

Supply

will be rather difficult and will require determined and constant efforts from each economic sector.

● (1730)

I should bring up again that problem of coexisting inflation and sluggish economy and dwell briefly on a special feature of the Canadian economy, that is the very wide and determined opening of our economy on international markets. We have to outdo our trade partners in our fight against inflation. So long as our inflation rate keeps higher than that of our partners, our competitive position is deteriorating and preventing us from reverting to the full use of our productive resources. Our industrial and economic structure is such that 25 per cent of our production is sold on the international markets compared to an average of 18 per cent in the case of our major partners. This feature of the Canadian economy compels us to strive harder to control inflation because the deterioration of our competitive position has tremendous impacts on employment in Canada. To show—

I find it rather strange, Mr. Speaker, that members should let themselves be easily carried away and lose their temper.

Mr. La Salle: This has been said ten years ago.

Mr. Bussières: To show the effect of the above phenomenon on employment, the impact of exports, may I only indicate that during the last quarter of 1980 and the first quarter of 1981, and not ten years ago, our excellent performance abroad has enabled us to reduce significantly our unemployment rate and to reach very high rates of actual growth during those quarters. To the extent that we are competitive, we create jobs. The opposite, however, is also true. To the extent that we allow our competitive position to deteriorate because of a galloping inflation, we lose markets and permanent jobs in the short and medium term. The less competitive we become, the more jobs we lose. In 1980, our gross national product reached nearly \$290 billion; \$76 billion of which represented the value of our exports. Some 65 per cent of our total exports go to the United States. On the other hand, inflation in the United States reached 8.9 per cent, compared with 12.5 per cent in Canada over the same period. Should this trend continue, it is clear that we would lose ground in terms of the capacity of our own production to compete with foreign goods both on our domestic market and on the American market.

One must also realize that the recession, the economic slow-down of which affects Canada also affects our trading partners. I am not saying that we should rejoice at other people's misery. I am not saying either that we need only explain the phenomena to suppress their effects. I am merely saying that the economic slowdown is worldwide and that most leaders of industrialized countries are faced with the same dilemma as to the direction of their budgetary policy.

One must keep in mind that at the International Monetary Fund and OECD meetings, many participants have insisted on

the need to check inflation before tackling unemployment. It is also interesting to note the relationship between inflation and unemployment in every industrialized nation. For instance, in some cases where inflation is very low, so is unemployment. Although the immediate thrust of the budget policy is to reduce the inflationary pressures, one should not conclude that the government disregards the social consequences of the current economic situation. This government has deliberately opted for a gradualist strategy in the strength of the fiscal and monetary restraints it has implemented. It would have been socially unacceptable merely to eliminate a certain number of social programs with a view to drastically reducing the government's expenditures and deficit. Indeed, it has reinforced its inflation strategy by limiting the growth of expenditures and aiming at a gradual reduction of its deficit.

Despite the outcries of the opposition, the last budget leaves untouched the tax and social programs indexing system, which represents a purchasing power of more than \$2.5 billion available to the taxpayers for the year 1982. The Minister of Finance has also given many examples of lower marginal rates of taxation and of other measures contained in the budget which will boost the purchasing power of Canadian taxpayers during fiscal year 1982. I hasten to point out as well that Canada is one of the very few countries that offer their taxpayers such an extensive indexation system as applied to tax schedules and basic exemptions. For instance, the United States have no tax rate indexation.

This budget also features an economic development strategy the purpose of which is to promote the long-term expansion of the Canadian economy. That strategy is aimed at making it possible to distribute equitably the benefits stemming from growth and development among regions, social groups and individuals as well. Hon. members will recall that it bears on five priority fields: industrial development, resources development, transportation, export promotion and maximum use of our human resources. Our approach is synchronized with the economic objectives of the provinces, since it is aimed at promoting the natural resources development industries and revitalizing the industrial structure in light of an ever stronger international competition. Our strategy also takes into account regional and national economic development, hence the expected closer co-operation between the Government of Canada and the provincial governments. In spite of the restrictive policy, the anti-inflation policy, between now and 1986 the Canadian government will spend about \$60 billion for economic development. This includes close to \$19 billion that will be allocated to energy development.

● (1740)

Some references have been made today to the difficulties faced by the manufacturing sector in Quebec and elsewhere in Canada. If I may, Mr. Speaker, I would like to refer to a number of measures taken by the Canadian government to help consolidate Quebec's and Canada's industrial structure.