

Adjournment Debate

meeting with the provinces in this regard. In his usual sincere and kindly way the Prime Minister made a certain suggestion. It was even printable and that is why I have decided to pursue the matter a little further this evening.

No one doubts that there is a problem here and that more manufacturing and processing must be encouraged in Canada. Likewise no one doubts that the tax concessions to the manufacturers and processors do not by themselves cure these problems of encouraging more of such manufacturing and processing activities in this country.

It is obvious to anyone who studies the subject that the Prime Minister and his government are still without any comprehensive plans for directing the economic affairs of this country. They must know that most of our trading partners have little or no tariffs on the importation of raw materials and very high tariffs on manufactured and finished products. Therefore these nations make every effort to import our raw materials and shun, in most cases, our more refined and finished goods.

We need tax policies that take this situation more into account. The less processing in Canada that industries do, in certain areas at least, the more they should be taxed. Canada, in going into the negotiations this fall on the General Agreement on Trade and Tariffs, is grossly unprepared. Judging by the position papers released by the United States and the powers given to President Nixon, the Americans know what they want and are determined to achieve it. I wonder if our government is equipped to deal with the challenge facing Canada in this matter. Can they cope? Are they capable? Judging by past experience, I doubt it.

The provinces should, of course, be consulted. After all, although international trade and commerce clearly fall within the jurisdiction of the federal government, one must remember that provinces have basic rights under the British North America Act regarding their natural resources. Already there are instances where provinces have required by law the processing of raw materials to a certain stage before they may be exported. Just as Ontario required that pulp must be made into newsprint and not exported raw, similar measures could be taken regarding minerals, so as to require processing. But each province cannot "go it alone", Mr. Speaker. Another province could take advantage of the situation by being more lenient, and thus attract industry away.

The federal government should show a little concern and leadership to unify these sorts of efforts and perhaps shape transport costs to reflect the desirability or not, almost automatically, shipping raw materials. Rather we should make it more expensive in certain areas to do so, and favour manufacturing by giving finished goods a break in freight charges. In effect, we would have subsidized rates for manufactured or processed material versus raw material.

The government could also consider concepts like export licences for exporting raw material in areas where unemployment is particularly high, or where no valid reasons exist why manufacturing and/or processing of the raw material in question cannot occur in the particular region. This would have to be modified, of course, according to world demand vis-à-vis Canadian needs; a difficult but nevertheless possible concept.

[Mr. MacKay.]

The current foreign review legislation now in committee may have some desirable effects—indirect, perhaps, but desirable—on this whole issue. Current tax policies which favour manufacturers and processors are not going to provide by themselves the answers. As the July 7 issue of the *Globe and Mail* pointed out, our unfavourable trade balance is worsening in trade of manufactured goods. The article by Wayne Cheveldayoff points out:

During the past year or so, the sharp increase in energy exports has helped prevent the Canadian dollar from declining as it should if it were to reflect the deteriorating trade position for manufactured goods.

Our energy exports are not going to take up the slack. The article goes on to say:

In 1972, Canadian trade with all countries resulted in a merchandise trade surplus of \$1.3 billion. This was made up of a \$2.9 billion surplus in crude materials, a \$3.1 billion surplus in fabricated materials, but a \$4.7 billion deficit in end products.

Trade with the United States alone last year yielded a merchandise trade surplus of \$1 billion, with a \$1.3 billion crude materials surplus and a \$2.5 billion fabricated materials surplus, more than offsetting a \$2.7 billion end products deficit.

Mr. Speaker, it is time the Prime Minister and his colleagues who are directing Canadian economic affairs showed some concern and initiative and abandoned their ad hoc policies, designed only to keep them in power while they try to create an illusion of progress, at least until the impending election. Let us see some courageous implementation of hard, practical policies for the long term good and growth of this country.

Mr. Marcel Prud'homme (Parliamentary Secretary to Minister of Regional Economic Expansion): Mr. Speaker, I have listened with great interest to the hon. member from Central Nova (Mr. MacKay). I think he has raised some very fundamental questions about industrial development in Canada, about the need to maximize benefits to Canadians, and about the desirability of having the fullest co-ordination of government activity in this area.

I note the hon. member's questions were raised in late March and they were related to a public statement by the Minister of Regional Economic Expansion (Mr. Jamieson) who, at that time and on many occasions since, expressed his desire to see Canadian companies get greater value out of the natural resources we produce. I can say that this aspect was part of the minister's discussion with the provinces during his recent meetings with them.

● (2200)

In terms of interdepartmental co-ordination and government support for this objective, I would be remiss if I did not mention the efforts of the Minister of Finance (Mr. Turner) respecting the corporate tax benefits to industry, as well as the very welcome statement yesterday of the Minister of Industry, Trade and Commerce (Mr. Gillespie) concerning the proposed establishment of the Industrial Bank and Development Agency.

I have said that the government is very interested in resource development and the maximizing of benefits to Canadians from this process. I think the hon. member will agree that this is one of the underlying elements contained in the DREE staff papers which were tabled in the House several weeks ago and which are being scrutinized very