

*Employment Support Bill*

**Hon. Eric W. Kierans (Duvernay):** Mr. Speaker, I want to deal at some length with the over-all thrust of the recent measures undertaken by the United States, and probably less with the immediate response we have made in this bill because it is the over-all thrust that can cause the greatest harm to the Canadian economy.

I think we have forgotten in responding that the impact of the surtax will not fall mainly on exporters, because of course the over-all and very pervasive result of such a switch in policy by the United States is that it will have an impact on gross national income inside Canada. We may, by retaining some of our export markets, alleviate some of the impact on particular exporters, but this does not alleviate the more pervasive effects that fall upon retailers, wholesalers, construction people, farmers, and other people in every aspect of their livelihoods.

● (4:10 p.m.)

There is another aspect to the response. I think that we can liken the 10 per cent surtax in its effects as being somewhat of the same nature as if Canada, of its own volition and in the interests of creating a more effective manufacturing industry at home, had decided on a policy to reduce the tariff protection. This has led, as many will admit, to an inefficient industry—inefficient by the size of the market, which is no fault of anybody engaged therein, but inefficient also because it has attracted capital and new firms into the country as a result of this protection thus creating too many firms in a small market. There are, generally speaking, too many plants which, on an internationally competitive level, are inefficient as to skill, cost and wage structure.

A diminution of exports does not mean a reduction in the capacity that already exists in Canada. The capacity is still there and a great deal of it is going to turn inward. It is going to turn inward in order to grasp a greater share of the market within its own industry. While we agree that in a normal situation this would be a good policy and would feel it really has to be done, I would hesitate to think that the government of Canada is in effect subsidizing some of those firms within an industry to carry on this kind of competition and is not treating all equally. In other words, a firm with more than 20 per cent of export markets would now find itself being subsidized to a considerable extent to maintain its labour. That labour could be used to turn out goods, some of which are for export and some of which will endeavour by a variety of competitive means to capture a part of the domestic market from firms without that advantage. So it seems to me, Mr. Speaker, that we have a great many problems here in deciding that, as a government, we will take up two-thirds of the ransom, in effect, which the President of the United States is asking of the Canadian people in order to maintain entry into U.S. markets.

I think in order to assess not only this policy but all of our future policies, because this is certainly not going to be sufficient and the government does not claim that it is, we have to realize what the problem is that is facing the

[Mr. Nowlan.]

United States. Last year they had a deficiency of \$11 billion in their balance of payments. Their outflows, of course, are well known to everyone. One of these is the cost of their vast military operations not only in Viet Nam but the maintenance of forces in Europe to maintain the defence of that continent and other forces throughout the world. Another cost is their determination at whatever price to their economy—and now they are going to pass some of this on to the rest of the world—to maintain the lead in technology. Vast sums are being expended on all types of technological endeavours, whether sending astronauts to the moon, exploring Mars or proposing SST's which even they find difficult to finance in the last analysis. All this has placed a great burden on their balance of payments.

Another cost is their foreign aid program, some of which has been reduced. A cost which has benefited Canadian manufacturers, not the most efficient in the world, is the inflation within the American economy which has led to the upward evaluation of their dollar to somewhere between 6 per cent and 10 per cent beyond that of other countries. Canadians have been able to get under this and export a great deal of manufactured goods as have, most noticeably, the Japanese and the Germans.

There has been a great outflow on manufacturing account which is not normal to the American economy. There is a perennial and basic outflow for resources and money to buy resources. The Americans have a great many resources but in many areas do not favour developing them in order to keep them as the foundation of their eventual security.

**Mr. Benjamin:** True!

**Mr. Kierans:** So, they are expanding across the world, seeking to own, control and most of all, to import resources wherever they can be obtained.

A further cost of this outflow has been their capital outflows to buy up industries and resources in other nations. Can they reverse this, the outflow of the manufacturing account? Of all of them, I think this is the only one that they can reverse. To some extent, I think they have slowed down the export of capital for the purpose of acquiring additional firms. Basically, I do not think that they really want to do it.

So, Mr. Speaker, they will not slow down the outflows for resources. They can cut foreign aid, but only slightly because their prestige is at stake. They will not cut the funds expended on military forces across the world or for space and technology because their power is at stake. Now, we find that the most advanced nation in the world has suddenly brought down a series of directives which in effect mean that all the money they have spent on their very high technology has not yielded the kind of growth that will employ all their people. They have had to admit that according to their ratings even such lowly industries as shoes and textiles have to be protected in order to maintain employment. Most important nations usually feel that they should get out of shoes and textiles in order that the developing nations should be able to expand if we really mean to trade with them.