

Canadian Trade Policy

products covered. The EEC wants the major tariff-cutting formula to exclude its highly-protected farm products where some of the highest tariffs now exist. The United States, and I hope Canada, too, wants Common Market agricultural products to be part of the over-all tariff-cutting formula. The United States has also suggested that major nations cut tariffs by 50 of 60 per cent for many categories.

Despite denials, the alleged Canadian tactic was very much in the minds of Congress when it was dealing with the trade act of 1974 which really empowers the president to negotiate at the Tokyo Round of talks. This legislation provides the United States President with specific authority to negotiate in GATT. One portion of the act, section 126, known in inner circles in the United States as the Canadian section, aims to prevent any major industrial nation from using the United States to hitch a free tariff ride. The section provides that after the negotiation ends, if the United States thinks that any major industrial nation has not made sufficient concessions equal to what it will gain from the United States, it can exclude that country from sharing the benefits until further equalizing concessions are made. It is understood that one of the preliminary drafts of the Senate finance committee report actually named Canada as a past example of a free-rider, although such reference was deleted from the final report.

There is little question that this approach has created considerable resentment among the Americans both within the administration and also in Congress. The United States is convinced that during the Kennedy Round of tariff negotiations Canada won a free ride on the backs of the United States, giving up much less than they gained in tariff and trading advantages. It has been contended that Canada managed this by holding off until the last minute and avoided, compared with other nations, major tariff concessions in areas that it wanted to protect.

It is interesting to note that under the rules of the game Canada was granted the same tariff advantages that the United States painstakingly worked out with other nations. Canada, of course, has denied this allegation of a free ride and is still very clearly sensitive to the issue. The implication running through all of the negotiations, through speeches that have been made, and certainly the recent speech of Mr. Enders, the U.S. ambassador, is very clear for Canada, and it is that in the new economic order which will be established after the Tokyo Round of talks are concluded, which will be some time at the end of the 1970s or the early 1980s, Canada, regardless of what we in the House of Commons think, will have to be more competitive in the area of international trade. So much for how we are perceived by other trading nations.

[Translation]

The Acting Speaker (Mr. Ethier): Order, please. I regret to interrupt the hon. member, but the time allotted to him has expired. However, he may continue with unanimous consent.

Some hon. Members: Agreed.

[Mr. Murta.]

[English]

Mr. Murta: Thank you, Mr. Speaker. I will not be much longer. As I understand the Canadian position, it is to eliminate tariffs under 5 per cent and to cut, on what is called an unspecified trade-weighted basis, those tariffs between 5 per cent and 20 per cent, and to reduce all remaining higher tariffs down to a floor of 20 per cent.

In addition, the Canadian position must be regarded in light of the sector approach which Canada has put on the table, which is really Canada's initiative in this particular area. The object of negotiating through the sector approach is the upgrading of Canada's resource development within Canada by eliminating tariffs and non-tariff barriers. The sector question, like those involving multilateral rules on which products to exempt from the negotiations, and safeguard to ensure that countries comply with the outcome of the tariff negotiations, are also up for debate in the coming months.

I should like to touch very briefly on one of the most important, and certainly toughest areas in the present round of negotiations, and that is agriculture. This is the first time our negotiators will sit down and deal in a meaningful way with agriculture and its subsidies. It is hoped that Canada will be backing the move of the United States to reduce tariffs in the economic community. I believe Canada's position is generally along that line. There will be significant benefits from any reduced agricultural barriers to trade. This is because one of the major areas where Canada is an efficient exporter of any type of commodity is agriculture. About 40 per cent of our total farm cash income in Canada comes from the export of agricultural products, so freer trade is very important.

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The negotiations will be complex because many of the countries use farm policies for social as well as economic goals, as shown by the farm income policies of the Economic Community. The United States maintains that the objectives must be to create an agricultural trade environment which is based on income support divorced from the price mechanisms, low tariff, as the only form of import protection and export subsidy prohibition. Since the present EEC policy is not compatible with these objectives for progress to take place, the EEC and U.S. positions will have to change or solidify to some extent. The EEC, on the other hand, feels that a move away from its painfully constructed common agricultural policy would destroy the adhesive force which holds the Common Market together.

As I have said before I think one important area is agriculture. I certainly hope, and I believe all hon. members of this House hope, that Canada can make some progress in the area of reducing these barriers to trade. The possibility is that we will be odd man out of negotiations—not being associated in any way with any of the big three, the U.S., the EEC or Japan—in the new economic order that we can expect in the early 1980s. It can easily be seen that competition will be more intense when one looks at past negotiations and what may take place in the future.