

Mr. McPherson called simplistic and naive the recent recommendations of the Economic Council of Canada for the gradual elimination of tariff barriers between Canada and the United States, where we are already incurring a yearly trade deficit. The costs of manufacturing in Canada are certainly greater than in countries we now trade with, and because of that, he said, Canada's chances of improving her competitive position in the near future are very limited indeed.

The economist advocated a policy of protection to those industries with prices closest to world levels. He said:

This scheme would give consumers the price restraints needed under today's conditions and would give management a fighting chance to recapture lost domestic markets. It would improve profit prospects from which the government greatly benefits. It would also help to stop the drainage of money that is much needed in the Canadian economy.

On the other end, widening our export trade by the means of absolute free trade would be extremely costly to Canada, basically and economically questionable and would be conducive to an immediate weaker economical position for Canada.

At this time I would like to plead again for what was strongly advocated in 1962 by one of our valuable colleagues, Senator Maurice Lamontagne—the expansion of our trade in an Atlantic economic community, promoting gradual reciprocal trade as a mutual beneficial long-term objective.

Its first concrete goal had been embodied in one of the articles of the North Atlantic Treaty Organization, but there was really no implementation of it. There was at that time not enough recognition that everyone had become interdependent in the economic field as well as the military field.

Since 70 per cent of Canadian export trade is with the United States, I believe that it is wrong to accept or promote the idea of a "third option," providing for free trade with any group that would exclude the United States. This, however, does not rule out free trade with the United States alone, which is the largest importer of our products, bearing in mind that we have recently been in trade balance deficits with that country—last year to the extent of some \$750 million.

The Economic Council has said that the basic argument against any policy to demolish trade barriers is, amazingly, that the only Canadian activity to be so threatened would be our secondary manufacturing. Well, these economists surprisingly, at least to me, discounted the employment provided by the secondary manufacturing industry. It is now 22 per cent of the labour force and is of major importance in our secondary manufacturing industry. Such an attitude is unreasonable and unacceptable. Can the unfavourable consequences be overlooked or put aside?

The electors—the workers in the steel, shoe, clothing, textile and chemical industries—could hardly be counted on to support the giving up of their industries to some foreign countries because production there would cost less because we choose to give our workers protective social and economic security that is costly. Our workers would not give up without strong resistance the right to work at

[Senator Desruisseaux]

their own trade, in which they have acquired a high level of skill over the years, to seek a different form of employment which might be hard for them to master. I am of the opinion that for the betterment of our present economy it would be quite possible instead to put into action other known political mechanisms capable of improving and developing further our international economy.

Total free trade faces the arguments that restrictive trade measures may be recommended to better advantage when the survival and the stability of certain social groups—the farmers or textile workers, for instance—are threatened by massive importations, and when more generally it is necessary to compensate various economic inequalities such as those that result from differences in levels of salaries or fiscal systems.

Someone, as a requisite, would have to be prepared to grant credits to countries because their trade cannot be balanced. This would require the establishment of special, uneven rules of cooperation, and would necessitate a major improvement of international credit and money convertibility.

So far, there has been an oversimplification of our problems relating to any total free trade goals for Canada. A great deal of clarification is needed before its consideration here. It would create the need to promote special harmonization, indeed political integration policies, which would presuppose the loss to the country of some of its local sovereignty to a supranational organization. I do not believe such a policy would be either acceptable or advantageous at this time for Canada. The inequality of the countries requires some adequate but special concession from Canada, which would be difficult to obtain.

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The system of GATT arrangements, made intelligently under the reciprocity concept in non-sensitive areas and, in equalized values of imports and exports, appears to me more effective, less cumbersome and more practical than any form of the advocated total free trade policy for Canada's immediate and long-term expansion in the area of international trade. I believe the best interests of Canada would be served if the total free trade recommendations of the Economic Council were analyzed in respect of their real consequences rather than accepting, without debate, their predicted effects.

Senator Molgat: Would the honourable senator permit a question?

Senator Desruisseaux: Certainly.

Senator Molgat: During the course of your excellent speech you expressed the view that Canada was not ready for free trade at this time. When do you feel Canada could consider free trade as a viable policy?

Senator Desruisseaux: I do not want to speak like Marx, the great philosopher, who was totally in favour of free trade. Given the Third World as it exists, and with which we would have to deal, we would be at a great disadvantage. In addition, we would be at the mercy of the larger nations through supranational organizations. That is the situation as I see it.

Given the small population of Canada and the fact that many of our industries are presently struggling for surviv-