

of subsidies. Most of it was in tax abatement, some of it in infrastructure, some of it in training. It means that Chrysler and its Mitsubishi plants in the United States and of which it has an interest, received \$175 million in subsidies. It means that the Honda plant in Ohio received \$130 million in subsidies, of which \$124 million was in terms of infrastructure. In the case of Toyota in Kentucky, there is a further example of this Government's failure, with \$269 million received, and this Government did not even achieve a common code of subsidies for our two countries. In the case of the Chrysler plant on Jefferson Avenue in Detroit, right across from my constituency, \$366 million in subsidies were received.

Much of this comes from state and local Governments in the United States, so it does not appear when we look at federal grants and subsidies. Much of the rest comes from the Pentagon, in the form of support from defence contracts.

I will give you another quote from the careful analysis of prominent United States economist Robert Reich:

—the Pentagon and its sister agencies have become the source of America's high-technology industrial policy—a policy that is more costly, complex and intrusive upon the private sector than any ever imagined by our trading partners. The problem is not that they do it and we don't. The real problem for us is that we do it under the aegis of national defense.

Yet, what do we find when we look at the free trade agreement? We find that the United States can do anything in the name of national defence, and we cannot do anything about it. Even with subsidies with respect to national defence that come from the Pentagon, it will not be part of this five years to seven years of negotiation. They certainly should be if this deal ever goes through, but the United States has already won an exemption in this trade deal for that crucial part of its support to industry.

It is not just big plants. I could take us through dozens of subsidies to small Japanese parts producers from different states, from different communities. In virtually every case Japanese supplier satellite plants, which are shaping themselves up around most of the Japanese auto parts producers in the United States, are receiving massive amounts of support from local and state Governments. I predict that, having lost once in trying to get at the subsidy question through this trade deal, we are not going to be able to succeed, if this thing ever did go through, in the next five years to seven years.

It is not just industry. There are subsidies to fishermen in the United States. They get tax deferrals under the fishing vessel capital construction fund. The Fishermen's Protective Act provides funds for fishing vessel and gear damage. The Nicholson Act forbids foreign vessels from landing directly in U.S. ports, thus forcing Canadian boats to land in Canada and ship overland by truck, thereby increasing Canadians costs and making the Canadian fish less fresh than U.S. product. We also failed to get that changed as part of this trade deal. We let shipping and all associated connections slip away from us, as the United States shipping lobbies got themselves into high gear and stopped us from being able to get fairness in that area.

Canada-U.S. Free Trade Agreement

We can deal with agriculture. There are huge subsidies in the United States to agriculture. There are preferential procurements to small business. There are state subsidies right across the board in coal producing states to coal producers, so much so that I wrote earlier this year to the then Minister for International Trade, the Hon. Member for Vancouver Centre (Miss Carney), and suggested that if we were ever going to get western coal brought to eastern Canada on a fair basis we would have to attack those massive state subsidies to coal producers.

In 1986 the U.S. lumber industry received \$1 billion in government assistance through special capital gains treatment, below cost sales of some federally owned timberlands, reforestation, and forest management assistance. All that shows that the United States has been the country which has put its Government behind every sector of its economy, subsidized it across the board, and that we failed to tackle, that we failed to win, and that is part of the biggest hole in this trade agreement.

● (1520)

Mr. John McDermid (Parliamentary Secretary to Minister for International Trade): Mr. Speaker, I will try to reply to both my colleagues, the critics in the opposition Parties. First, my hon. friend, the Hon. Member for Essex—Windsor (Mr. Langdon), in his remarks which I was pleased to hear, spoke about American subsidies. All we hear normally from the Opposition is that we cannot subsidize any more in Canada; we cannot provide regional disparities any more; we cannot have health care any more; and we cannot have unemployment insurance any more.

When speaking about subsidy programs, the Americans said: "You guys up there in Canada, in the wild and woolly North, subsidize quite a bit." With that, Ambassador Reisman brought out a lot of the information my colleague mentioned today and much more. Had my friend from Essex—Windsor had two hours, he could have probably filled them very easily speaking about the subsidization that goes on in the United States. The Americans fast came to reality after the Canadian negotiators said: "Wait a minute. You subsidize down here as well. Let us sit down and talk about this." The Americans said: "We didn't know you had all that information. Let us sit down over a period of time and try to come to a conclusion about what a subsidy is, when a subsidy is a subsidy, when does it become an unfair trade practice, and when is a regional development, just that", and so on.

Both sides have agreed to sit down for a five-year period and, if they have not reached a conclusion at that time, they will sit down for a further two years to discuss the subsidy programs of both countries, including state subsidies and municipal subsidies about which the Hon. Member spoke about and all subsidies within our respective Governments in Canada and the United States. There are certain items, as was the case in the negotiations on the free trade agreement, that will be the policy of this Government not to negotiate away.