HOUSE OF COMMONS

Tuesday, May 26, 1970

The House met at 2 p.m.

ROUTINE PROCEEDINGS

FISHERIES AND FORESTRY

Fifth report of Standing Committee on Fisheries and Forestry—Mr. Crossman.

[*Editor's Note: For text of above report, see today's Votes and Proceedings.*]

[*Translation*]

TRADE

ANNOUNCEMENT OF MEASURES TO COUNTERACT FOREIGN CONCESSIONAL FINANCING

Hon. Jean-Luc Pepin (Minister of Industry, Trade and Commerce): Mr. Speaker, as hon. members are aware, my department together with the Department of Regional Economic Expansion has been engaged over the past few months in a study of the impact on Canadian manufacturing interests of so-called concessional financing made available by some foreign governments on exports to Canada. This study has now been completed and I should like to make a statement concerning our findings and recommendations.

Most industrialized countries have been making export financing facilities available for many years. Until the recent sharp rise in the market rates of interest, government export financing was normally available at rates of interest equal to—if not higher than—the domestic lending rates. Government export financing was therefore not usually a factor influencing sales between the developed countries. It did play a useful role in financing sales to developing countries which—as is well known—lack capital and the ability to attract it on the required scale from conventional sources.

As is well known over the past two years domestic rates of interest have increased at a rapid rate throughout the world. Export financing, on the other hand, continues to be available in some countries at about the same rates of interest as before. Coupled with the shortage of domestic funds, the availability of financing at favourable rates of interest has now become a significant factor in export sales between the developed countries, and this is where the problem lies.

In recent months, Canadian machinery manufacturers have been making representations to the government indicating that they are unable to sell machinery for projects in Canada because they cannot meet the highly attractive financing terms which are available to their foreign competitors. Moreover, Canadian manufacturers claim that because of the attractive credit terms available from abroad, they sometimes lost business—or were even denied the opportunity to bid—on projects which benefited from federal government assistance under the Area Development Incentives Act.

[*English*]

The government is satisfied that in several instances the availability to foreign manufacturers of export credit at lower rates of interest has resulted in substantial loss of business to individual Canadian companies which otherwise would have been competitive in price, performance and delivery.

There is also the danger that should export credit competition among the industrialized countries be permitted to continue, an increasing number of countries will resort to it and this may eventually develop into a full scale credit race. It is evident that credit competition of this magnitude can in the long run benefit no one.

In the light of these circumstances, Mr. Speaker, the government has decided to take a number of steps designed to mitigate the adverse impact of foreign government financing of exports to Canada which causes injury to Canadian industry.

First, Canada will use all available means consistent with its international obligations to curtail foreign government financing of exports to Canada in cases where it causes material injury to Canadian industry. In this context, consideration will be given to invoking the provisions of the Anti-Dumping Act in specific cases.