

very helpful in the House of Commons if we had had an opportunity to place on the record not the type of partisan disagreement which we frequently have on the record but, rather, a more statistically analysed counterpoint on what Canada is prepared to negotiate, what the U.S. has indicated it is willing to negotiate and what sorts of programs for subsidy purposes exist in each of the countries. I think it would have been very helpful for us and for the public of Canada to have had that information, and even for the U.S. Congress to have had that information. I doubt very much if many in the U.S. Congress are aware of the degree of subsidization that takes place within the United States. Most of them do not come into contact with that, and they are specialists in certain areas.

● (1640)

The other minor point I wish to make, to which my colleague has alluded many times, is that it is often thrown up that the Auto Pact is a good example of a free trade arrangement. The Auto Pact is not a free trade arrangement at all. It never was, and it was never intended to be such. The Auto Pact is a managed trade arrangement. It was structured in order to allow for industry rationalization. It was set up in such a way as to take five automobile manufacturers that serviced in 1965 most of the North American consuming public. It was designed to allow for a balance of manufacturing and sourcing in each of the countries based primarily on their sales potential. So that there was some reasonable benefit that flowed to each country as a result of the auto industry, which was deemed to be, and was, one of the main industries in central Canada.

That is a managed trade arrangement. It is not a free trade arrangement. I have heard it said by many government Members and by members of the Cabinet that somehow the auto industry is an example of what we might get through free trade. That is not free trade. It never was and it was never intended to be such. It worked well because it was managed and because it required that certain things be done that benefited each of the countries involved.

Of course, if we could work out similar types of managed trade arrangements in other industry sectors then I think we should attempt to do that. The larger the industry sector and the more diversified it is, the more difficult it is to do. It is harder with an industry sector with 1,000 companies as opposed to one with five major companies. We would have to try to see if that is possible. I suggest that if the Government were looking at the type of arrangement in which there are clear benefits set out in the agreement which had to be made available to each of the participating countries, then we would not be nearly as concerned as we are right now.

[Translation]

**The Acting Speaker (Mr. Charest):** Questions or comments. Debate. The Parliamentary Secretary to the Minister for International Trade (Mrs. Landry).

### Supply

**Mrs. Monique Landry (Parliamentary Secretary to Minister for International Trade):** Today, Mr. Speaker, I should like to talk about the wider ramifications of our trade relations with the United States.

Our Government is supportive of a significant lowering of international trade barriers between Canada and the United States, and I am quite convinced that our negotiations on freer trade will lead to an increase in this country's international competitiveness, new job creation, and real income.

Mr. Speaker, I admit that reasonable and well-meaning people may entertain legitimate concerns about the political, cultural and social consequences for Canada of an over-all trade agreement with the United States.

Allow me to try to allay some of these fears. First I should like to respond to the statement that there is no point in changing the *status quo*. Why try to fix something which works well, some say. These same people claim that Canada's economy is not doing too badly and they point to the fact that for a number of years now our trade balance with the United States has definitely been on the plus side. Unfortunately those who express this short-sighted outlook fail to take into consideration the fact that our economy is saddled with serious structural problems which have developed over the past years or decades. A sure sign of this is that during most of the 70s and the 80s Canada, among the major industrialized countries, posted the lowest productivity gains and one of the highest increase in costs.

This caused our competitive position to deteriorate, resulting in a substantial devaluation of the Canadian dollar in relation to the US currency. We are progressing, but we still have a long way to go before fully recovering from the recession of the early 1980's which affected Canada more severely than most of the other industrialized nations.

On the other hand, a number of other negative factors make it impossible for us to hang on to the *status quo*. Traditionally, Canada has always relied heavily on the abundance of its natural resources as a source of employment and income. Technological changes, however, have caused the world demands for some goods to fall and, in Canada, this problem has been compounded by the increasingly strong competition from developing countries which are desperately seeking foreign currencies.

In the case of finished products, sold on domestic and foreign markets, not only are we facing the fierce competition of other advanced industrialized nations, but we are also coming under increased pressure from newly industrialized nations. These new considerations have combined with two other phenomena which have a profound impact on our country. I refer first to the technological revolution which is taking place now, and second, to the resurgence of protectionism in the world, nowhere more evident than in the United States, our biggest customer.

It has become almost a cliché to say that of all the industrialized nations of the world, Canada is the only one, apart from