

Government Organization

shrink from the appearance of some loss of national sovereignty. Interdependence is a fact of life, and co-operation in the essence of progress.

It may be impractical at the moment to bring about a free trade area of this kind. There may be impediments of all kinds; but at least let us have an outgoing approach to free trade. Let us investigate the feasibility and possibility of lowering tariffs. I have been encouraged by the speeches our ministers have made on the subject. Speaking about the possibilities of free trade, the Secretary of State for External Affairs said in New York on November 14, in part:

One broad sector for which there is obvious scope for a greater international division of labour is forest products—lumber, wood products, pulp and paper. But the great expansion of markets for these products will not be confined to North America. Much of it will be in Europe and Japan. A purely bilateral trade arrangement between Canada and the United States in this sector would be second best to a tariff arrangement involving all the industrial countries of the free world. Canada and the United States would both gain much more from a multilateral than from a bilateral arrangement.

We ought to move in the direction of freer trade and lower tariffs. If there is a danger that Canadian industry may suffer from competition arising from freer trade, let us extend our adjustment assistance programs to secondary industry to make sure we do not suffer economic losses in this country and that our workers keep their jobs and incomes. If Canadian industry suffers as a result of competition then, by all means, let us determine whether any particular industry is suffering unfairly or whether the blame can be attributed to lack of productivity, lack of technological innovation or lack of managerial skill or enterprise. In the long run, further protectionism will do little to defer the demise of an inefficient industry which is unwilling or unable to keep pace with change and competitive forces.

Yesterday, the hon. member for Waterloo read, I believe, from the Fourth Annual Review of the Economic Council of Canada. Significantly, he did not read from the Fifth Annual Review entitled, "The Challenge of Growth and Change", published in September, 1968. The Economic Council says, in part, at page 154 of its Fifth Annual Review:

Of all the major instruments of national economic development, perhaps none has proved to be a more potent source of interregional tension than the system of protective tariffs and related commercial policy devices. It is a time-honoured and enduring ritual at federal-provincial conferences on fiscal and economic problems for Ontario to remind the country that it provides about 45 per

[Mr. Perrault.]

cent of the total direct tax revenues flowing into the national treasury, and for the Atlantic and western provinces to rejoin that, among the various burdens they carry, the tariff provides Ontario with its sheltered market while most of their own producers must sell abroad at competitive world prices. Over the years regional unevenness of the cost of the protective tariff has been regularly used to support arguments for providing an elaborate structure of regional and national transportation subsidies, special assistance to primary producers in agriculture, fisheries and mining, tax concessions of particular regional interest, and revenue equalization payments to the lower-income provinces.

As we have already indicated, the initial purpose and effect of the protective tariff, together with a national transportation system, was to establish an east-west trading relationship, involving a considerable degree of regional economic specialization. The manufacturing and industrial core of the country developed in Ontario and Quebec, with a strong primary resource orientation in the other regions. The expectations of the Atlantic Provinces that they would also perform an important national manufacturing and service function were frustrated both by changing technology and by the westward shift of North American population and activity—

The broad structure of the tariff and the traditional view of its national and regional impact are generally familiar. One of the main effects of tariffs is that purchasers of goods pay higher prices for certain commodities than they would pay for the same goods at duty-free import prices. The amount involved is what has been called the "cash cost" of the tariff. Earlier studies suggested that this "cash cost" of the Canadian tariff is substantial. Not only do Canadian consumers pay substantially more for many finished products as a result of the tariff, but most Canadian producers pay more for a wide variety of materials, machinery and components as a result of the tariffs on these items; and these higher costs of production are reflected in the prices of goods produced in Canada. All Canadian consumers and producers share in the cash cost of the tariff to the extent that tariffs affect the price of the goods they buy. But the impediments that tariffs impose to access to some cheaper sources of supply in adjacent areas of the United States tend to result in a somewhat larger cash cost in the Atlantic Region and the western provinces than in Central Canada.

The hon. member for Waterloo talked about the productivity of Canadian workers, and the Economic Council had this to say about them:

But a far more important effect of tariffs is that they tend to depress the levels of output per employed person in Canada.

In other words, the Canadian worker, one of the most efficient workers in the world, is hampered by having to work for too small a market. We should, therefore, try to increase his productivity by enlarging his market.

Mr. Saltsman: On a point of order, Mr. Chairman. I know the hon. member does not wish to be unfair. I wish to make it clear that