

*Supply*

The Committee recommends that there be immediate bilateral trade discussions with the United States.

The discussions should centre initially on resolving current trade irritants, especially prevention of the imposition of additional non-tariff barriers to trade between the two countries. Issues such as the definition of the net effect of subsidies provided by both sides and the identification of the appropriate jurisdictional authority for implementing changes in non-tariff barriers should be dealt with explicitly. These discussions should be used to explore the potential for additional trade liberalization between the two countries and for securing and strengthening access to each other's markets. Issues such as trade in services, Government procurement, and reducing remaining tariff barriers should be dealt with explicitly.

That is a very clear prescription which was arrived at by a joint committee of the Senate and House of Commons with, I understand, all-Party agreement. It is a very clear prescription for discussion on current trade irritants, especially to prevent imposition of additional non-tariff barriers and identifying better ways to deal with disputes; then following those discussions, to explore the potential for additional trade liberalization.

The Government chose to proceed in another way. Trade irritants, so called, have been a real problem for Canada from time to time over the years, leading Canadian companies to spend enormous amounts in legal fees, and also leading to a number of serious attacks on the integrity and the independence of the nation, for example, our unemployment insurance scheme has been described as a trade subsidy and we have had to go to the international courts to defend it. More recently, so called stumpage costs, the fees charged by the Province of British Columbia for cutting lumber, have been regarded by the Americans as a subsidy because, in the American view, those fees should be higher.

This is somewhat unwarranted interference in the matters of another country. This is the kind of trade irritant that the committee suggested should be dealt with first. However, the Government in its wisdom decided to take the other route. It decided it would go in search of an all-encompassing trade agreement and it would give away all the bargaining chips before it started. Since our American neighbours and friends did not particularly like FIRA, the Foreign Investment Review Act or the National Energy Program, those programs were immediately removed. When the Americans decided to send a tanker through our territorial waters, it was taken very calmly. The theory was: "Be nice to the President of the U.S. and sing songs with him, give him everything he wants and we will be able to get what we want". That was a disastrous policy from the beginning.

All our bargaining chips were given away before we started. As an example of how ineffectual that policy was, last fall we saw a change in our exchange rates about which Canada was not even consulted. I think that was either at the end of September or at the beginning of October, more likely at the end of September. In New York, the United States Secretary of the Treasury invited the Minister of Finance for France, the Chancellor of the Exchequer of Great Britain, the Minister for Finance for Japan and the Minister of Finance for West Germany to join the United States in a discussion with respect to the devaluation of the American dollar.

Canada is the nation most vulnerable to the movement of American currency. In fact, the exchange rate for us is more important than the tariff because 80 per cent of our goods already move in free to the United States and 15 per cent move in at 5 per cent or less. So the movement of the exchange rates is a more important factor as well, of course, as the various non-tariff barriers. We have a larger trading relationship with the United States than does Japan, about three times as large, yet we were not consulted or invited, nor were we even informed about that meeting. That is the nature of the special relationship with the President of the United States on which the Government has placed so much faith.

For some reason some Hon. Members who have taken part in this debate have said they do not quite know where our Party stands. That was spelled out very clearly in a release on January 19 of this year following a special caucus on trade. The press release was issued, and if anyone wishes another copy, I would be very happy to have one sent. Essentially, we stated that our position had never changed. We are not anti-American. We are pro-Canadian. We consider that the whole free trade debate needs to be broadened. Canada's status as a middle power country with good international relations seems to us to be a building block which we should develop further. We thought that to discuss trade issues almost exclusively in terms of two-way U.S.-Canada trade was ill advised. There are other options. We thought it was certainly useful to have two-way discussions or bilateral discussions with the United States but that this should always be in a multilateral context.

• (1720)

Section 21 of the GATT does not ban bilateral agreements. However, it certainly cannot be considered to be encouraging of them, or of regional blocks. In fact, quite recently there was a warning statement about bilateral agreements issued by one of the ambassadors to the GATT who regards bilateral agreements as possibly risking the integrity of the multilateral agreements.

We are living in very protectionist times. It is particularly important to protect and defend our international agreements. The view of the Official Opposition is that we require a global and not a continentalist trading policy. We need an internationalist trading policy. That would meet the concern that international problems, including the international debt situation, lead to trading problems.

We think that Canada can continue to exercise leadership in world trade. As I said earlier, the special committee of the Senate and the House of Commons took a rather internationalist position and recommended that bilateral negotiations be done in that context. In the case of the Macdonald Royal Commission, the bilateral arrangement with the United States was also contemplated in a wider multilateral context. The position on the world stage fostered by Mr. St. Laurent, Mr. Pearson and Mr. Trudeau, in our view, is the position with which Canada should continue.