

change, consumer demand and trade policy, to name but a few of the factors which are always coming into play.

It is important to understand that any major trade agreement should provide for a phasing out of obstacles to trade over several years. This process would be aligned with the successive reductions brought about by GATT and would in fact be consistent with the series of reductions which are about to be undertaken and which will continue until the end of 1987.

By phasing out obstacles to trade, we would reduce the disturbances caused by the adjustment process, and it would be much easier for the Canadian industry to take advantage of the new opportunities provided by the opening up of foreign markets. However, the Government recognizes that it would be necessary to continue to offer adjustment assistance programs to facilitate the transition process.

I would now like to respond, Mr. Speaker, to another major concern which has been expressed many times. Some people fear that a freer trade agreement with the United States will translate into a massive exodus of American affiliated companies as parent companies adjust their production in the United States to meet the requirements of the Canadian market.

Frankly I am not too sure how I should refute this allegation, particularly when it comes from these same Canadian nationalists who have always maintained that all economic woes could be traced back to the ownership and control of Canadian industries by American interests. Strangely enough, these same people also complain that Canada is now the target of a series of take-overs by foreign interests. The assertion that a great many American subsidiaries will call it a day and go home is apparently based on the fallacious assumption that most such companies continue to operate in Canada only to sidestep high tariff barriers and strictly to supply the small Canadian market.

This happens to be the premise underlying the study done for the Government of Ontario by Illinois Institute of Technology Professor Jack Baranson. However, he defeats his own argument when he admits that there is already wide-ranging trade between subsidiaries and parent companies in the United States.

Mr. Speaker, if everything points to a massive exodus of U.S. subsidiaries, I wonder why we have not seen any sign of it yet, given the fact that we have already done away with major trade barriers. Indeed, direct American investments have continued to pour in during most of the past ten years and, more often than not, this increase is particularly significant if we keep in mind the income which remains in Canada for possible re-investment. Sure enough, the odd subsidiary would leave Canada as a result of a bilateral trade agreement, but then other companies would rush in to fill the void.

Trade agreement or no trade agreement, there will always be comings and goings due to changing circumstances and new opportunities. This is nothing new.

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In the final analysis, the question is whether subsidiaries of American and other foreign corporations can operate profitably in this country, and whether they have confidence in our nation's outlook for the future.

As matters now stand, and according to a number of surveys, there is no intention on the part of American corporations to withdraw *en masse*. Rather than worrying over a possible withdrawal of American capital, we should be concerned about the very significant outflows of funds resulting from direct investments by Canadians in the United States, because they topped the \$30 billion mark between 1974 and 1984.

There is no end in sight either to that outflow of capital that would be badly needed in Canada. According to surveys of investment intentions made by Professor Don Daly of York University, many Canadian businesses intend to significantly raise the level of their investments in the United States in the near term.

In my view, that kind of behaviour reflects the view of investors that there are no comparable opportunities in this country, given the current economic conditions. In a study done by the C.D. Howe Institute, Richard Lipsey and Murray Smith emphasize a second major factor. "Just as tariffs imposed by Sir John A. Macdonald under his national policy led to the establishment of American plants and subsidiaries in Canada, existing and expected non-tariff measures in the United States attract to that country Canadian investments and the resulting jobs."

To conclude, Mr. Speaker, that unfortunate situation should convince us not only to seek a comprehensive trade agreement that would eliminate or significantly reduce non-tariff barriers which attract Canadian capital into the United States, but also to lay the foundations for a restructuring of the Canadian economy, which would create major investment opportunities in this country.

The Acting Speaker (Mr. Charest): Questions or comments. The Hon. Member for Winnipeg North (Mr. Orlikow).

• (1700)

[English]

Mr. Orlikow: Mr. Speaker, I have a question for the Hon. Member. We had a speech which sounded exactly like the kind of lecture which an economics professor gives to his first year economics class. She quoted a professor from Queen's and she quoted the C.D. Howe Institute posing the question this way: "If we had complete free trade between Canada and the United States, everybody would be better off." That may well be true. But, of course, there is no evidence that the Americans are interested in real free trade.

In the last few weeks the Americans imposed a countervail duty against our East Coast fisheries, a substantial duty against the shake and shingle industry in British Columbia, and yesterday a substantial duty was imposed on steel pipe and