European interest in a contractual link. According to the 1974 aide-mémoire, Canada wanted an agreement that would foster the development of long-term commercial and economic relations between Canada and the Common Market.

The Prime Minister wanted the Europeans to recognize Canada as an entity distinct from the United States. As he said on March 5, 1975, he wanted the Europeans to recognize us as a distinct, advanced industrial society. I emphasize the words "advanced" and "industrial" as used by the Prime Minister. It is obvious from his statement that he wants Canada to become less dependent on the United States, and wants the European community to see Canada as something more than an exporter of resources. He wants them to see us as an exporter of manufactured goods. These objectives may seem laudable on paper or in speeches, but how likely is this government to fulfil them?

More importantly, how do the Europeans feel about the Canadian view of the contractual link? Sir Christopher Soames, vice-president of the EEC commission, has said that he is looking to Canada for resources. To start with, the EEC is looking for deals on uranium, forest products and non-ferrous metals. Europe is not interested in Canadian-manufactured product exports; it is interested in our resources. France would like to participate in the construction of a uranium enrichment plant near James Bay. This would entail heavy foreign investment from a non-United States source. It is true that this project would lessen our dependence on the U.S., but Canada would not be shifting away from a resource-based economy.

The contractual link is far from finalized. I think Canada should know that unless the agreement encompasses manufactured goods as well as resources, our economy will benefit far less than the Prime Minister has been promising. If Canada is to experience continuously deficits of \$10 billion or even \$7 billion and more on manufactured goods, it matters little in terms of Canadian jobs, growth and income where these deficits are created.

I turn now to the question of free trade. The Minister of Industry, Trade and Commerce is reported today to have said that Canada is in for a long-term struggle with yawning balance of payments deficits. I note that he chose to give this bad news from the safe distance of Hong Kong. The minister is trying to arrange trade deals abroad. Although I applaud his efforts to encourage exports, I wonder if the magnitude of our trade deficit can be reduced appreciably by a few deals arranged around the world. Certainly it is a start, but a problem of the size we face must be solved with equally large-ranging solutions. Surely we need to alter how we look at trade. We must make major alterations in that regard. We need a new approach to what we sell, how we sell it and at what price. This is more than just patching up the current system.

[Mr. Stevens.]

The Economic Council of Canada suggested one approach to overcome our trade difficulties: specifically, that Canada should switch to free trade. According to the Economic Council, our manufacturers are producing too many varieties of goods. Because of insufficient specialization, our unit costs are higher and many of our manufactured products would be non-competitive whether or not our wage structures were competitive in the international sphere. The council suggests that the removal of tariff protection on domestic manufactured products would force a radical restructuring of Canadian industry. We would produce fewer varieties of goods but would produce goods of higher quality. Thus, our unit costs would go down and we would be more competitive in selling our products abroad. That is the council's position. Obviously, it is not that simple; nor does the Economic Council try to make it that simple. The ECC's report on free trade provides in great detail an analysis of the problem and a solution for it. Hon. members may or may not agree with the analysis or the solution, but it is worth serious study and debate if only because the council, which was created to advise the federal government, was serious in presenting it.

The report was presented to parliament nearly nine months ago. The government has had time to study it, but has not said so far if the idea is acceptable or if it proposes to make a future policy statement on the matter. Here is a serious proposal which the present administration has treated lightly. Here we see the failure of the government to seek new solutions to an old problem. If it is the policy of the minister to make periodic trips abroad to sell what he can—if that is his idea for creating a new trade—we can expect an even worse export performance and higher trade deficits in future.

● (1550)

Your Honour will recall it was only last Wednesday that I questioned the Minister of Industry, Trade and Commerce concerning some of the activities now taking place in the Export Development Corporation. As the House knows, our party endorses the concept of giving financing for the development of export trade in this country. However, we have repeatedly voiced our protest at the activities of EDC which appears in favour of certain selected companies over and above the rank and file businessmen of Canada.

It is most regrettable that 52 per cent of the total financing through EDC in 1975 was signed for the benefit of three companies, namely, Marine Industries Limited, of Quebec, Badcock and Wilcox, a New York-controlled concern, and Hawker-Siddeley, a United Kingdom-controlled concern. Those three companies, respectively, received \$129.5 million, \$126 million and \$109 million of financing benefits in that one year alone as far as signed contracts are concerned. We do not believe it is sufficient for the minister to simply say we should not quibble over who gets the money, it is creating jobs and what more do you want? What we want is equitable treatment of those funds to ensure that all businessmen in Canada have access to them, especially the small businessmen of this country.

Some hon. Members: Hear, hear!