

destruction of the industrial and trade capacity of this country?

**Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)):** Mr. Speaker, I think my hon. friend knows that we continue to have a surplus. The reason for the declining surplus is due to the imports, primarily of machinery and of high tech goods, in order to get our economy ready to be extremely competitive under the free trade environment.

We have had record imports of new machinery and new capital goods—which is an indication of tremendous confidence in the Canadian economy—in the manufacturing and service sectors to make us very competitive in the decade ahead.

**Hon. Lloyd Axworthy (Winnipeg South Centre):** Madam Speaker, the reason we have a trade decline is because the government's economic policy is creating that problem.

Since the minister is now answering questions on the trade issue, how does he explain the fact that in the automotive trade industry, the most important industrial sector in the country, we now have a deficit of \$131 million? It is the first time in years that we have experienced a major decline in the automotive trade sector.

Combined with the loss of 165,000 jobs in manufacturing in the year since we signed the free trade agreement, does he not understand and agree that what we are experiencing is the de-industrialization of Canada?

**Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)):** Madam Speaker, we have heard this de-industrialization theory for the last five or six years in Parliament.

The truth is that in the automotive sector almost one-quarter of all the automobiles being produced on this continent are being produced in Canada. We have put in place a context of competitiveness for the auto sector far above that of the United States. Cycles change, they go up and down, but over all we are in a much better position than the United States when it comes to our proportion of automobile production in North America.

### *Oral Questions*

#### **THE ECONOMY**

**Mr. Jim Peterson (Willowdale):** Madam Speaker, my question is directed to the Deputy Prime Minister. In the first five months of this year, 4,424 Canadian businesses and 15,050 individual Canadians were driven into bankruptcy by the government's high interest rate policy.

How many more Canadians must lose their homes, their farms, their businesses, and their jobs before the government comes to its senses?

**Hon. Gilles Loiseau (Minister of State (Finance)):** Mr. Speaker, we share the concern of the hon. member about these bankruptcies. I would like to remind the hon. member that they are considerably fewer than they were under the Liberal government.

He should also know, and I think he does know, that we are at the end of a record cycle of very vigorous economic growth. The economy has been working over capacity for some time and there are some pressures and disruptions that we need to correct.

He talks about the symptoms, interest rates, but the problem is inflation. As long as the inflationary pressure is there, we will have to continue to maintain our monetary policy.

**Mr. Jim Peterson (Willowdale):** Madam Speaker, let us look at the result of the government's monetary policy. Bankruptcies are up. Job-creation is down. Foreign control is up. Research and development is down. Our April trade surplus plunged 88 per cent. Canada lost 172,000 manufacturing jobs since January of last year.

Will the minister act now to stop this economic free-fall or, like Candide, does he still believe that this is the best of all possible worlds?

**Hon. Tom Hockin (Minister of State (Small Businesses and Tourism)):** Madam Speaker, from May, 1989 to May, 1990 there have been 124,000 jobs created in the country. This is not an economic free-fall.

My hon. friend quotes the bankruptcy statistics. It is important that we understand and have sympathy for those in a position of bankruptcy. The number is 4,400. Put that against the job creation in the last year in the small business sector. We have had over 200,000 small businesses start in the last year alone, unincorporated,