

Employment Support Bill

for that further explanation. There is no doubt, generally speaking, that the surcharge affects the processed part of the agriculture production in Canada which is exported to the United States and consequently that part comes under the present legislation.

What would Canadian exporters be expected to do facing this 10 per cent surcharge? They have two possibilities—I can hardly call them choices. They can absorb the surcharge and thereby accept a lower return or they can pass on the surcharge to their U.S. customers—this is allowed under the freeze generally speaking—and thereby risk the loss of their market. Not much of a choice, indeed.

The analysis of the effect of the surcharge on Canadian exports is extremely difficult to make with any precision simply because there are too many factors to be taken into account. The degree of exposure to the surtax varies quite a lot from sector to sector and from company to company depending, for example, on the actual level of the surtax. We all know by now that it is 10 per cent—but in many cases it is not 10 per cent, it is 4 or 5 per cent because there is a maximum, pre-1962, which cannot be overshot. It depends also on the percentage of the U.S. market occupied by Canadian exporters. It depends as well on the market conditions presently existing in the United States; for example, in the case of lumber, prices in the United States are good now and consequently Canadian companies might be expected to assume the surcharge, or at least part of it. Another case; my friend the Minister of Agriculture tells me that the price of pork is rather low in the United States at the moment and consequently, assuming the weight of the surtax would be more difficult for the Canadian hog producer. Another factor is the importance of quality or style in the product being exported. Let me, for example, refer to whisky. It may be that American consumers will not see too clearly the difference in the price of that commodity in the United States when the 10 per cent surcharge has been added. Hopefully, they will not notice it, quality being of the essence.

Mr. Lewis: If they drink enough they won't!

Mr. Pepin: Adjustment to the surcharge also depends on the availability of other markets for the Canadian exporters, be they in other countries or be they domestic. It depends also on the financial strength of the company. Some companies would be in a better position to take this surcharge upon themselves than others would.

The greatest uncertainty of them all is the duration of the surcharge because the effect on Canadian exporters is going to be quite different if it were to last three months, six months, a year or three years. On that count, for example the duration of the surcharge, I do not think that the Minister of Finance (Mr. Benson) and myself can inform the House, and I might suggest that the Americans themselves are not clear on it. They have kept their options open in the sense that they have tied the duration of the surtax to the rectification of some abnormalities in currency relationships in the world now. They also tied the surcharge to trade practices presently existing in the world. This is a heck of a difference, if I may use that expression.

Mr. Stanfield: Would the minister permit a question?

[Mr. Pepin.]

Mr. Pepin: Yes.

Mr. Stanfield: Do the American authorities give any indication to the minister or his colleagues that the role of the surtax would be tied to any devaluation of the Canadian dollar?

Mr. Pepin: No, I was just trying to indicate how difficult it is to assess the very precise effect of this surcharge on Canadian exports.

• (3:20 p.m.)

As I was saying a moment ago during the question period, we have given and received information. We have consulted with 1,700 odd companies, I think it is, in Canada that stand to be affected. We have, as hon. members might know from the press, had discussions with provincial ministers and business associations in all categories in order to assess the real effects of the surcharge. The answers that we have got really cover the full spectrum. Some businesses are in danger of almost immediate shutdown. Others, at the other end of the spectrum, can relatively easily shoulder it. I repeat, it is difficult to generalize.

The consensus of provincial and federal ministers is, however, that this surcharge is very damaging indeed. If I wanted to be prudent, conservative, if you like, I would simply stick to broad generalizations such as that it will mean "a loss of exports in the hundreds of millions of dollars"; that it will mean "a loss of jobs in the tens of thousands" and that it might mean "the closure of plants in the tens".

However, I will be more specific than that. I will read to hon. members from the report that I have, saying first however, that it has no great scientific pretensions. You know, when you ask somebody how he stands to be affected by the decision taken some days ago by Mr. Nixon, that person on the spur of the moment might look at the effect in a more dramatic way than he would after two months or three months have passed. That reminds me of the story of the Canadian newspaperman who asked a cautious farmer, "How are things?". The cautious farmer enquired, "Who is asking?". In this case we were asking companies that evidently, to use Secretary Connally's favourite words, "were shaken" by the announcement made by the United States.

Let me refer to this report from my department. A careful review of responses from 1,300 firms affected by the surcharge suggests that the direct loss of export sales at annual rates could well approach \$400 million after three months, \$700 million after six months and \$900 million after one year. That will give hon. members some indication of what the effect could be. The report goes on to say that the resulting loss of jobs in both exporting and supplying firms might approximate 40,000, 70,000 and 90,000 respectively during the period of time I have already indicated. Not all of this business would be lost permanently, in that some firms would be able eventually to recover part of their loss once the surcharge is removed. However, the extent of permanent loss would grow progressively the longer the surcharge remained in effect.