attempts to persuade his colleagues to cut their estimates. Later on we will know how successful he has been when the blue book containing the estimates for the next year is presented. However, we do not want to be faced with the possibility of an extra $1 billion or $1½ billion in the form of supplementary estimates following presentation of the blue book. What the people of Canada need from the government is the assurance that this will not happen, that when the reduced estimates are presented they will not be substantially augmented by supplementaries before the end of the next fiscal year. In my opinion such an assurance would have a great effect in restoring the atmosphere of reason and confidence which the people of the country so badly need at this time.

Mr. Rynard: Mr. Chairman, I would like to know how the Kennedy round tariff negotiations are going to hit our economy. Are we going to reduce our tariffs and then see what the reaction of the United States, our biggest competitor, will be? Are we going to get our feet in and then not be able to get them out before we are bitten?

Mr. Sharp: Mr. Chairman, may I give some reassurance to the hon. gentleman before he begins elaborating on this point. The resolutions that will be brought before the house next week are the result of a negotiation between Canada, the United States and other members of GATT. These are multilateral arrangements which we and the United States are bound to honour, and if we do not honour them then there are penalties involved.

Mr. Rynard: We would all like to see tariffs cut so that there would be free trade, but we know that this may hurt some of our Canadian industries and this causes me a great deal of concern. What proposals are there for dealing with underdeveloped countries? For instance, they manufacture certain goods, they are hard up for money and we have to keep giving them assistance in one form or another. Is there any plan whereby we would be able to accept their goods on a preferential basis and in turn sell them the goods we make?

Another point which bothers me is the position of factories and industries which have come from the United States to designated areas in Canada but which have their parent organizations in the United States. I realize that for every $1 million we put up they put up $4 million, and I support this program because it is a good thing. However, what will be the situation with respect to tariffs on the goods they produce and on the goods their United States counterparts produce? Will the reduction of tariffs mean a cut-back in the products produced by American subsidiaries operating in Canada? I know of one industry which said it would employ 600 people in Canada. Now it has decided to employ only 200 because its parent company in the United States is turning out the same product.

I am also concerned about the fact that Canadians are taxed about 35 per cent compared with the 30 per cent payable by citizens of the United States. Further, our productivity is 35 per cent lower than that of the United States and wages in the United States are about 32 per cent higher. How are these things going to be ironed out through changes in tariffs?

Mr. Pugh: With respect to the Kennedy round, Mr. Chairman, there is a great deal of uneasiness in regard to fair market value for duty purposes in the fruit and vegetable industry. The arrangements under which we operated previously did not take into account cost of production in the country of origin. Fruit and vegetable tariffs were based on average imports to Canada over a period of years. If we start taking the cost of production in the country of origin as the basis for duty what bothers me is that when imports to Canada are harmful to Canadian producers it is almost impossible to find out whether they actually represent the dumping of goods in Canada.

If the duty is to be based on fair market value it will be almost impossible to stop the damage being done once imports start coming in. It takes very little to depress the price of fruit and vegetables. Even a threat of imports will sometimes do it. In manufacturing the flow of goods is more normal, but fruit and vegetable imports are an end of the year operation and they can hit our industry extremely hard. I would appreciate any remarks the minister would care to make on the protective measures that he intends to incorporate into Canadian legislation.

Mr. Sharp: Mr. Chairman, the hon. member for Simcoe East asked me questions about the Kennedy round. These could be more appropriately asked when the resolutions are before the house but perhaps I might make one or two general comments.