

The money invested in South America is German money and the preference is given to German products. Indeed, the language of business there today is either Spanish or German. The English language is not even mentioned. Throughout most of the world, English is the commercial language but in Latin America the commercial language is German or Spanish.

Perhaps this is the result of our slavish adherence to the terms of GATT. We do not subsidize because we cannot under these general agreements. Germany subsidizes transportation on its canal system, as does Japan. Every firm in Germany, no matter where it might be located, can move goods to the seaports at a pittance. These firms may be located 180, 200, or 300 miles inland. We cannot subsidize the St. Lawrence Seaway System because this would violate GATT agreements.

Germany and Japan directly or indirectly subsidize export financing. They discount all the paper. These governments do all the promotion, all the research and all the export planning. We will not do this because we have to abide by the GATT agreements. The first thing this government should do is re-negotiate Canada out of GATT.

Canada is not the only country in difficulty. The United States is having trouble as well. The trade bill that is going through congress right now includes a device called "DISC". This is an attempt to prevent the onslaught of Japanese, German and European exports on the United States market. One of the provisions that will go through relates to the fact that United States corporations will be allowed to establish sales companies for export trade. The profits made by these sales companies will be untaxed until, if and when the foreign company brings the profits back, and of course this will not happen. Now, do you understand that they receive a 50 per cent bonus? Naturally, the United States parent companies of Canadian subsidiaries will not use the Canadian companies to produce the exports because they want to get the benefit of production in the United States.

• (4:30 p.m.)

Another offence, I believe, against the GATT agreements is the discounting of trade paper which is being done by the Japanese and Germans. While the United States does not have much to fear, it is protecting itself in the 1970's so that it will be able to hold its head above water. The United States will not be fooled by the so-called voluntary restriction by the Germans and Japanese in respect of certain trade items. While we debate the matter of shirts and underwear, they think of much greater problems. The United States is also safe because it has probably the world's greatest accumulation of capital. Much of the money in the European Economic Community is probably United States money, as is the case in respect of Japan and Canada. Therefore, they have a protection which we do not have.

What do we have to do in order to survive in the seventies?

Mr. McCleave: Get rid of Toronto.

Export Development Act

Mr. Otto: I think we should have a complete ministry, such as a department of trade and commerce, dedicated solely to the promotion of export trade. We should have a development corporation with a banking system because we are probably the only country in the world which is left with a branch banking system which is headed by a very reactionary and conservative group of men. They are not really businessmen but are men who are of the old school. They look at every penny and cross-examine every applicant to see who his great grandparents were and whether anyone in the family was hanged. They also want to know whether he is guaranteed by the government of Canada and so on. This is our banking system. There is no room in Canada for the young entrepreneur or the daring businessman. It does not matter what we do by means of this bill; so long as our financial institutions are not behind us we will get nowhere.

The only way to handle the banking problem is by controlling the reserves. The banks are still touchy about the reserves. We could say to them that whenever they lend money for export credit purposes reserves of only 2 per cent will be required, but when they lend it for buying convertible cars in Canada or for consumer credit purposes they will be required to have reserves of 30 per cent. That, I believe, would hit them in a way that they would understand. The banks are not likely to co-operate with us and I doubt whether we would ever introduce a banking system which would be involved at all with government. I believe it would be a long, tedious process to attempt to change the banking system and, therefore, we must take control through the only method we have which is through the Bank of Canada.

Canada has a very large bargaining point. We still control probably the largest source of energy in the world. I want to mention the deal made by the Minister of Energy, Mines and Resources (Mr. Greene). We sold \$6 billion worth of gas to the United States but that \$6 billion worth of gas would supply the energy necessary to produce \$60 billion dollars worth of profits from manufacturing. We should say that so long as \$20 billion of the profits from manufacturing remain in Canada, they can have the gas. In other words, there is only one way to save our position, and that is to tie manufacturing and growth in Canada with our export of energy because they have to have it. The United States must have our gas and probably our oil. They must have our minerals, our steel, our iron and all these things. I think we can insist on this as we did in respect of the automotive pact. The automotive pact is one reason our exports to the United States are increasing. We could do the same thing in respect of our energy. It is the only weapon we have and I believe we should use it.

We must rationalize our industry. We talk about rationalization, but a few weeks ago we spent a good part of a day protecting the shirt industry. Rationalization, I think, would indicate that the shirt industry is just not for Canada. The aircraft industry, however, is. We have a source of cheap power. About one-third the cost of producing an aircraft is represented by the use of electrical power. We have the aluminum and other raw materials.