

The Budget—Mr. Benson.

package of tariff reductions agreed to by Canada would, when fully implemented, contribute to the overall efficiency of the Canadian economy. We gain from such tariff cuts because of the greater efficiency required to meet keener competition; moreover, the tariff reductions on the products of one producer are, of course, reductions in the costs of others. Thus, aside from the improved access to foreign markets for Canadian producers negotiated in the Kennedy Round, the modernization and rationalization of the Canadian tariff achieved in the Kennedy Round context offered the prospect of reduced costs and improved efficiency.

Certain sectors of the Canadian tariff proposals were implemented without phasing—that is, they were implemented in one step. These included the tariff reductions on certain tropical products, the tariff reductions on certain wood products, the tariff reductions on chemicals and plastics and, perhaps most important of all, from the point of view of cutting costs, the modernization of the machinery tariff. Under the direction of the new Machinery and Equipment Advisory Board, Canadian industry has been able to secure at duty-free world prices a wide variety of machinery determined by the board not to be available from Canadian sources. This is now having an important impact in reducing Canadian production costs.

The remaining group of tariff reductions were to be staged over four years. Two-fifths of these reductions have already been made. In the present situation, in which there are continuing increases in both U.S. and Canadian costs and prices and a need to introduce more competition into the Canadian economy, the Government has concluded that the full benefits of the Kennedy Round tariff reductions should no longer be delayed.

I recognize that some producers will feel they are being denied the time for adjustment to increase competition, which the phasing of the Kennedy Round reductions would have provided. However, I believe that in today's climate, when failure to counter inflation holds its own risks for our competitive position, more time is not necessary for our producers to adapt themselves to these tariffs. I am confident that the whole economy will gain by the step we are taking.

● (8:40 p.m.)

A most important consideration before the Government in making this proposal is that the burden of adjustment and the pressure of

[Mr. Benson.]

increased competition will fall mainly on producers in the industrial centre of Canada. It is here that inflationary pressures are greatest. This is one of the principal reasons why the Government has decided to propose this measure rather than resort to any generalized tariff or tax measure, the burden of which might well have fallen with rather greater weight on those areas of the country where economic activity is still lagging behind central industrial Canada.

These reductions should, of course, be of importance to consumers, although the main effect will be, I think, to reduce producers' costs. There will be tariff reductions on canned meat, confectionery, biscuits, cereals, fruit juices, and some other foodstuffs. These immediate tariff reductions should help to keep down prices. There will be reductions too, on a number of consumer appliances, such as washing machines and dryers, power lawn mowers and television sets. In the textile sector there will be reductions on knitted fabrics and garments, and on synthetic fabrics. I believe the principal effect of these reductions will be to help our garment industry maintain its competitive position.

In the industrial sector one reduction will be the elimination of the present thirty cents per ton duty on coal. There will also be a number of important reductions in the tariff on semi-manufactured forms of non-ferrous metals.

I am making only one exception to the acceleration of these cuts. This will be on shoeboard, a paper product for which the tariff is scheduled to be reduced from 20 per cent to 5 per cent. The full period of four years is required for readjustment of the production facilities of this small industry to meet this more than usual tariff reduction.

Tourist Exemptions

I am also proposing changes to the two existing tariff items which provide free entry for goods brought in by Canadian residents returning from trips abroad. One of the tariff items now provides for a \$25 exemption once every four months after an absence from Canada of not less than 48 hours. Under the second, Canadian residents returning from a point beyond the continental limits of North America after an absence of not less than 14 days may claim an additional exemption up to \$75. If use is made of the second tariff item no further claim can be made under either tariff item for the next 12 months. These