

who admittedly had not read the deal at the time, argues that the agreement has accomplished this important objective. In fact, it has not.

Instead of a binding dispute mechanism, Canada has settled, has capitulated, for a bilateral panel that will serve only as a court of last resort after those trade embargoes have been imposed. The panel will not be able to challenge the laws, only the application of those laws. We have relinquished the right to appeal under the International Trade Tribunal, and we have even less protection under this trade deal that we enjoyed under the General Agreement on Tariffs and Trade.

What about government procurement? That was the third reason for going into this deal. Under the agreement, Canadian companies can apparently bid on \$3 billion in U.S. government contracts. That sounds good until it is compared with the \$18 billion the U.S. Government put on the negotiating table in the last round of GATT negotiations. Again we have come out second best.

On the three critical components of the trade agreement—secure access, protection from future U.S. countervail and increased access to government procurement—on the three pinnacles, in each case the Government has failed to negotiate those three critical components.

What about economic considerations? Informetrica, an Ottawa based research house, reports that free trade will eventually provide an over-all benefit to Canada with increased output, employment, and income in the very long term. Just how long that is is anyone's guess.

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The initial gains will be concentrated in selective provinces such as Québec and Ontario but will be offset by economic dislocations in other areas. An economic dislocation is an economist's way of saying that people are going to lose their jobs.

Here is the crunch. The analysis by Informetrica states that increased tax revenues, as a result of the free trade deal, will be insufficient to offset the loss of customs revenue from the reductions of tariffs in the trade deal. That is an economist's way of saying that free trade will increase the federal deficit. The analysis further argues that any attempts to reduce the deficit that will accumulate through the free trade deal by increased taxation will in fact reduce or possibly nullify the economic impact of the Free Trade Agreement. Increase taxes and the benefits of the Free Trade

#### *Canada-U.S. Free Trade Agreement*

Agreement disappear. What we have is an economic catch-22. Free trade increases the deficit. If we try to buy down the deficit by increasing taxation any advantages go up in smoke.

In fact, the Prime Minister intends to do just that. His national sales tax scheme will impose a minimum sales tax on all goods and services. It will tax virtually everything that moves and a lot that does not. Most tax experts believe that when you add increased national sales tax being imposed to pay for free trade to provincial taxes, we could be looking at a tax rate of between 15 per cent and 17 per cent.

The Canadian Homebuilders' Association estimates that such a tax on homes will disqualify at least 60,000 families from getting a mortgage. That means a downturn in the housing market and all areas of the economy that are sensitive to consumer demand.

The Prime Minister and this Government are grabbing the taxpayer's pocketbook to pay for the free trade deal. By so doing it will lower disposable incomes and negate any economic advantage of the Free Trade Agreement. In the final analysis, if one supports free trade then one must also support either an increase in the federal deficit or an increase in taxation. It is as simple as that.

Believe it or not, I have tried to outline the benefits of free trade. There are many costs associated with it. Even the strongest opponents of free trade have said that it will impose massive readjustments to the Canadian economy and the Canadian workforce. Some will end up winners, but many will end up losers.

Bruce Wilkinson, Professor of Economics at the University of Alberta, argues that the Mulroney trade deal amounts to an economic constitution between Canada and the United States which will place us on an irreversible path toward political integration. This trade agreement surrenders our right to make our decisions and to pursue our own national destiny. It gives Washington the powers that are the prerogative of provincial capitals.

**Mr. McDermid:** Give me one example.

**Mr. MacWilliam:** It promises to change dramatically the economic, social and cultural landscape of this country.

Just as there is no free lunch—and we have heard that saying many times from people on the other side of the House—there is also no free trade. Everything has its