

Employment Support Bill

lion in 1969, over \$1 billion in 1970 and almost \$800 million in the first eight months of this year, or close to \$1.2 billion on a whole year basis. This shows that Canada has benefited enormously in the American market, even if this surplus of merchandizing trade has been largely offset by the invisible income of the United States in interest and dividend payments from Canadian investments. The figures indicate that we have benefited substantially as a result of our trade with the United States.

Turning now to Bill C-262, it has become apparent that the Canadian government in responding to the United States surcharge is steering a very tricky course. The problem is how to pass new American levies without being wrecked on the rocks of the United States anti-dumping laws. Ottawa, in this matter, should have had the advice of experienced trade experts. Ottawa invented the device of the voluntary quota which has always been accepted by our oriental friends with extreme politeness. In this case it is not likely that the Americans will be very polite.

One of the problems this bill faces is that if manufacturers are to be assisted in meeting the surcharge there is a risk that the Americans will apply counterbalancing duties. These may be applied even if our commodities get by the anti-dumping duties. We are given to understand that Mr. Paul Volcker, Undersecretary of the United States Treasury, is studying our legislation. It seems likely that the Americans have built into their legislation similar protectionist mechanisms. Our own remodelled anti-dumping laws of 1969 empower the Governor in Council to impose a surtax when the government is satisfied that "goods of any kind, the growth, produce or manufacture of any country, are being imported into Canada under such conditions as to cause or threaten serious injury to Canadian producers." This perhaps explains why the present bill is being presented as something other than an export subsidy measure. It perhaps explains why the bill is presented as permanent legislation although it is filled with phrases dealing with the particular surtax problem of the moment. Whether or not it will prove acceptable in its new disguise remains to be seen.

It is very difficult for anyone, even an expert, to distinguish the difference between employment maintenance and export subsidy. Presumably we export primarily to maintain employment, yet the bill would indicate that this is not necessarily so. The bill indicates that our "non-subsidies" of \$80 million are directly linked with exports to the United States because a firm must normally export 20 per cent of its produce to qualify. The export figure is measured as a percentage and exports lost as a result of the U.S. surcharge are to be considered.

Considerable time was spent on the bill in committee. Committee members asked pointed questions as to whether or not job maintenance payments are likely to arouse the suspicions of Mr. Volcker and in that way bring down the wrath of Washington. I thought the Parliamentary Secretary to the Minister of Industry, Trade and Commerce (Mr. Howard) was quite adept at making the point that the outlays were not tied to anything in particular. He quite freely stated that whether the men were kept busy painting the back fence, making additions or sweeping out the shop, the seven-man board would not be very alert in delving into these devious make-work programs. The

[Mr. Ritchie.]

parliamentary secretary seemed to indicate that the board will not have time to check very closely the use of these funds.

• (8:40 p.m.)

It will be interesting to note who will be the board members to staff this new arm of the government. Surely they will have to be a different type of member from those we have seen in the past. We will not need the sharp, alert people who will be on the anti-dumping tribunal or in the proposed new authority for regulating business which is to operate under the Minister of Consumer and Corporate Affairs (Mr. Basford). These will indeed be men of limited vision who will not look too hard at where this money will be going.

This bill makes no mention of another problem that is very obvious. What about manufacturers who qualify under the 20 per cent rule, seeking to enlarge their share of the domestic market at the expense of their firms which do not qualify? This might at first seem acceptable because it might lower prices at home, but in the end it hardly appears ethical to the business community to have some firms underwriting others with public money. An obvious requirement of the board is to have seven top men with very circumscribed vision. They must be unable to see funds that go for export purposes, especially to the United States. They must be tolerant of those who paint the back fence and sweep out the plant four times a day and, finally, they must be alert to make sure that none of the money is used against domestic competitors.

There are many disadvantages to this legislation and many ramifications that will present problems to the board. Many companies sell into the American market less for the financial return than for the contribution to efficiency because of the additional volume. For many of them the American surcharge means they will lose that market, and unless they make up the additional production elsewhere they will suffer in their domestic operations. Then there are those industries where sales in the American market are based on price. The lumber industry is an example. Then what about the effect of the surcharge on exports by Canadian primary producers to their subsidiary, secondary producers in the American market? All these things are very obscure. The impact of the surcharge on the Canadian economy seems to vary greatly. The estimated loss ranges from \$400 million to \$900 million. No matter what way you look at it, the Americans must see this measure as a form of subsidization of exports which invites retaliation.

What, then, are the other avenues open to the government to combat the surtax? The simplest and most obvious is a reduction in the corporate tax rate. This would stimulate the economy. The purpose of this bill is to preserve employment. If we cannot maintain our exports to the U.S., this will stimulate increased consumption in Canada and the possibility of finding increased markets abroad. Both Europe and Asia, with their increased currency values, should be easier targets for our exporters. Americans are determined to reduce their take of foreign goods and they want to have the employment represented by these goods maintained in the United States. In order to create jobs it would be best to shift employment to