

Canada-U.S. Automotive Agreement

I am sure this is something the minister and the officials did not envisage at the time the treaty was signed. They may well have had assurances from these automobile companies that this would not take place. However, this is what has taken place. These companies have been told that they cannot even have an opportunity to bid or tender on these contracts for auto parts, even though I have been assured that they are quite competitive with any American firm or any other Canadian firm. They have not been given this opportunity because these two large companies particularly are only buying parts from their wholly owned subsidiary companies on the other side of the line. Matters such as this should be brought to the attention of the minister and the government, which I believe would be very helpful indeed to all of us.

In conclusion I would request and hope that the minister could see his way clear to send this matter to a committee for consideration. I hope perhaps he may say something in this regard this evening.

Mr. Steven Otto (York East): Mr. Speaker, the minister will be pleased to know, or at least less apprehensive to know, that I fully support the automotive pact with the United States; in fact I believe it could be expanded. I am going to make some recommendations or suggestions on the auto proposal.

Mr. Knowles: How do you spell auto?

Mr. Otto: It can be called an Otto proposal under which this agreement can be enlarged. I believe it is no mystery to the minister and to all of us, that every country in the world wants to export manufactured goods; no country in the world wants to export raw materials. We also know that it is not possible for every country to export more manufactured goods than they import. If the hon. gentleman from Danforth was very worried about the word "continentalist", I am not at all worried about this as long as it means that each individual in each country can get a product produced most efficiently regardless of where it is produced, and as long as there is an equitable balance of trade.

This agreement could be interpreted as the first break in the old line of thinking where each country wanted to export more than it imported. I believe this agreement in reality wants to set an equitable basis; in other words it says: We shall export an amount equal to that we import. Now let us break this down. After all, this is free trade. The

[Mr. Nesbitt.]

Liberals have always been proponents of free trade. We want to break down the tariff. On the other hand we want it done in such a way that we in Canada can take advantage of our productive capacity.

What is this agreement in essence? I am sure the minister will agree with me when I say it means this, that in the automotive trade we have recognized that the salary scale and skills required are just about equal throughout the trade. We want to recognize the fact that in the United States, for example, automatic transmissions can be manufactured more efficiently than they can for the Canadian market. In other words, by the time you set up equipment and set up an assembly line, it is cheaper if you can manufacture 10 million items rather than one million.

In Canada we may be able to manufacture car bumpers more cheaply and efficiently, because plating requires electric power and we have the raw materials, the chrome, nickel and so on. Let us presume the skills required, the wages paid, and so on, in manufacturing those bumpers were the same as those in manufacturing transmissions. Would it not be feasible to allow United States companies to export to Canada \$1 million worth of transmissions, provided we exported to the United States \$1 million worth of car bumpers, or headlights, or anything which we manufacture better and more efficiently? That is the essence of this agreement and it is really the essence of free trade.

• (8:40 p.m.)

However, if the manufacturers of transmissions used, let us say, \$1 million worth of labour at \$3 an hour and the bumper manufacturers used \$1 million worth of labour at \$1 an hour, the trade would not be equitable. The purpose of this agreement and its very content, as the minister explained, is much more equitable, because in the car industry—and this is probably why it was left in the car industry—the wage scale is almost identical.

Let us suppose the United States manufacturers say to us: We will export to Canada \$1 million worth of transmissions, but we do not want anything else except \$1 worth of farm machinery. What is wrong with that? The skills required in the manufacturing of farm machinery and the wage scales are identical to those in the automotive trade. I say that this would also be acceptable.