

turing industry. Obviously, a national policy based on a highly protected Canadian market would not, by itself, bring about any significant change in the degree of processing of our own national resources. Our market was too small then; it is still too small today. Canada, as you know, is a major industrial country, but we have the smallest market of any industrialized nation.

The other side of the coin is that the other major industrial nations—Japan, the European nations particularly, and to an increasing degree, the United States—have depended to an ever greater extent on increasing quantities of raw materials which they have had to import to fuel their industries. They provide access to supplies of raw materials like Canada's at zero or near zero tariff levels. But they, too, have maintained a protective tariff system on their manufactured products, products that mean jobs and need skills. In fact, the greater the degree of processing, the higher is the domestic tariff on imported products. That is the situation we face now as a competing, industrialized nation.

Of course, another thing happened in the past 50 years which did not help to stimulate the upgrading of Canadian resources in Canada. I refer to the near tidal wave, not of foreign investment per se as foreign investment, but of foreign investment which brought about foreign ownership and foreign control. The enormous increase in foreign control of our manufacturing industries and the even greater increase of foreign content with regard to some of our more important natural resource industries have had a serious effect.

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One of the great ironies of Canadian history is that those policies which relied so heavily on tariffs to protect Canadian manufacturers against foreign competition failed utterly to protect Canada's manufacturing and secondary processing industries from foreign control. Indeed, those same policies encouraged the creation of branch plants and the takeover of existing Canadian enterprises. Yes, the almost complete *laissez-faire* approach to foreign investment effectively worked against upgrading of Canadian resources in Canada. Those who were exporting unprocessed raw materials to their affiliated companies and customers had a stake in maintaining the status quo.

As I have already said, Mr. Speaker, there is general agreement among Canadians that we should process more of our raw materials prior to export. However, there has not been a great deal more than that until quite recently. In the sense of policy initiatives and new measures to bring about the upgrading of Canadian resources, more has been done in this past year than in any year in the history of Canada. There was probably more done in the past year than in the last 50 put together.

Let me illustrate what I mean. I want to deal specifically with six major areas bearing upon this particular point. First, we introduced the corporate tax rate reductions for manufacturing and secondary processing to put Canadian industry on a fully competitive basis with the tax systems of competing countries and to provide an incentive to further processing in Canada. That was done about a year ago.

*The Address—Mr. Gillespie*

Second, we have taken the initiative in the current GATT negotiations to bring about common or zero tariffs in selected sectors. As I have often said in public forums, Canada will be seeking to eliminate, or at least significantly reduce, the bias which has promoted trade in raw materials and prevented the installation of world-scale, internationally competitive processing facilities in Canada. We have been encouraged by the fact that for the first time the sector approach will be included as a negotiating technique in the forthcoming negotiations. This will involve the negotiation of free or freer trade from the raw materials through to end products in industrial sectors consisting of closely related groups of products. For example, the zinc sector could be defined to include zinc ores and concentrates, zinc metal, alloys of zinc and zinc die castings. The pulp and paper sector could include wood pulp, newsprint, the bulk packaging papers and boards, fine papers and even printed matter in certain manufactures of paper. The successful use of the sector approach in these GATT negotiations would present many new opportunities to Canada.

Third, we have adopted an energy policy aimed at self-sufficiency for Canadians at prices below world prices. The question might be asked, why is this important to upgrading? I think there are two basic reasons why it is important.

First, upgrading is energy intensive. It is probably the most energy intensive of all our industries and the availability of relatively low cost energy will be enormously important in improving the comparative advantage of Canadian processing facilities and offsetting some of the comparative disadvantages that Canadian industries have to contend with today. I do not have to emphasize the harsh winters, long distances and high unit transportation costs.

The second reason why it is important is that oil and natural gas are feedstocks for the potentially very large industries of Canada. I am, of course, referring to the petrochemical industry, an industry which has been held back because historically feedstock costs to Canadian processors have been higher than feedstock costs which their competitors in the United States could obtain.

Hon. members are well aware that energy costs are moving upward much more dramatically in other industrialized countries. Canada has the opportunity to develop an energy policy which will support upgrading and which will not be neutralized by higher costs. Think about this for a moment. If Canadian industry, particularly the secondary processing industry, had to pay international prices, what would be the economic incentive to do the processing of, for example, Canadian ores in Canada rather than in Japan?

The fourth initiative I want to refer to is the Foreign Investment Review Act under which proposals for further processing our natural resources prior to export will be an important fact in assessing the whole question of significant benefit to Canada. It will be an important measure, an important lever in bringing about the further processing of our natural resources in Canada.

Fifth, we are actively supporting further processing through encouragement of research and development under our various support programs. They are consider-