

*Canada-U.S. Free Trade Agreement*

and I like to look at this as a beginning of a process, not the end of a process. The agreement must be improved, but for the reasons which I have outlined, I intend to vote for Bill C-130.

● (1950)

**Some Hon. Members:** Hear, hear!

**Mr. McDermid:** Madam Speaker, I think everyone in the House would agree that the Hon. Member delivered a very thoughtful talk. I think it was enjoyed and listened to by all who were in the Chamber and, I might add, by those who were close to the Chamber as well.

The Hon. Member said that he is not running in the next election. We have sat in this House together for nine or ten years now. I think it is fair to say that he will be missed. I hope that he will come back and play the piano for us the odd time. It is Canada's loss.

The Hon. Member is absolutely right when he says that this is the beginning, that we did not solve all the problems, and that there is much negotiating to be done in the future. He was an economic Minister on the Treasury benches of a Government. What advice would he give to the Government and the negotiators who will, over the next five to seven years, be trying to define a subsidy? When does a subsidy become an unfair trade practice and when a regional development program is just that and not an unfair trade practice? What kind of advice would he give to the Government's negotiators for that period of negotiation?

**Mr. Johnston:** Madam Speaker, the issue of where a subsidy begins and where it ends is an extremely complicated issue. GATT, of course, already has rules, and I am one of those people who happens to believe that a benefit that may come from this agreement is that there will be some trail-blazing in establishing criteria which is much easier done one on one between Canada and the United States, criteria which then may be extended to our trading partners as a whole.

I cannot deal with all the regional subsidies. It would be a bit complicated to deal with them in a few minutes. It is my own view that national programs which are available without discrimination on a national treatment basis are programs for which Canada should fight strongly.

In terms of regional development, I think Canada should say "if you have national treatment and you are the subsidiary of a United States firm and want to locate in Cape Breton, you will get the Cape Breton development tax credit along with everyone else". The object of these programs is not to discriminate against the United States; it is to promote industrial development and jobs in the regions. That is the kind of effort that should be made, and the United States will have similar objectives as different areas of the country become impoverished from time to time and market forces are not capable of dealing with them. They have them now.

We in Montreal used to read every day that it pays to locate in New York State, and indeed it did. This is not something

that is unique to Canada. It is a problem both countries will have to deal with, but I would like to think it would be dealt with on that kind of basis in order to satisfy the GATT partners as well.

**Mr. Malone:** Madam Speaker, I want to echo the words of my colleague and add to them our best wishes to the Hon. Member for Saint-Henri—Westmount (Mr. Johnston) when he leaves this House. I would like to ask the Hon. Member three questions. First, if this deal were to fail, what would be the ability of a new Government to negotiate a new deal? Does he see that as being possible or realistic?

Second, if this deal were to fail, does he believe that after such a failure there would be any possibility of opening up sector-by-sector negotiations? Third, could he comment on what he would presume to be the expectancy of the Auto Pact if this agreement agreed upon between Canada and the United States were to fail to become ratified?

**Mr. Johnston:** Madam Speaker, I think the question is highly hypothetical. How do we know what the reaction will be on either side of the border if the agreement should fail? I think the reasons for its failure would be important, but implicit in the Hon. Member's question is that there would be hostility and lack of trust, that we would essentially revert to where we were, that the protectionist forces might increase, and that Canada would not have the benefit of the so-called side-swipe provision which is in the agreement. I suppose that is a possibility.

Another possibility is that there could be a change of administrations on both sides of the border and another look would be taken at an agreement in a different form. It is a hypothetical question. My own preference would be that it not fail, but that there be a very strong commitment on both sides to improve it in some of the areas I have touched upon.

That ties in with a third question as well, what would be the impact on the Auto Pact if the agreement were to fail. Of course, the Auto Pact is terminable on one year's notice. Again, the question presumes an underlying hostility. I think the real issue is that in business and commerce, by and large, as the Hon. Member knows, if an agreement is operating to the advantage of both parties, it is unlikely to be terminated. On the other hand, if it is operating only to the advantage of one party, then it is very likely to be terminated, irrespective of this particular agreement.

That was the point I made earlier in regard to the sovereignty argument. If this agreement operates dramatically to the benefit of the United States and to the detriment of Canada, a future Canadian Government will be in a position to terminate it and to receive a mandate from the Canadian people to do so.

The Hon. Member asked if we would have any chance of getting sector by sector agreements if the agreement were to fail. I said earlier that I basically favour sector by sector agreements. Who would not favour sector by sector agreements? I suppose it is what one would call cherry picking, if