

Canadian manufacturing industry is at risk and its future is uncertain. This uncertainty obviously extends into a distinct and pressing concern about our ability to employ the wide range of talents and skills that make the Canadian labour force such an exceptional national resource. Last year, Canada's deficit on manufactured goods was more than \$10 billion. Nearly every branch of Canadian manufacturing displays weakness. Textiles, clothing, leather goods, consumer electronics—all are succumbing to fierce foreign competition. Many of our high technology industries have, since 1971, developed increasingly large deficits in balances of payment. The problems are long term and reflect fundamental structural deficiencies.

Contrary to popular opinion, the 1960's were a period of relative decline in Canadian manufacturing. Canada did not progress by comparison with other industrial and semi-industrial countries. The seeds of our current distress were being sown in the so-called "golden era". In the past two decades, the various policies bearing on industrial growth in Canada, while partially successful as short-term palliatives, have not helped to create a strong technological base. A superficial, stunted form of industrialization was produced by policies that created growth through import substitution.

Too many Canadian exports are actually a reflection of intracorporate transfers. Without the Auto-Pact, for instance, Canada would have practically no exports of manufactured goods. Between 1965 and 1970, the proportion of finished manufactures in total exports—a sector that provides productive employment and creates an indigenous base of engineering and scientific expertise—grew by 3.22 per cent (autos excluded). Denmark increased its proportion by 11.3 per cent, France by 5.5 per cent, Mexico by 16.8 per cent, and Sweden by 10.8 per cent. In relative terms, Canada fell seriously behind.

The responses of many businessmen to the current economic situation are indicative of current problems. Too much government control through regulation and interference in private enterprise; profit controls put forward by the Anti-Inflation Board; high taxes; uncertainty about nationalist sentiment and its possible policy implications; loss of competitively advantageous wage-rates relative to our major market area; stress on the part of government on the provision of social benefits as opposed to emphasis upon productivity—these are the elements that businessmen complain of as part of the poor business climate in Canada.

**Mr. Baker (Grenville-Carleton):** Ha, ha!

**Mr. Philbrook:** I wonder why such a responsible member on the opposite side considers that funny, because I doubt that Canadians do.

**Mr. Baker (Grenville-Carleton):** On a point of order, Mr. Speaker—

**The Acting Speaker (Mr. Turner):** Order. The hon. member for Grenville-Carleton (Mr. Baker) is rising on a point of order.

**Mr. Baker (Grenville-Carleton):** Did the hon. member have a question for me? He said something to me.

**The Acting Speaker (Mr. Turner):** Order. The hon. member for Halton. (Mr. Philbrook).

**Mr. Philbrook:** I find it a most unusual piece of behaviour, Mr. Speaker, but we will let it go because we are used to it.

To continue my quotation:

● (2042)

These problems are not only grave in themselves, they also reflect an even deeper malaise that has to be exposed and diagnosed. The Science Council background paper, "Uncertain Prospects Canadian Manufacturing Industry, 1971-1977" describes the difficulties of Canada's manufacturing sector. It shows that the central problem has to do with a failure to create and agree on coherent national policies aimed at restoring and enhancing our industrial base. Such policies are needed urgently and should address specialization, ownership, gov-

### *Income Tax*

ernment procurement, major programs, domestic market aggregation, international science and technology, agreements, and other areas where there is significant potential for promoting existing strengths and opportunities. Brilliant examples of Canadian industrial and innovative successes already exist. They must be built upon and multiplied.

It goes without saying that is the responsibility of government and of government economic and financing policies, and therefore of the Minister of Finance to set the proper climate to make sure those things are realized. It is forecast that 1978 will be a better year, a year of much improved economic growth, and perhaps the start of a more clearcut long term growth.

**Mr. Orlikow:** Who said that? It was not the Economic Council of Canada. They said it was going to be worse.

**Mr. Philbrook:** I think if the hon. member does some reading he will discover that most groups say that.

In summary, what the Canadian people want to know and need to know is where we are going and how we can get Canada moving. The position taken by the new Minister of Finance is a very encouraging sign that we will get that kind of leadership in Canada.

**Some hon. Members:** Hear, hear!

**Mr. Benjamin:** Mr. Speaker, I rise on a point of order. Before the hon. member has used up all his time, I wonder if he would permit a question.

**The Acting Speaker (Mr. Turner):** Will the hon. member for Halton (Mr. Philbrook) accept a question from the hon. member for Regina-Lake Centre (Mr. Benjamin)?

**Mr. Philbrook:** Yes, Mr. Speaker.

**Mr. Benjamin:** Mr. Speaker, the hon. gentleman cited four of five countries where exporting of manufactured goods has assumed marked improvement over that of Canada's. On the one hand he has indicated that there has been too much regulation and government interference. On the other hand, these countries which were referred to as having a better record than Canada all have socialist or national economic planning and have now, or have had, socialist governments which interfere in the private sector. How does he reconcile the differences between the two?

**Mr. Philbrook:** Mr. Speaker, the countries I mentioned were Denmark, France, Sweden and Mexico. I really have to wonder what Denmark and France would think about the hon. member's remarks concerning their socialist societies with a great deal of government interference. I think they would differ entirely on that. It simply proves that under various forms of government there can be good government. It depends on what the people of those countries want, but in the short term they can do a good job.

**Mr. Benjamin:** They have more interference than we do.

**Mr. Philbrook:** I do not see any contradiction there at all.