

Tariff Changes on Automotive Parts

to be made in this house. In the commonwealth we have shared a great many privileges; we have shared a great many responsibilities. As we think of this present situation which has developed, once more it has become a matter of great concern to all of us. Today we in this group would commend the position which has been taken by the government of Canada, and we would urge that every possible assistance be given, from the moral point of view as well as in other ways in which assistance may be necessary, in order to try to resolve this yet one more difficult situation in order that peace may be maintained.

Mr. H. W. Herridge (Kootenay West): Mr. Speaker, we were very pleased to hear the statement of the Prime Minister with respect to assistance to India, and to know that he has kept his promise made in reply to a question I asked on this matter on October 22. I am certain that all of us have the greatest sympathy for the present circumstances in India, that country being a member nation of our commonwealth.

INDUSTRY

**AUTOMOTIVE PARTS—ANNOUNCEMENT
OF CHANGES RESPECTING IMPORTS
AND EXPORTS**

Hon. George C. Nowlan (Minister of Finance): Mr. Speaker, I should like to make an announcement concerning certain measures being taken to increase production and employment in the Canadian automotive industry. The house is well aware that Dean Bladen, in his report of the royal commission on the automotive industry, concluded that the Canadian industry could become more competitive through rationalization and specialization. His report establishes that this can be achieved by more production in Canada of automotive products for export.

The Canadian automobile industry has now secured a larger share of the domestic market than was the case a few years ago, when there were very substantial imports of finished cars entering Canada. However, imports of automotive parts have continued to increase. Consequently there remains a very large imbalance in the trade in automobiles and parts, a much greater imbalance than we should have in our economic circumstances. In 1961 the deficit on automobiles, trucks and parts was about \$500 million, of which parts accounted for more than \$300 million. Steps must be taken to reduce this deficit. Moreover, this must be done without incurring higher costs and prices in Canada.

The government has been carefully considering what could be done to improve significantly the balance of trade in this sector

through adopting or adapting recommendations made in Dean Bladen's report. It has concluded that the full implementation of the Bladen proposals at this time would not be practical; there are a number of highly complex and technical questions involving the relative position and prospects of the various sections of the automotive industry. Moreover, the Bladen program would involve renegotiating important international commitments. Such negotiations, of course, must be related to the important developments which are taking place in trade and tariff policy in Europe and in the United States.

We have therefore examined the possibilities of adopting a more limited Bladen type of approach tailored to meet the needs of Canadian producers and not requiring renegotiations with our trading partners. We have come to the conclusion that the conditions governing the importation of two major motor vehicle components—automatic transmissions and engines—should now be modified, along the following lines.

Automatic transmissions, which are being imported from the United States at an annual rate of over \$32 million, are subject to a statutory most favoured nation tariff of 25 per cent. However, for more than ten years temporary duty free entry has been accorded by a series of orders in council under authority of section 273 of the Customs Act. The current order expires October 31.

The government has decided that this present free entry provision should be allowed to expire, and that in its place there should be established a provision under which the duties paid on automatic transmissions or parts thereof would be refunded, contingent on the export by each company importing automatic transmissions of an equivalent value of Canadian produced automobile parts. Under this arrangement credit will be given only for exports over and above the amount exported by each company during the past 12 months. It should be noted that exports made by Canadian automobile parts producers to the foreign affiliates of Canadian automobile manufacturers will be included in the arrangement. This new provision is being introduced for an initial period of 12 months commencing November 1.

Automobile engines also carry a statutory most favoured nation rate of 25 per cent. There has been no temporary free entry provision. The large companies produce most of the engines required for their own use, but import some for particular purposes. They do not produce any for sale to other automobile companies. The smaller companies have had no choice but to import all their engines.