

*The Budget—Mr. Kaplan*

relocate employees, to provide permanent pensions for employees who are unable to adjust. This adjustment assistance is a reasonable request to make of a Canadian taxpayer because it is part of a process from which all Canada benefits.

The Minister of Industry, Trade and Commerce (Mr. Pepin) has indicated that the footwear industry will be next. In this Canadian manufacturing industry it is already obvious that protection is not the answer. The only answer is growth, finding international markets. I hope that the electronics industry, the furniture industry, the chemical industry and the fine paper industry will follow and that this new industrial strategy will be fully implemented as soon as possible.

Last week's budget presented in part Canada's answer to the threats to international commerce and, in particular, to Canadian industry presented by a whole series of moves by many states against trade liberalization. The DISC program with which we are all familiar is only one example of this, and if I could turn again for a moment to the remarks of the leader of the NDP, he said that the whole solution to unemployment in Canada is to provide more money for people in the low income groups. I agree that that is a desirable objective and that it would stimulate demand in Canada. But let me ask him this: What does that do to counter the DISC program, and like programs? What does that do to make Canadian goods competitive with American goods that are now coming in subject to tax subsidies? What does that do to assure us market access to European countries, to Asia and to places where we have to sell to be able to stay in business? This budget is responsive to these problems.

• (2120)

It is all very well to argue in favour of tax cuts for people with small incomes—and this is something that it would be desirable to do—but to assert that this kind of policy would keep Canada competitive is just foolishness. He had nothing to say in response to a very real problem which his own party has been as diligent as any in bringing to the attention of the House and of the government.

**Mr. Gilbert:** And we have policies for the DISC program also.

**Mr. Kaplan:** I would like to hear them, because certainly an NDP budget would have nothing to say about the DISC program and no solution for the non-tariff barriers being imposed on international trade by a great many countries of which the United States is only one.

It is part of Canada's industrial strategy, as is obvious from the foregoing, to encourage international trade liberalization. Other countries with huge populations can turn inward and seek to develop self-sufficiency. Some of the new trading blocs—the European Economic Community is one—have this option as well. But Canada does not have this option. We cannot turn inward if we want to continue to improve our standard of living, if we want to continue our efforts to eliminate poverty in Canada, if we want to absorb our growing population into our labour force. If we want to do these things, we have no alternative but to encourage trade liberalization and we must become more and more competitive. Therefore, we have

to oppose this whole range of protectionist measures, not only the DISC program but other interventionist policies of other countries that are designed to give a subsidy to their own exports in foreign markets.

Canada's answer to all these protectionist measures, including DISC, in part came in the budget presented by the Minister of Finance last Monday. The measure he proposed is not a tax subsidy to exports. It cannot be criticized under the rules of the GATT because it applies to all Canadian manufacturing and processing, whether for domestic consumption or for export. The reduction of corporate taxation from 48 per cent to 40 per cent in this sector should go a long way to meeting programs like DISC and the interventionist policies of other governments. It should also help secondary industry injured by the increase in the value of the Canadian dollar.

Here again, Mr. Speaker, what does the leader of the NDP have to say to that? Giving tax cuts at any level of the personal sector does nothing to make our manufacturing industries and processing industries better able to deal with the increasing value of the Canadian dollar. But this tax reduction does. It puts them in a position to maintain their competitiveness against the manufacturing and processing industries of other countries. This is a measure which is responsive to the threat to this sector, and is consistent with the direction in which our new industrial strategy would lead this traditionally sheltered sector of the economy.

One can only echo the hopes and expectations of the minister that this incentive, together with the fast write-off, will be used by manufacturing industries because if they do take advantage of them, this will make us more competitive. This will increase Canadian production. This will help us to find new markets. Above all, this will help us to create employment for Canadians.

In closing, Mr. Speaker, I would like to comment on the decision to increase the guaranteed income supplement, the veterans allowances and the addition of a full cost of living adjustment provision. Inflation is a fact of life. While the government has done much to keep inflation in check in recent years, inflation has not been eliminated. It remains a fact of life which hurts most the weak in society, those who live on fixed incomes, those who are unable to bargain for increases.

There are two ways to deal with this problem. One has been used in the past, that is, to wait for a significant loss of real income for those receiving pensions and then to step in with a measure catching up, bringing the pensions back up to the real income level they had before and advancing them. This catching up process, which has been used in the past, has the effect of cheating pensioners because while waiting to catch up they suffer. Their real incomes decline while the incomes of other Canadians continue to increase. This system of automatic adjustment is the fairest one, and again I congratulate the Minister of Finance for responding in this area and for providing the cost of living adjustment.

Many people in society who have policies that they want to press on the government often press them by confrontation, by demand, by attack, by criticism. Of course, it is difficult for a government to ignore that kind of criticism. I think it is worth noting that the requests which were