

(Mr. Clark) give us the assurance in this House that no armaments made and produced in Canada are ending up in South Africa, in El Salvador and in those countries that have a strong history of abuse of human rights.

We all know that the international arms industry is not quite so neat. Canadian products can be sold to Great Britain who in turn sells them to a West German arms dealer, who sells them to the Saudis, who in turn sells them to the South Africans. We have been pressing that to help tighten up the regulations that an end use must be declared before we allow arms products manufactured on our shores to leave our shores. Unfortunately, this Government has still not accepted that position.

I wish to now address the more global question of the arms race and the economic costs of the arms race. Well over \$1 trillion a year is now spent on the production of arms. Of course, the two major superpowers, the Soviet Union and the United States, spend the most. Then I am sure after that we have the Europeans, the Chinese, India and somewhere down the list is Canada as well.

When we take this total global expenditure of \$1 trillion a year, we come to the conclusion that we cannot take \$1 trillion out of the world economy without everybody in the world suffering from a reduced standard of living. We all pay for it. Mr. Speaker, you and I pay for it.

Let me give you one example. Because of the tremendous U.S. deficit some economists claim that almost 90 per cent of the total of what every individual and company in the United States saves is needed to pay the interest on their deficit. The Americans need to borrow huge sums of money from offshore in order to pay the interest on the deficit. The only way they can do this of course is to offer high interest rates.

As our economy is so closely tied in with the American economy, we of course have to raise our interest rates. Let us remember that the normal historic relationship between interest rates and inflation is that interest rates normally are two to three points above inflation. That means that the interest rates really should be around 6 per cent or 7 per cent. With a 6 per cent or 7 per cent interest rate, the Government deficit becomes manageable. For young families attempting to pay for a mortgage a 6 per cent or 7 per cent interest rate becomes

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manageable. If the farmers in my constituency only had to pay a 6 per cent or 7 per cent interest rate on the farm debt, that would become manageable. The fact of the matter is that we have a 12 per cent or 13 per cent interest rate, in large part because of the arms race and because of the deficits that this has produced on a world scale and the scarcity and demand it has created for capital. Yes, we are all paying for the arms race.

We are living in a day and age where we should have an abundance of resources and services. We are surely living in a golden age where our ability to produce in terms of human needs should be unlimited in terms of human history. Yet, we are living in an age of scarcity. There is not enough money to pay for our hospitals, roads and proper schools. There is a shortage of proper and decent housing.

• (1030)

Surely we can only conclude that if we did not have this tremendous expenditure in arms, we would have the resources to ensure that there are adequate houses and homes and that our streets, bridges and sewage systems would be in a proper state of repair. We should be able to afford all those human needs but, instead, we have been spending the best sums of money on instruments of death and destruction.

The hopeful sign, perhaps, in all this is that both the Soviet Union and the United States have come to their limits in the arms race and those limits are financial ones because of the tremendous deficits in the United States which I would tend to think are even greater in the Soviet Union. The superpowers are just beginning to discover that they cannot continue to afford the escalation of the arms race. They must begin to establish some understanding and some mutual disarmament process in order to start controlling expenditures. In fact, instead of sending ambassadors and generals to the disarmament conferences, we should start sending people from Treasury Board and the Department of Finance because they are the only people who realistically understand what this arms race is all about.

When, as a country, we begin to participate and sponsor programs like ARMX we are contributing to the world problem. We are contributing not only to the world economic problem, the economic problem of too