

*The Address—Mr. Harries*

intensity, and at the same time as this resource development was taking place non-resource activity tended to cluster in a relatively few areas. This trend is, of course, still going on and is giving rise to the urban problems that have heretofore been referred to in this House.

There can be no question in my mind, Sir, that regional economic development is properly a fundamental part of the program of this government. Surely, the objective must be to create, wherever possible, equality of opportunity. But as we look down the road there arises the question as to the adequacy of our present development and economic growth concepts.

For very obvious reasons, there has been a strong tendency for us to follow the economic pattern of the United States. In some ways it may not be inaccurate to accuse us of attempting to create a miniature American economy; but with the advances that have taken place in technology and with the increasing sophistication of many of our production processes it is not possible for us to create a viable economy based upon the pattern of American development.

The fact of the matter is that if we miniaturize our economy to a 10 per cent level, which would be in accord with the relationship in the population between the two countries, we find that a 10 per cent input will not give a 10 per cent output. As a matter of fact, because of the economies of scale, it is more accurate to suggest that a 10 per cent input would give about a 5 per cent output. Therefore, it seems reasonable to suggest that as we look forward to developing a viable Canadian economy, we do so having in mind the fact that we must specialize and in this way achieve the standard of living levels that are appropriate to a country with the aspirations and the resources that we have.

I think it is instructive to look for a moment at the Japanese steel industry. The steel industry in Japan is not based upon the location in Japan of resource materials; in fact, quite to the contrary. In a very few years in excess of 12 million tons of coal will be moving from the western part of Canada, Alberta and British Columbia in particular, to Japan for use in their steel industry. That coal or coke will be used in conjunction with iron ore that is mined in Peru and in Australia, and to a limited extent on the west coast of Canada and maybe in Alaska. This will be combined with other imported materials and the finished product will be exported

back to those countries that have provided the raw materials.

One might ask why such an economic process is possible, why is it possible for the Japanese economy to import these raw materials, process them, and return the product to us at an obvious advantage to their economic situation. We used to seek answers for these kinds of questions in the labour rates that applied, in the idea that the standard of living in these far off countries was so inferior to ours that these people just worked for nothing and hence were able to accomplish this transfer of resources. This argument no longer applies, if in fact it had any validity years ago.

Rather, the explanation lies in the ability of the Japanese economy to use large scale processes, huge blast furnaces, magnificent rolling mills and other processing equipment to convert these raw materials to finished products at an exceptionally low per unit rate. This low per unit rate results simply from the technology, and this vast production is distributed worldwide on an incremental cost basis because the domestic market is largely saved for the capital goods manufacturers of Japan.

In other words, what is happening is that they have a low unit cost which enables them, combined with the domestic disappearance of the product, to export at a lower rate cost than any other producer. We never hear of steel being exported from the United States into Japan. The reverse has been true in such a volume as to make it desirable, from an over-all trade standpoint, for the Japanese voluntarily to restrict their exports of steel to the United States. There are other kinds of industries which demonstrate this same kind of phenomenon.

Surely, in Canada where we have many of the resources that are necessary for this sort of industrial output, where we are much closer to the larger markets of the world, to the United States and to Europe, and when we have many advantages that a country like Japan lacks, we should be able to do these conversion activities ourselves and thus provide employment and an economic growth pattern second to none. It is not related to anything but known technology and the clear requirement that we do away with miniaturized production processes in favour of a high degree of specialization in activities where we have a clear advantage, and steel is certainly one of them.

[Mr. Harries.]