

Canada-U.S. Automobile Agreement

Campbell had to say in the *Hamilton Spectator* of May 8. I think it brings very forcibly to our minds the principle that is behind this U.S.-Canada auto treaty. Is this the ghost of Sir Wilfrid Laurier returning? Is this another case of reciprocity? I think this is where we are headed. This is the way Robert Campbell puts it:

Shades of Sir Robert Borden and Sir Wilfrid Laurier. Could it happen again?

Could the Canada-U.S. automotive tariff deal, if nurtured sufficiently in a political sense, lead to an election where the main issue would not be unlike that which led to the defeat of the Laurier government in 1911?

The Laurier Liberals favoured over-all reciprocity with the Americans.

Reciprocity was the cry, and it ruined the Liberals.

I maintain, Mr. Speaker, that if this treaty goes through and goes before the people of Canada, there will be another reciprocity election and the Liberals will meet their doom in just the same way they did in 1911. The Minister of Industry has stated that one of the reasons he went into this agreement was that it would help our balance of payments. Our imbalance of payments in the auto parts industry lies in the neighbourhood of \$600 million to \$700 million per year. What do the members of the Johnson administration have to say about this business of balance of payments? Will it help the Canadian balance of payments, or will it not? Secretary of Commerce John T. Connor had this to say, and I quote from the minutes of the Ways and Means Committee which held sessions last week, or ten days ago:

...I do not expect that our own exports to Canada will drop as a result. On the contrary, I am satisfied that it is reasonable to project a continuing growth in the Canadian automotive market sufficient to absorb the projected increase in Canadian production without reducing our net favourable balance of trade with Canada.

I repeat the last part of that sentence:

—without reducing our net favourable balance of trade with Canada.

That is an American Senator speaking. What did our own Minister of Industry say. Referring to this Canada-U.S. treaty, he said:

The program will make an important contribution to the improvement of Canada's international payments position.

That is not the way the American Senators view this at all. I have one other quotation with regard to the imbalance of payments. This is what Robert L. McNeil, Deputy Assistant Secretary of Commerce for Trade Policy, told the Committee of Ways and Means:

—Canada produced about 4 per cent of total North American auto output. As a result of the conditional free trade agreement, it was anticipated that Canada's share would increase to 5.1 per cent over the next three years.

Mark this, Mr. Speaker:

He estimated that the value of U.S. production would increase by \$3 billion, while that in Canada would rise by only \$500 million between now and 1968, a six-to-one advantage in favour of the United States.

Yet we are told and made to believe that this is going to be a great thing for Canada. Mr. Speaker, I think we will agree that down through the years when trade agreements have been made with our American friends, Canada has very seldom come out on the better side of the deal. How does the Minister expect to improve this imbalance of payments when he stacks up all these odds against the Canadian manufacturer? As I said before, we have this 11 per cent sales tax to begin with. Second the U.S. car parts manufacturers have the advantage in the cost of raw materials as well. I would like to just illustrate in a very simple way the problem that confronts the Canadian auto parts manufacturer. I have in my hand a small piece of wire which is made in Canada and in the United States. The price of the Canadian product is based on what it sells for in the United States, plus exchange, plus 22½ per cent duty. So the American car parts manufacturer buys this wire at \$3.80, puts a small gadget on the end of it, and it becomes a car part. Then our Canadian Government says, "O.K., bring it in duty free", and our Canadian car parts manufacturer, who has to compete with his American counterpart, has to pay more for the wire. He rightly says, "If I am expected to compete with my counterpart in the United States, I should at least be able to buy that wire duty free and should not have to pay 22½ per cent duty on it". This goes all along the line. I do not think this Government realizes the complications they are getting into in this free trade car deal.

The same thing holds true with tubing material through which the gasoline flows or the brake fluid goes to the wheels. The American car parts manufacturer takes that material, bends and twists it to fit around the frame and the axles, so it becomes a car part and as such it comes into Canada duty free. The Canadian car part manufacturer has to pay 22½ per cent duty to bring that tubing into Canada. The Minister asks him to compete with his American counterpart, and in the next breath tells the Members of this House that it is going to improve the