

*Customs Tariff*

and what the United States government has done is provide interest-free, tax-free working capital in the form of tax funds to American corporations. The difficulty is that Canada has never really responded to that legislation. We have no alternative for it, and as a result over a period of years we have seen a number of companies that were in Canada and manufacturing here look at the DISC program and the relative tax breaks the United States have over Canada and decide that their best bet is to move their plant to the United States and take advantage of this program.

When the hon. member for Stormont-Dundas and myself were down in Washington in January we heard the American government officials say that the President would like to cancel the DISC program. The President may, but whether the Congress will cancel it is something else again. At a time when Canada is looking for more investment from the United States, when we and the Americans are seeking more employment and they are seeking to wipe out a trade deficit, whether they are going to upset the DISC program remains to be seen.

Another program that will have as much impact as the DISC program is the tax proposals being put forward by President Carter in which the profits of overseas subsidiaries of American corporations are taxed in the United States. The object here is to repatriate those companies and those jobs back to the United States to create more employment there and help their trade deficit problem. So the net effect of the DISC program and this new proposal of President Carter's, if it is accepted, will be the loss of jobs to Canadians.

There is a further problem which will affect Canada and it is a serious one. It concerns a case presently in the U.S. supreme court that has to do with tariffs, and it could drastically affect Canada. This is the Zenith television case, and the Germans, French and Japanese call it a "trade time bomb" because that is how critical it is. The details behind this case are somewhat complicated but I think I can simplify it. In most western countries and in Japan there is a value added tax or a retail sales tax, and if you buy something you pay the tax on it. But if you export that product you get a rebate on the tax you have paid. What Zenith has said to the United States tariff board is that this rebate in fact is a bounty. This is the wording that appears in their 1895 tariff act.

The case is so critical that Zenith appeared before the tariff board and they turned them down. They then appealed and the matter went to a higher court where it was upheld unanimously by the three judges. The treasury department in the United States then appealed that decision and it has gone all the way up to the supreme court where it has been heard by the nine judges there. What will it do to Canada and these other nations if it is upheld by the supreme court? It would mean there would be a countervailing duty of 12 per cent in the United States upon any product of which a 12 per cent sales tax is charged in Canada. It would mean that most Japanese products—it does not really concern us, but it is all part of the same thing—such as Japanese sporting goods, would bear a 30 per cent countervailing tariff, cameras 16 per cent, French luxury items 33 per cent, wine 17 per cent, most German

products 11 per cent, the Netherlands' products 18 per cent, and goods from Canada 12 per cent.

We can sit back and say the Americans would not allow this to happen. I can tell the House that U.S. Steel has filed a brief in the supreme court as has Ford Motor Company. U.S. Steel has said, "Go ahead, we would like you to put a countervailing duty on European steel coming in from the common market countries because that is one of our difficulties; we cannot compete with the rebate they get when they export that steel." The Ford Motor Company has asked for an exemption from their own foreign subsidiary shipping back to the United States, but the Ford company has urged the supreme court to retain or apply a countervailing duty against cars manufactured by other than U.S. companies.

I have mentioned these concerns because these are the things that businessmen are reading about. This, plus the general confusion in the country regarding GATT, our tariff situation and customs, is part of the difficulty we face. It is part of our employment problem, part of our inflation problem and part of our trade problem. This is one of the difficulties we must address in the months ahead.

● (2022)

I know there are some businessmen in the House but I do not know how many have had to sit around a board table and try to make decisions on situations such as this. As the article I referred to pointed out, the machinery and equipment business is supposed to go down the drain. Last year there was a trade deficit of about \$4 billion in general machinery. That is, we imported \$4 billion more than we exported. In other words, Mr. Speaker, there is a \$4 billion market in general machinery available to us. I want to know why something is not done about it. It is a very significant market.

Last weekend I read an article which said that Westinghouse and General Electric are fighting over the light bulb market of \$200 million and are spending millions of dollars to produce a new shaped bulb. It is a \$200 million market and they are ready to spend millions to get it. What I am talking about is the \$4 billion machinery market in Canada.

In white goods alone—washing machines, dryers, refrigerators and so on—our deficit last year was \$970 million. We imported \$970 million more in that line than we exported. That, too, is a very significant market and I suggest we could make a good proportion of those products in this country. There is no need to have one million unemployed. The application of the customs tariff is very uneven across the country.

Some months ago a group of people from Winnipeg came to Ottawa to complain that they were paying a different rate of duty on automotive products imported from the United States from Ontario, which in turn was paying a different rate from Quebec.

At any business convention the conversation is about differences in trading practices. The application of tariffs is uneven not because of any tomfoolery but because of different interpretations of the act. That is why the businessmen came from Winnipeg to talk about it. Because of the tariff on their