

Canadian Trade Policy

The reasons for this trend to a deficit in trade relate to fundamental factors such as the declining availability of our high price energy export and the 1970 exchange rate revaluation.

However, the composition of the flows of trade is much more important. Our deficit in fully manufactured products was about \$10 billion last year, the result of the high inflow of manufactured goods which will not be offset by exports of our resources.

The environment for developing new resource based exports has become markedly less attractive in Canada because of the burden of taxation and escalating construction and financial costs.

That is one of the reasons I would like to see the Minister of Finance state his position in this debate. Quoting again from the Conference Board report:

Finally it is clear from the evidence available that our cost performance in manufacturing has deteriorated considerably during the early seventies.

As I mentioned before, the implications are certainly clear for the Canadian economy. Because of the seriousness of our situation, the Tokyo Round of talks, as they are being called in Geneva, take on an added dimension. We have a situation in this country that was alluded to in today's question period as well as in speeches in this debate. Unemployment, because of a slowdown in construction, among other things, is starting to inch its way up once again. This winter we will have an unemployment rate of over 9 per cent, which is truly shocking for a country like Canada.

I hope the government will make some effort to reply to this kind of criticism, namely, that we have self-inflicted wounds throughout our export field. Our deteriorating export position is most serious. Over the past few years it has been rapid. What is happening is that Canada is pricing itself out of competition in a good many world markets. Over the past year, attention from our economic problems has to some extent been diverted by the Anti-Inflation Board and by general statements of the Prime Minister (Mr. Trudeau) on the economy. This has caused business confidence to be at an all-time low as far as rapport between the business community and the present government is concerned. That is one of the major problems this government has to overcome.

I wish to mention briefly the Kennedy Round of talks in order to set the stage for discussion as far as the Tokyo Round of talks is concerned. After that gloomy, but realistic picture, of the Canadian economy, hopefully we can view the discussions that are coming up in the proper context. In general, the Kennedy Round of talks that was completed in the sixties was favourable to Canada. The volume of trade effected by concessions in the Kennedy Round has been estimated at \$40 billion. Therefore, the Kennedy Round did have a positive effect on world trade. In general, for Canada the results of the Kennedy Round meant easier access to foreign markets for many goods being exported. While tariffs on many of Canada's primary products were already low, the changes offered new potential, particularly in the area of manufactured goods. The most significant reductions were for industrial and manufactured goods, and the resulting tariff did retain a significant degree of protection for Canadian industry in the domestic market throughout the sixties and since the Kennedy Round of talks concluded.

Tariffs for most manufactured goods were reduced from a range of 22½ per cent to 25 per cent to a new range of 17 and a half to 20 per cent. Canadian concessions were generally less than 25 per cent of the existing rate on a selected list of commodities, in contrast to the general reduction of 50 per cent for broad groups of items by the United States. As a point of general interest, the United States tariff rate on most manufactured goods is less than 10 per cent, while the EEC rate ranges from 5 to 8 per cent. That is past history and it has been generally favourable for Canada, although the present economic outlook for our economy would not indicate that we received any benefit during the Kennedy Round of talks.

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When you look below the surface at the reasons for this, the main reason being the government's misdirection in handling the economy, the short-term strategy the government has adopted for political reasons, and not for the good of the Canadian economy, and the general unsettling of the economic situation in Canada caused by a number of factors, some of which admittedly are outside the control of the government, any gain that we might have thought was attained during the Kennedy Round has been lost.

In turning from the Kennedy Round to the Tokyo Round and looking exactly at what we will have to be facing in the next few years, it is certain that Canada will be forced to take a more positive position than it took during the Kennedy Round of talks. Throughout my remarks on the Tokyo Round of talks I will draw a comparison between the United States and ourselves. It is clear that we trade more goods between our two countries, and that the United States is far more important to us than any other country. What is done at the Tokyo Round of talks will have more impact on Canada than most other countries. Canada will be forced to take a more positive position than it took during the Kennedy Round. The United States will be pushing Canada toward an exposed front-row seat at the forthcoming Tokyo Round of multilateral tariff negotiations. The United States is apparently going to make sure that Canada takes its place among the leaders, rather than hang back while other nations do most of the bargaining and give up most of the tariff ground.

As I mentioned before, in the past Canada's strategy seems to have been to maintain a largely passive role, coming forward mainly in reaction to other national proposals or to protect and promote its own interests. The United States trade officials clearly think that if they can pressure Canada and a few other reluctant players to commit themselves early—and I think they will be doing this very shortly—and then involve them in the main negotiations, the chances of a free ride which Canada is said to have gotten will be greatly diminished.

Because of this fact there appears to be less concern in working United States circles about the actual content of various tariff-cutting proposals than there is about the need to force it on to the table at the negotiations. The United States and EEC proposals, for example, differ markedly in both the depth of the tariff cuts suggested and the extent of the