

*The Address—Mr. O'Connell*

Encouraging multinationals really means encouraging Canadian companies to establish their own subsidiary assembly, processing and manufacturing plants in foreign trade areas as well as joint ventures with companies in host countries while retaining research, development and product innovation in Canada. Such foreign subsidiary operations lead to major benefits to the Canadian home market in terms of components shipped to subsidiaries abroad or in additional head office employment, as well as the attraction of top managerial talent and the valuable research, development and innovation advantages. Multinational activity fosters specialization and, indeed, obliges innovation, thus ensuring the maintenance of position in the home market and expanded opportunities in foreign markets.

New guidelines should be issued through the Foreign Investment Review Agency to align its decisions with the industrial policy objective of building Canadian-owned and controlled firms in chosen sectors with the capability to attain size, specialization and innovation.

A key element of industrial strategy is the adoption of policies for further processing as far as the market permits, and even further for transitional periods when strategic goals are being pursued. For example, there is further scope for the manufacture and export of fabricated metal products. Asbestos processing has become a major objective of Quebec industrial policy. Food and other agricultural products' processing is an objective of western Canada, as is the further processing of petrochemicals, uranium, heavy oil and forest products. In the Atlantic area, the processing of fish, agricultural products and forest products is central to the objectives being fostered, as is the development of new marine industries to take advantage of the 200-mile economic zone.

Significant impediments to processing are United States, Japanese and European tariffs as they escalate against each further stage of processing. Nevertheless, we should set the processing goal in front and centre and adapt our trade initiatives, freight rate policies, regional development policies, domestic market shares and other policies to reach the goal.

Another element of strategy is to ask parliament for a special small business act to highlight and focus the policy commitment to serve the needs of the small owner-managed sector. The act would consolidate existing programs and generate a coherent set of policies ranging, for example, from manpower training and management training to small business consortia, new venture formation, a fair share of procurement for small independent firms through set-aside programs, and access to financing. The sector singled out here is composed of small and medium sized but independent business firms formally represented by a single plant. This sector is usually more labour-intensive than capital or energy-intensive. It is often community-oriented, or serves regional markets. Many play a substantial role as subcontractors to large firms. They cover some 95 per cent of all businesses in Canada and are estimated to provide over one-half of all Canadian jobs. Their productivity, cost competitiveness and capacity to innovate are important to trade and to import replacement.

[Mr. O'Connell.]

The expansion of these firms and of this sector is a valid objective of good social and community policy, of good regional development policy, as well as an offset to the industrial concentration necessary in other sectors. Moreover, their healthy development is a necessary condition for an industrial policy that also fosters larger scale, more specialized and competitive firms. The two go together; and the small owner-managed sector with employees up to, say, 200 to 300 persons, must be brought in from the periphery of policy to its very centre.

I do not have time here to discuss the role within an industrial strategy of a ventures capital corporation, of measures for providing incentives and financial assistance to private inventors, or the establishment within the public service of the principle of fair comparison with selected outside employers as the guiding principle for public service collective bargaining. But what I am suggesting is that in such revised industrial policies as I have sketched here will be found important keys to a more unified country.

Present industrial policies are changing too slowly to relieve an accumulated frustration with blocked economic development in most of Canada's six economic regions. Inter-regional tensions are unnecessarily high and persisting. Stronger inter-regional ties are not only attainable through a revised framework of industrial policies with obvious benefits to national unity; these ties or linkages are the very foundation for industrial development advantageous to all. An important point to recognize is that Ontario and Quebec, forming the industrial heartland of Canada, are in serious long-term economic difficulties. In Ontario this is only now becoming apparent. The two provinces have entered a period of relative weakness and decline—

● (1612)

**The Acting Speaker (Mr. Ethier):** Order, please. I regret to interrupt the hon. member, but his allotted time has expired. He may continue if he has the unanimous consent of the House. Is there unanimous consent?

**Some hon. Members:** Agreed.

**Mr. O'Connell:** I thank my hon. colleagues for allowing me to continue. I should reach my conclusion in approximately two minutes. These two provinces have entered a period of relative industrial weakness and decline, particularly evident in many sectors of manufacturing. To the extent that weakness and decline have set in, and to the extent that the present policy framework will not lead to a transition to a more technically efficient and internationally competitive industry, then grave implications arise for national unity. Such an uncorrected trend, if prolonged, could result, on the one hand, in less willingness to share with other regions through equalization or other disparity related programs and, on the other hand, in greater pressures from strong provinces for a more decentralized federal system so they can better look after their own economic interests as they see them.