To go a step further, supposing a United States manufacturer says: "I will export into Canada tariff-free $1 million worth of transmissions and will import from Canada $1 million worth of furniture"—or carved wood, which Canadians can produce much more efficiently, and where the scale of wages and the skills required are also identical, or possibly even higher. There is nothing wrong with that at all. In other words, we have already established the principle of a balance of trade, not in dollar volume but in manpower, man-hours requiring identical skills and more or less the same wages.

You can understand, Mr. Speaker, that it would be possible under the present system of balance of trade for Canada to export to the United States $5 billion worth of gas reserves, oil, electric power, fresh water resources, and many other items of natural resources which may not require the employment of very many people. At the same time, does this mean that we can import into Canada sewing machines, radios, television sets, cars and so on? No. But that is the basis on which we have worked up till now—a balance of trade based on dollar volume, which is fallacious and is not really a balance of trade. That is where we find ourselves in difficulty. What we have been doing is hypothecating our natural resources in exchange for manufactured goods. But this agreement puts a new emphasis on a balance of trade in man-hours and skills rather than on dollar volume.

There is some talk about extending this agreement to, or making a new agreement with, the timber and lumber business. We can also do it in the plastics business, the chemicals industry and the services industry. We might find ourselves with 1,000 agreements with United States manufacturers.

In other words, I am saying we must formulate now, general policies which include the essence of the automotive trade agreement and put the trade agreement on a wide, general basis. There has been since 1959 a movement toward a export-import parity program. I have been a manufacturer, an exporter and an importer. I can see the difficulty in all these enterprises. The export-import parity program which I have promoted for many years is more general than the automotive trade agreement but is on exactly the same lines—to balance our imports and exports according to man-hours, skills and salary schedules rather than dollar volume.

Some economists have said for years that it really does not matter whether we sell $20 million worth of gas reserves and import $20 million worth of radios and television sets; it is the same thing. Their argument is that $20 million received for gas reserves would be spent in Canada on the purchase of consumer goods, and so on. That is not so, first of all because $15 million of that $20 million automatically goes to the United States because the United States owns 75 per cent of the gas reserve companies. This leaves $5 million, out of which comes profit and promotion, with little remaining. So that the argument the economists put forward, that it does not really matter as long as money is exchanged for something, really does not hold water.

Although we are talking about the automotive trade agreement—and the exact program could be extended to other agreements—I should like to put forward the proposition that, by and large, tariffs are really a punitive measure. That is to say, they penalize an importer for importing goods and do not give any incentive to an exporter.

For example, let us say I am a manufacturer of air conditioning parts, as I have been, and let us suppose that the tariff regulations were changed and the essence of this agreement was enlarged. If I exported $1,000 worth of air conditioning equipment to the United States or elsewhere, and supposing, Mr. Speaker, I then received a permit to import $1,000 worth of goods of the same category—say, sewing machines or radios, which are in the same category as air conditioners—free of tariff. In other words, I have exported $1,000 worth of man hours in the production of a certain category of goods and I now have the right to import goods of like nature free of tariff. That is not a punitive measure at all.

Let us suppose I do not want to import anything, but was allowed to put this import permit on the market and somebody gave me $200, which is 20 per cent of the $1,000. I can reduce my costs in this way because really I receive $1,200 for the exports, and the person importing other goods has had to pay the $200 difference. But he has not paid it to the government as a punitive measure; he has paid it to the exporter. In this way an importer pays an incentive to the exporter.

• (8:50 p.m.)

We could also have the different categories related to each other. Let us suppose that I did not have a permit for goods in category