

limit imports. Pressures of this kind are always strong whenever business is stagnant or growing too slowly. Today, in the industrialized nations there are more than 15 million people looking for work. Subsidies are paid in a number of nations to help domestic industries win contracts which would otherwise go to foreign competitors. In Geneva, the staff of the GATT organization, which monitors the international by-laws adopted by most non-communist nations, say that fully 40 per cent of the world's trade today is categorized as being non-liberal, meaning that it is subject to controls.

Like most other nations, the United States already restricts the importation of certain products. Protectionist pressures have been rising in Britain and on the continent. The number of unemployed rises steadily. Many industries face stiffer competition from low cost producers in the less-developed nations and Japan. One way or another, the Europeans now protect a growing number of high cost industries including steel, ballbearings, textiles, clothing, footwear, consumer electronics, and cars. How similar that is to the list which applies in Canada at the present time.

Canada is grumbling about the duty-free auto trade with the United States, having enjoyed a surplus in these dealings between the two countries in three years only. Canadian officials say that more parts plants are needed but manufacturers show no inclination to build in Canada. Once again, I wonder, though the automobile industry was not mentioned by the previous speaker, whether that industry also is on the list of industries to be told to go it alone. I can assure hon. members that if that is the case we shall not see many more automobile manufacturing plants in Canada.

The Conference Board found in a study that Canadian pay levels were higher than those in U.S. scales covering 11 occupations in the automobile industry. Again we must be careful, because the last time I suggested that it was better to work for X dollars than to not work for X plus 2 dollars I was criticized. But the fact is we either have to pay workers less or we have to give some protection or assistance to the industry.

Any discussion of Canada's trade position must begin with the recognition that this country has become overwhelmingly dependent on a single trading partner, the U.S.A. This long-term trend, which has accelerated since the Second World War, has now reached the point at which trade between Canada and the United States accounts for about 70 per cent of our exports and imports. Since total Canadian exports represent such a large percentage of our gross national product, and since the U.S.A. plays such a large part in Canada's total trade flow, it follows that the likely future direction of Canada-U.S. trade will be of crucial importance to the further development of our economy.

Canada has a virtually unique position as an industrialized trading power without open access to either a large national or regional market. The weakness of Canada's manufacturing sector has given rise to a large deficit in our trade in end products, hence a continuing inability to compete effectively in world markets. The impact on our industrialization and export potential of large foreign direct investment is abundantly

apparent. Canada is one of the only two industrialized nations—the other being Australia—without access to either a national or regional market of over 100 million people. We are increasingly isolated in a world of large trading blocs. As world trade has become more competitive and Canada's dependence on trade for its prosperity has remained high, forces are pushing Canada toward closer trade integration with the United States.

I should like to quote Mr. R. J. Wonnacott who says in the *International Journal*:

One of the major economic issues facing Canada in the next decade will be how to increase its industrial efficiency to internationally competitive standards. While there is not yet a consensus on a cure, there is general agreement on the diagnosis of the problem: in a world in which there are substantial economies of scale in manufacturing, Canadian processing is now too heavily characterized by small scale high cost processes. If this problem is not cured there will be a continuing cost for Canada. Moreover, it will face increasing difficulty in export competition with firms from the United States which have always enjoyed the efficiencies of a large market.

The obvious solution for Canada would be to gain free access to larger markets by liberalizing trade.

The Senate conducted an impressive study on the subject of Canada-U.S. trade relations, and the chairman of the Senate standing committee on foreign affairs, Senator van Roggen, wrote to me recently:

I believe there are many of us who recognize and can reasonably agree on the nature of the problem and, indeed, probably differ less than we think about what the solution is. Certainly "free trade" is a long-term objective which would only succeed after we have put our house in order first.

In its report, the standing committee put forward the following principal recommendation:

The committee urges governments in Canada, as well as the business and labour communities, to assess without prejudice Canada's present economic prospects, the alternative solutions and their consequences. The committee recommends that they consider seriously the option of bilateral free trade with the United States.

Before anybody jumps, let me say that the deputy chairman of that committee, Senator Grosart, is a member of the government party. It is important for every Canadian to be fully conscious of the fact that the standard of living to which we, as a nation, are accustomed, depends completely upon our continuing to be one of the great trading countries of the world. Otherwise there is no way in which a small population of just over 20 million could operate anything resembling a modern, industrial economy. Canada's exports amount to about 25 per cent of our gross national product. Nevertheless, imports exceed exports. Of this immense trade, 70 per cent is with United States, 11 per cent with Europe, 6 per cent is with Japan, and less than 13 per cent with the rest of the world combined, even if one includes Canada's massive grain sales to Russia and China. The vast majority of our trade continues to be with the United States, and the United States is truly a trading bloc of its own.

A study of the nations which have been most successful in the international marketplace indicates that an effective industrial strategy begins with the realization that no one country can make everything more cheaply and more effectively than others, that specialization and constant innovation are essential, and that the selected areas of specialization must be