

Perspective here is of some importance. I think it can be put in perspective, and the central point is the one I referred to earlier when I was asked by Senator Macnaughton about what you should do when you get to Brussels. I think you can fairly ask, "What kind of system do you want?" This problem which we are now discussing, and which is a theoretical question of foreign economic policy, of the system, is the one which is doing the greatest damage in the United States on the part of the Community. They are feeding the fires of protectionism among everyone, among liberals and the protectionists, this building of a new empire system encompassing 60 or 70 countries, depending on how you do your sums. The Community insensitivity to this import, and the implications of their policy for people in my country, the ones who are trying to fight the battle for good policy, could not be more serious.

During the visit of the Ways and Means Committee to Brussels a year ago, this was by far the most important issue that came out of the four days' discussion. Agriculture and everything else paled in comparison. The real problem was: Where are you going? What are you trying to do? And how do you repair the damage being done to the system, the undermining of multilateralism and the most favoured nation clause? It is the apparent indifference to the policy issue and the failure to suggest an alternative and the insensitivity to the impact of this which has been extremely serious and promises to be more so.

**Senator Grosart:** Where would you see us on MFN vis-à-vis the Community?

**Mr. Schaezel:** I think one of the horrors of this whole thing, and it has a kind of Kafka-esque quality to it, is that your relations and our relations and our conversation now indicate the degree to which we are talking about entirely the wrong issues. We are talking about tariffs at a time when tariffs are becoming of less and less importance in the whole gamut of economic relations which either bind us together or bring us into conflict with one another.

The sentiment in my own country vis-à-vis the Community is hostile in large part because of the tariff issue—with the preferential arrangement and agricultural policy certainly entering in—but trade issue is the heart of the matter and that is setting the whole tone of our relationship. Yet there are many other matters which now are, and in the future will be, of infinitely greater importance. Quite clearly, one issue is the whole field of non-tariff barriers, the other devices countries use to interfere with the efficient movement of goods and services. Another question is this: What kind of monetary system do we want to put together? Are we going to move towards control of capital movements? Are we going to encourage or discourage investment? What is the role of the multinational corporation, which is a new phenomenon of the last 10 to 20 years? What are we going to do about energy and about pollution? What are we going to do in relation to the less developed countries? And, finally and most important from our standpoint—and I submit that it is from Canada's too—

is the whole question of international investment. What kind of investments? What returns on investment? What will be the climate for investment? Unfortunately, we are being skewered on this tariff issue, and the tragedy of this, to me, is that it is the wrong issue and it shows every sign of being handled badly. If it is handled badly, it is going to be impossible to deal sensibly with the other issues.

This is one of the few areas in the field of foreign economic policy in which it seems to me that you could get together a number of reasonably responsible Americans, Europeans and Canadians, and they would not have much difficulty in saying what the answer is.

Now, saying what the answer is does not mean we are going to get it. The answer to this problem of preferences vis-à-vis the less developed countries and the developed countries is soluble by two courses of action which, in our own self-interest, we ought to pursue. One is a generalized preference scheme with safeguards that would open all of our markets to less developed countries who must be able to sell labour-intensive goods. The other is to work in the direction of industrialized free trade in 10, 15 or 20 years—I do not care how many years—but at least you have an objective. If we were to agree on an objective of eliminating this particular barrier in both areas, then the problem is solved, and it is solved as an issue because then the good guys can go against the hostile guys and say, "Sure, we have a problem now, but we are on a road along which the problem will be solved in 10 or 15 years." So this kills off the essentially irrelevant, but nasty and destructive argument. If you ask me, "Do you think we are going to do that?" speaking for the United States, I would say at the present moment, "No."

**Senator Grosart:** Surely, there is a contradiction here? You say, on the one hand, that our interest is in freer multilateral international trade. So, we have to be worried about barriers because that is what the argument is all about. I do not care whether they are tariff or non-tariff; one is a substitute for the other. We have made some studies of this recently, and this is the conclusion to which we come. If a nation cannot achieve these restrictions on inflow of trade by formal tariff it does so by a non-tariff barrier.

Since 1961 Canada has been losing its share of the EEC market. We have put it down to the fact that the EEC has raised the tariff all around in certain European markets. So we have to be worried about it. It is a nasty argument. But of course, it is a nasty argument when you wind up fighting a war. All arguments are nasty. But, surely, this does not mean we should not be engaged in the argument?

**Mr. Schaezel:** I did not make myself clear. In the whole range of foreign economic issues, I was trying to get the tariff issue in some perspective. I am not saying we should not do something about it; but this is not the totality of our problem, by any means.

**Senator Grosart:** That is right, but we are trying to zero in on the problems regarding this market.