

some in Quebec, and they are all operating below capacity. So far as the Canadian market is concerned, the existing firms already have a surplus capacity. This is something the government should have known. It should never have entered into an agreement with the Michelin Corporation allowing that corporation to import tires, presumably made in France, into Canada. The only effect this could have would be the displacement of production, and thus of workers already employed in Canadian firms.

It is my understanding that the reason for the equivocation of the Minister of Finance in recent days is that a policy decision has not really been reached. If I am correct on that, Mr. Speaker, I hope the minister will verify it. I understand, from conversations with the heads of other tire companies in Canada, that they have protested strongly against this intended action by the federal government. They pointed out that even if their firms were subsidiaries of companies located elsewhere, it was unfair to them to give Michelin the right to import tires duty free, without giving the same right to them. The point that concerns me is not the question of unfairness to other firms, but the question of importing tires at all. I think it is a bad principle to allow Michelin or any other tire company to import tires duty free when our existing plants are operating below capacity.

The government must stop equivocating on the issue. It must make clear whether it has rescinded the commitment it made to the Michelin Tire Company. I hope it has done so. It was an unwise decision in the first place. Canadian jobs are more important than the desires of the Michelin Corporation. And I say this being completely aware of the problems of workers in the province of Nova Scotia, who are seeking employment there. Anyone who knows anything about unemployment levels in Canada east of the Ottawa River cannot be anything but concerned about the government's intentions to provide employment in that area. But there is no gain to be made for workers in Canada in general if we create jobs in Nova Scotia, or anywhere else, at the expense of men and women who are currently employed. All that does is shift unemployment from one part of the country to another, and this at the taxpayers' expense. It is bad policy. I appeal to the government to clear up the situation. Has it withdrawn its original decision to allow free access to the market? If not, I urge the Minister of Finance to undertake to do so, and to do it quickly.

Now, I wish to deal with the second aspect of the Michelin case. This concerns the recent announcement of the United States government that it will apply special levies against tires produced by Michelin and exported to the U.S. market. If this is going to be part of Mr. Connally's economic policy toward Canada, then the implications are simply horrendous for the Canadian economy. I refer to this matter with great care, Mr. Speaker, because all during the last year of Canada-United States negotiations on trade, the regional development program has been cited by the Americans as one of the things which irritate them. This may be the beginning of a major economic battle to be waged by the U.S. government against our regional development program involving Canadian firms seeking export markets, and in particular United States markets. It is of great importance to know whether this is a single incident, or whether the U.S. is simply beginning

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with Michelin and intends to apply its policy to all Canadian firms, no matter where they are located, that export goods to the United States. On this point, the government has a case that it can make.

I think the Americans are absolutely right in their objections to the Michelin case. They have some grounds for their argument if, in effect, what they are saying to the Canadian government is, "You are bringing a firm into this country that was not originally in existence here, and subsidizing it highly to produce goods not primarily for the Canadian market." That line of reasoning has to be given fair consideration. The Americans seem to have a legitimate case, but there is another point that concerns me at a more serious level. If the Americans intend to apply the same reasoning to all regional development cases, then a distinction has to be made between the Michelin case and firms that were already located in Canada which were simply given grants to move to other parts of the country. No country, the United States or any other, can make a case against such firms receiving grants if they export to the United States, because those firms were already involved in production for the domestic market here.

It is time for the Minister of Finance and the Minister of Industry, Trade and Commerce (Mr. Pepin) to take public action. The latter has assured us that he has practised quiet diplomacy with the Americans with respect to DISC and other measures. I do not know if he has upheld our case on the regional development situation, but both ministers have an obligation to make the Canadian policy clear, and make sure the Americans understand it now.

Hon. Mitchell Sharp (Secretary of State for External Affairs): Mr. Speaker, all those who have been ministers of finance sympathize with their successors. It is one of the most ungrateful of portfolios, although perhaps my successor on this occasion will receive as much gratitude as he deserves from the Canadian public, and that is a great deal. We all feel some sympathy when we see a minister of finance get up to deliver his first budget speech knowing that regardless of what it contains, whether it is conscientious and humanitarian, it is bound to be the subject of partisan attack from all of the opposition parties. It is therefore with sincere admiration that I congratulate the Minister of Finance (Mr. Turner) on the budget that he delivered last Monday evening. Those who had great expectations about how he would perform found those expectations fulfilled. He has not disappointed us. He was conscious, as was the House, that this was the last budget before the next election.

• (1530)

Mr. Hees: Well now, we are getting close!

Mr. Sharp: A less intelligent minister might have opted for distributing largesse in order to try to buy votes. On this occasion my colleague opted for a responsible approach combined with humanitarianism.

Mr. Hees: John, he is saying it just as you wrote it.

Mr. Sharp: According to those who are in a position to judge, Canada has a record second to none throughout the world in recent years in terms of the expansion of the economy and the control of inflation. Indeed, as the Minis-