

*The Budget—Mr. Gillespie*

of the country and lives of the people. Quite apart from the fact that there is no evidence of the kind of strong national consensus in support of controls that would be essential to make them work, there is little reason to believe that they would be effective.

I would draw the attention of the hon. member to the recent experience in the United States which he quoted, and particularly to the increase in food prices in January. The strongest inflationary pressures have been evident in the case of food, and other countries have demonstrated that food is less amenable to control. In the United States and in the United Kingdom, imported foods and basic agricultural commodities have been exempted from controls.

Food prices have been rising sharply in Canada and around the world because of shortages in production of many agricultural products in the face of continuing strong growth in world demand. The fact that food prices jumped by 2 per cent to 3 per cent in the United States last month—the sharpest increase in 20 years—suggests strongly that controls are no solution to that fundamental problem either for the producer or the consumer.

I share the concern of all Canadians for the problem of rising prices, but I believe that Canadians are also wise enough to distinguish between a national emergency, requiring the government to take over control of prices and incomes, and a political emergency generated as part of a desperate last resort by the Conservative party to take over the government.

**An hon. Member:** Nonsense.

**Mr. Gillespie:** I suspect we are hitting pretty close to the mark. There is a fair amount of heat on the other side.

**An hon. Member:** You didn't write that speech.

**Mr. Hees:** Those fellows used to write better stuff for me.

**Mr. Gillespie:** This would not be the first time the Conservatives have been victims of their opportunism. It is clearly a desperation move and in my view an irresponsible one. The United States, the hon. member for Don Valley stated, had used price controls to break inflationary psychology, but he must know that his recommendation that we impose them at this time would work against the very anti-inflationary psychology which he has advocated. Mr. Speaker, he is presenting himself as a fireman who would dampen the fires of inflation, but he has turned out to be an arsonist.

**Mr. Nowlan:** And you are turning out to be a joker.

**Mr. Gillespie:** I do not believe the Canadian people will be taken in by this exercise in opportunism.

**Mr. Gillies:** Let's test them.

**Mr. Gillespie:** I should like now, Mr. Speaker, to turn to the other item I want to talk about this afternoon, the question of the changing trading environment and the importance of maintaining an efficient secondary manufacturing industry. Budget debates are a time for stock-taking, to assess recent events, to look at Canadian posi-

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tions in a rapidly shifting trading international world, a time to examine our options and our opportunities, a time to look the future squarely in the eye, a time for realism. In my view, it is not a time for rhetoric but a time to look at the facts of international life.

What sort of facts am I talking about? I should like to refer to half a dozen. Fact one is President Nixon's measures of August, 1971. The United States' unilateral action at that time to meet a growing merchandise trade imbalance has triggered a profound change in moods among the major trading nations. These measures, Mr. Speaker, have generated a new protectionism in many important corners in the United States and resulted in such measures as DISC and the Burke-Hartke bill before Congress. The August, 1971, action has galvanized trading partners of the United States into re-examining their traditional trading relationships with that country. It has created a new awareness in Canada of the importance of our manufacturing industry and the vulnerability of some sections of it. The Nixon measures of August, 1971, have clearly underlined the need to seek multilateral solutions to trading, monetary and balance of payments problems.

Fact two is that as a nation we in Canada have an enormous stake in international trade. Over 50 per cent of the value of the goods we produce are exported. Let us look for a moment at the make-up of our imports and our exports. The major part of our exports is in crude materials and semi-fabricated products; roughly 60 per cent, or 40 per cent in end products. On the import side, two-thirds of our imports are end products and one-third in the crude or semi-fabricated classification. Those figures are for the year 1972.

Let us look now at our exports to the United States. Most of our end products go there; in fact, 85 per cent are the most sophisticated manufacturing products. If we exclude the items in the auto pact, then 70 per cent of our end products are exported to the United States.

Fact three is that we have the fastest growing labour force in the world. If we are to provide job opportunities for that labour force today, tomorrow, five years and ten years from now we must have a strong, growing and competitive secondary manufacturing base. Such a base will provide direct jobs but, even more, it will provide indirect jobs in the goods related service sector, particularly those related to the manufacturing or goods producing industries as well as creating the wealth to provide for the increase of jobs in the personal services sector.

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Fact four is that the government's actions of last May were a clear response to the realities which had become apparent since August, 1971, realities to which attention had been particularly drawn by the Smithsonian agreement of December, 1971, when it became apparent that a new international trading situation had developed. I am referring specifically to the reduction in the corporate income tax rate from 50 per cent to 40 per cent and, for all private Canadian-controlled corporations, the reduction to 20 per cent on the first \$50,000 of taxable income, in addition to the provision for fast write-off of equipment in the manufacturing and secondary processing industries to