

*The Budget—Mr. Macdonnell*

So many Canadian companies duplicate machinery and methods used in the United States. This raises questions of personnel and it is interesting to find the Minister of Trade and Commerce (Mr. Howe) suggesting that places be opened at the policy level for Canadian employees. The minister also said:

Too often I regret to say our trade representatives abroad turn up export opportunities for a subsidiary company operating in Canada only to find that the United States parent company does not permit the export business to be done from the Canadian plant.

We have no reason to doubt that in the event of any setback in the United States their tariff attitude will become stiffer.

Now let us turn to Europe. What do we find in Europe? We find that the continent of Europe is making a tremendous effort to provide an answer to the mass production market which has been the secret of American success. Practically the whole continent seems likely to join in one huge market of 302 million people. Faced with the possibility of exclusion, of being a little island commercially ostracized by Europe, Great Britain is seriously thinking of joining. This raises the question of commonwealth trade.

At the present moment the figures of commonwealth trade are not impressive. There was a time when the preference enabled Canadian subsidiaries of American motor car companies, for example, to do a thriving export business with other parts of the empire, notably Australia and New Zealand, but that day is past. Nevertheless, we should not ignore the possibilities of commonwealth trade, even though at the moment they do not seem to be very important.

Under these circumstances, are we wise to go on giving the cold shoulder to any suggestion of a commonwealth conference, and to rely on a virtual Washington-Ottawa axis in the matter of trade? When the Prime Minister (Mr. St. Laurent) came back from the last commonwealth conference the report he gave us was, to put it mildly, not exhilarating. I felt he was not very much interested in it, and I must say I was singularly unimpressed by what the Prime Minister said this afternoon. I do not think we are any blushing violets, and that we need feel it would be taken amiss if we tried to take the lead in this matter. I think the great danger is that we are doing nothing about it.

I think it is fair to say that there has been very little real sympathy in the government about commonwealth trade. But with this new danger that if Canada is not watchful the European free trade area may become a regional trading bloc with little inclination to liberalize existing restrictions on dollar

imports, should we not prick up our ears and take a new look at the situation? Might not a commonwealth conference be one way of obtaining from Britain assurance that our interests would be safeguarded in whatever steps she takes, and might it not on the other hand strengthen her position?

Up to the present time Britain has made only limited headway in removing restrictions on the entering of imports of manufactured goods from the dollar area. Some hope has existed hitherto that eventually Britain would remove more of these restrictions, but if over the next 12 or 15 years Britain has to make substantial readjustments on account of having joined the free trade area, will she not likely be less receptive to pleas that further progress be made in easing restrictions against these dollar imports?

No doubt we have been making representations to Britain on these points; nevertheless, a conference with clear signs that the British commonwealth means business would have its effect both in the United States and in Europe. The possibility of being ground between the upper and nether millstones—the United States and a European free trade area—is enough to give occasion for serious thought.

In 1956, Canada ran up a deficit in its current payments with the United States of \$1,659 million. In 1955 the deficit was \$1,041 million. In the two preceding years the result was a deficit of \$904 million in 1953, and \$807 million in 1954. Canada has a favourable trade balance with most other countries, but the large American deficit was reflected in a current deficit overall. In 1953 this amounted to \$443 million; in 1954, it was \$432 million; in 1955, \$692 million and in 1956, \$1,398 million.

These figures look formidable, and indeed they are formidable. The only reason, of course, that we have been able to meet the situation and that we even have our money at a premium is the amount of foreign investment, largely American, which has been made. Between 1951 and 1955, there was a net movement of United States capital into Canada of \$1,283 million; in 1955 the amount was \$405 million; and when 1956 figures are available the amount will be substantially increased. Much of this money is invested in bonds, in other words, lent to us, but much of it is in ownership, usually shares of incorporated companies. In either case we have a bill to pay for interest or dividends, although we must not overlook the fact that much of this is being reinvested. One writer asks the question: "What happens to Canada's foreign trade when the inflow of capital stops and Americans start taking their earnings home instead of reinvesting them?" The