

the provision that the issue of subsidies remains to be negotiated over the next five years to seven years, then the protection of our environment now and in the future is clearly put at risk by this trade deal.

Let me say a few words about the trade deal and social policy. The Conservative Government has consistently denied that social programs are affected in any way by the trade deal. However, it is very clear that our safety net is not protected by the absence of references to it in the final text of the agreement. Certainly, there are a number of American politicians and corporate leaders, and some Canadians as well, who clearly view our current Canadian social programs as constraints to achieving the level playing field they believe must come as part of the Government's trade deal with the United States.

What does the American playing field look like? A recent study by the Conference of State Manufacturers Association reported that the quality of a state's business climate was defined by low taxes, low union membership, low workmen's compensation insurance rates, low unemployment benefits, low energy costs, and the fewest days lost because of work stoppages. Implicit in that study is the idea that the less there are social programs to benefit workers and the community at large, the better it is, and this shows why Canadian social programs could and likely will be undermined by the Canada-U.S. free trade deal.

American interests may launch a direct attack by countervail suits similar to the 1986 action of fresh groundfish which named fishermen's unemployment insurance as a subsidy. There is nothing whatsoever in the trade deal that exempts Canada or Canadian programs from being the subject of countervail suits or any other U.S. trade remedy legislation. We are still subject to that kind of harassment. The so-called dispute settlement mechanism does nothing more than enable a panel to say whether or not the American legislation has been properly applied according to its own terms. We are not given any exemption whatsoever.

The second way in which the Canada-U.S. free trade deal creates a threat to our Canadian social programs is far more insidious. It could have a very substantial impact on social programs in general. Under this scenario, an evolutionary process would see a greater harmonization of policy objectives and instruments in order to achieve the level playing field which the corporate sector will be desiring. It will argue that the cost of doing business must be equalized subject only to what they would call some natural comparative advantage.

We only need to look at a background study prepared for the Macdonald Commission, and the Government always cites the Macdonald Commission and its report as evidence that its trade deal is a good thing for the country. I can say as an aside that which the Macdonald Commission did not say a word about the trade deal the Government is trying to force down the throats of Canadians. The report came out well before that trade deal was negotiated and its text was available. In any

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event, the background report states that Canada would be required to make wage and tax rates and welfare policies conform to American practice and to follow all important changes in the United States with virtually identical changes in Canada. We have already seen some first evidence of this process through Bill C-22 on prescription drugs.

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This pressure to harmonize Canadian social policy with the American system will be an inevitable consequence of the Government's trade deal with the United States. Aside from the pressure by big business interests on both sides of the border, we have the situation that will undoubtedly arise because there will be the five-year to seven-year negotiating period to come up with a definition of subsidies pursuant to this deal.

There is nothing in the deal to say that an agreement will not be made over the next five years to seven years, accepting American contentions that our social programs such as medicare are unfair subsidies and that if they are not changed then it will be open to the American Government, on behalf of American business interests, to bring actions for countervailing duties or special duties under not only existing American trade remedy laws but the omnibus trade Bill which has just been passed by the U.S. Congress. This Bill has new forms of investigation of alleged undue Canadian subsidy, and new methods of trade harassment by the American Government and American business interests.

These points have been signalled by Canadian business spokesmen. For example, at an annual meeting of the Auto Parts Manufacturers Association held recently in Toronto, Past Chairman Larry Beganto stated: "Services such as national day care and indexed pensions, universal medicare and others may be laudable but they add to the cost of doing business". This just provides an example of how business interests are already thinking of creating pressure for a forced harmonization of our social programs with the much lower level of social programs in the United States, a country where doctors check a person's pocket-book before they check his pulse, a country where a very high proportion of the population has no adequate retirement pension, a country in which a substantial portion of the population has no adequate unemployment insurance program.

Obviously, if the Conservative Government's trade deal comes into effect, there will be pressure for a realignment of our tax policy and cut-backs in social expenditures in order to answer the pressure of business for tax cuts. Should the federal Government accept this argument, personal income taxes will go up in order to support social programs, or social expenditure will be cut. Either way Canadians lose.

I also want to say again, by way of conclusion, that the most frightening thing in this deal when it comes to social programs is that the whole area of definition of what will be unacceptable subsidies, subject to retaliation by the Americans, remains