

Supply—Trade and Commerce

a lead editorial entitled "The Switch of Trade" which says in part:

Within a few days of becoming Prime Minister Mr. Diefenbaker had said that he would like to switch 15 per cent of Canada's imports from the United States to Britain.

That figure has subsequently become a source of embarrassment in Ottawa. Nevertheless, the desire to achieve an increase in trade with Britain, to offset dependence on America, is both genuine and keen. The first major proposal for implementing such a policy which the British government put forward was the Anglo-Canadian free trade area. For political reasons that went much further than Mr. Diefenbaker's administration—which is protectionist in character—could accept. Indeed the Liberal party has given it such welcome as it has had. The Canadian government has found that it could only rely on voluntary exhortation and organization to try to increase Canadian purchases in the United Kingdom. The principal means of achieving these ends has been to send a trade mission to Britain.

I suppose we all want to assist the United Kingdom. Traditionally it is the thing to do and sentimentally it conforms to the desire of all of us here; but when we are considering a potential change in general policy I think we should also consider the consequences of such a change and what those consequences could be with regard to the United States, with regard to Canadian industry, with regard to the various nations in the group called GATT and also NATO, and with regard to the United Kingdom itself.

Let us take a look first at the reasons for our tremendous volume of trade with the United States. Over the years there has been a change in consumer demand in Canada and that change has been away from the United Kingdom. The United States makes the kind of things we have and like and moreover she is able to get them to us quickly and also economically. Secondly, and perhaps even more important, there has been a great increase in United States investment in Canada during recent years. It is an economic truism that an export of capital is generally accompanied by an export of goods. Canada's industrial development since the war and the development of our natural resources would not have been nearly so impressive without that inflow of capital from the United States.

The United States has invested in our national future and as we all know that investment has paid off. Therefore we find that by virtue of geographical proximity, national buying habits and fundamental economic forces, Canada now buys the bulk of her goods and services from the United States. If we are going to attempt to divert 15 per cent of our national business, in approximately the amount of \$600 million, perhaps the consequences of that diversion could be quite different from what we may anticipate.

We all know that the Americans are hardfisted traders. In fact, their trading attitude is that they will give a concession for a concession, they will give a dollar for a dollar. We know that the United States belongs to GATT and that deals made for and on behalf of the United States are subject to the approval of congress. We also know that the attitude of congress—let us state it quite frankly—is that if we are giving you a concession we will certainly demand a concession, too. We can therefore question how the minister will bring about the proposed diversion from the United States to the United Kingdom.

Perhaps there might be at least two ways. If the cost of production rises in the United States which obviously will bring an increase in the prices which Canadian manufacturers would have to pay for their imports it might be possible to divert some of the Canadian trade from the United States to the United Kingdom but I am sure the United States manufacturers will not help us in that regard. And then, of course, if Canada were to impose import licence requirements or were to increase the Canadian tariff on goods being imported into Canada that also might be a means of diverting some of the trade to the United Kingdom. But if we do that surely the same result will affect the other GATT countries who are in that trading arrangement so the net effect to the Canadian government would be no result.

I have just a few words to say concerning the situation of Canadian industry. If the Canadian government by import restrictions or increased tariffs or by a change in policy sets about to prevent United States products coming into Canada and sets about to divert other purchases to the United Kingdom, what is there to prevent the Canadian manufacturer from stepping into the breach and filling the needs of Canadian consumers? If we close the Canadian market to the United States suppliers—it is important to remember Canadians are only second to Americans in the production of general consumer goods—there is nothing to prevent Canadian manufacturers stepping into that void and filling the needs of the Canadian consumers. The net result again is that our attempts to divert some trade to the United Kingdom has failed.

Now with regard to the various nations in NATO and the GATT group it may be possible to divert \$600 million a year from the United States to the United Kingdom but it would not be possible without giving the same chance to compete to the other nations in NATO and GATT, because surely to goodness we are not merely political partners in NATO. Surely we are partners in the economic sense as well.