

*Science and Technology*

through the expertise and professionalism of the air element of our armed forces; it is only through their dedication that we are able to make any contribution to NATO. It is no wonder Admiral Boyle should have made the comments he did over the weekend in reply to questions put to him.

Where has it all gone wrong? Ask the Minister of Industry, Trade and Commerce a question about the state of research and development in industry in Canada and you get back a bunch of nonsense about alphabet programs, many of which are a disaster in themselves. Government members dutifully applaud when the minister tells them about FLIP or FLOP, or whatever other program he mentions. In the meantime we see a sad decline in our industrial activity. As Clive Baxter said in a recent article in the *Financial Post*, research and development in Canada is really a Mickey Mouse affair.

The head of the Economic Council of Canada stated recently before the standing committee that he sees the future of our industry in high technology. Yet information released by the Department of Science and Technology dramatically illustrates that we are losing out in this area. The Minister of Industry, Trade and Commerce has a direct responsibility here. He told us time and time again he does not believe we can establish an industrial strategy in Canada. I suppose his thinking coincides with what we heard the minister tell us in his remarks earlier today. I cannot agree with that thinking at all.

Is it any wonder we should be faced with a record deficit in our balance of payments and that a deficit is likely to be with us for years to come? Is it any wonder that high technology manufacturing is showing a \$7 million deficit? I invite hon. members to take a look at the export-import picture in higher technology manufacturing. The only category in 19 industrial groupings which shows a surplus of exports over imports in the period 1970-1974 is in the field of petroleum and coal products. No doubt that picture will be reversed in 1975 as a result of current problems in petroleum pricing and a decline in petroleum exports. Look at the list.

Man-made fibres showed a deficit of \$23.6 million; chemicals, a deficit of \$364 million; industrial machinery, a deficit of \$316 million; mechanical handling equipment, a deficit of \$133 million; other industrial machinery, \$421 million—these are all deficits—agricultural machinery, \$354 million; railroad locomotives and rolling stock, \$29 million; road transport and equipment, \$630 million; aircraft and aircraft parts, \$218 million; other vehicles, \$23 million; communications equipment, \$441 million; heating, refrigeration and air conditioning, \$104 million—I could go on and on. There are 19 groups here and the total deficit adds up to no less than \$4,650 million. That is the contribution of the group I have mentioned to the overall balance of payments picture.

When all the programs of the Department of Science and Technology and of the Department of Industry, Trade and Commerce are put together, where are they in relation to this figure? We hear the ministers tell us they have one program or another going for them. But here is a four-year picture of deficits on an almost unbelievable scale and, as we see it, there is no possibility of any change in the future.

[Mr. Kempling.]

I could continue this analysis indefinitely. Granted, there must be a certain amount of analysis. I can recall sitting in while think tanks were in progress—in-depth studies of various industries. Essentially an idea does not get off the ground until someone makes a decision. I wonder if parliamentary paralysis here is not due to the fact that we are afraid to make a wrong decision. I am sure all my colleagues realize that when you are working on research and development and on science and technology there are bound to be some bad decisions. There is no doubt about that. But it does seem to me that there are no decisions being made. When you make a decision that is bad, at least you can change direction, but when you make no decisions whatsoever you just continue to float.

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The government will tell you that this lack of activity in highly technological industry is because a lot of these companies are controlled by foreign owners, and most research and development is done by the parent companies at their basic facilities. There is some truth to this.

Let us take a look at our taxation policy. We have heard a lot of talk about the oil industry in western Canada, and the government's colleagues in the NDP take the same line, that this industry is highly controlled by forces outside the country. If we look at the taxation policies we had at the time the investment flowed into western Canada we can understand why this is the fact. If we look carefully at the flow of money into the oil industry in western Canada we will find that the bulk came in during the Korean war, when in fact the United States had an excess profits tax, with total taxation somewhere in the area of 85 per cent. At that time they had what they called the 15-cent dollar. At that time industry in western Canada could not get anyone in the east, least of all the government, to invest. Wanting to develop the industry, they consequently welcomed these funds from the United States, and that is why the industry today is basically controlled by U.S. capital.

Today we have a government and a Minister of Industry, Trade and Commerce urging Canadian businessmen to go outside Canada to form joint ventures with third world countries and export back to Canada. What in the world is that going to do for industry in this country? We had the minister before the Committee on Finance, Trade and Economic Affairs where he expressed this as his position. He urged Canadian businessmen to get a piece of the action, as he called it, and to get some of this industrial activity in third world countries we should go out of the country. I say we should stay in our country and develop what we have here.

Much of the industry we have in Canada at the present time is really a pass-through assembly operation. We buy components offshore, assemble them here, and sell them in our local markets. This trend will continue until we eventually move back to where we were 100 years ago, shipping all our resources out of the country for processing elsewhere. Perhaps some will be processed here in Canada, but basically we are not doing much to encourage the development of manufactured production in this country.

The government has stated time and time again that "we cannot develop an industrial strategy". Let us correct