

### Supply

Australia, which does not enjoy the assured access to a market of over 100 million inhabitants.

In the mid-1950's, such important and powerful countries as West Germany, France and Italy, not to mention a number of smaller European countries, had already felt the need to join forces to create a major-size market, in order to improve their competitive position internationally. Eventually, all the nations across the Atlantic joined either the Common Market or the European free trade area. We believed for quite a long time that we could survive and prosper without joining a wide market of this kind. But the major developments which have occurred recently and which I have described earlier—the slowing down of the productivity growth, the drop in demand for our resources, the increased competition from newly industrialized nations, the accelerated technological development and the rise of protectionism in the world—clearly demonstrate that the Canadian economy has become dangerously isolated and extremely vulnerable.

In line with a recent statement from the C.D. Howe Institute, I suggest that the status quo cannot represent a goal for our economic policy if we want the standard of living of Canadians to continue improving.

● (1650)

I think that is the lesson to be learnt from all the events that have lead to the development of a broad consensus supporting the twofold trade initiative launched by the Canadian Government last fall with a view to liberalizing trade, both multilaterally and bilaterally. This consensus also reflects the urgency for Canada to reach an agreement with its neighbour so as to reduce its vulnerability in the event of rigorous enforcement of the protectionist measures now in effect in the U.S. and measures that are now, as we know, being adopted and others that may be adopted, by the U.S. Congress. I believe that many Canadians have finally realized that obtaining broad and assured access to the vast American market will help our manufacturing sector achieve the degree of specialization and level of production that will make it fully competitive, not only south of the border but throughout the world.

Mr. Speaker, I am sure that the Canadian manufacturing sector can be of world calibre. We need only look at how many manufacturing industries reacted to the major reductions in trade barriers that have taken place as a result of the GATT agreements. Exports of manufactured products went from 7.8 per cent of all Canadian exports in 1960 to 42 per cent in 1984. Nevertheless, there are still many Canadian industries that would benefit enormously from unlimited access to the vast U.S. market. Those who are opposed to a new trade agreement with the United States claim that one of the consequences would be a considerable rise in unemployment, by which quite a number of people may be affected, according to certain statements in labour circles. Since trade and trade policies have always been of vital importance to this country, we have pioneered a number of studies on both the theoretical and practical impact of free trade. I could even say that the

number of economic studies carried out in Canada on the question of free trade with the United States greatly exceeds the number of studies done before the European Common Market, the European Free Trade Zone or any other regional trade arrangement was put in place. Practically all these studies concluded that free trade, by improving efficiency and guaranteeing access to a large market, would in time result in a substantial net increase in the number of jobs and a considerable rise in real income of Canadian workers. In a report prepared by the Economic Council of Ontario last fall, Professor Richard Harris of Queen's University estimated that eliminating all trade barriers between Canada and the United States would increase employment in Canada by more than 5 per cent. According to Professor Harris, the real income of Canadian workers would increase substantially since free trade would result in a 5 per cent reduction in the price of goods imported from the United States. Furthermore, reducing trade barriers would bring about a substantial increase in the productivity of Canadian companies. Interestingly, in the long run, almost all gains as a result of increased productivity would benefit Canadian workers, resulting in higher real wages, still according to Professor Harris. There are of course some quantitative differences concerning the impact of reducing trade barriers, but the general consensus is that it would result in major economic benefits to Canada.

I am thinking in particular of the in-depth studies which have been made, such as the report published last year by the Royal Commission on the Economic Union, various reports published by the Economic Council of Canada and the analyses made by the C.D. Howe Institute and Informetrica, a highly respected firm of consultants.

As the Hon. Members are all aware, Mr. Speaker, and as I am personally convinced, these evaluations have been strongly supported by a great many small and large Canadian businesses represented by such important associations as the Canadian Chamber of Commerce, the Canadian Federation of Independent Business, the Canadian Manufacturers Association and the Business Council on National Issues.

I would like to emphasize the variety of analyses and facts which indicate that freer trade between Canada and the United States would result in more jobs, but far be it from me to suggest that a large number of workers would not have to change jobs.

As for other resources, these changes are not only essential, but they are an integral part of the process which we have to go through if we want to benefit from freer trade. However, there is nothing extraordinary about these transfers. Indeed, in a recent report entitled *Reorienting the Canadian Economy*, the C.D. Howe Institute came to this conclusion:

Dynamic change is the standard in Canada.

The author of this report cautiously estimates that, in 1984, nearly 50 per cent of all Canadians working that year changed jobs, either within the same business, or by joining another company. As this example clearly illustrates, the economy is in constant and dynamic change in response to technological