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any other expenses incurred in sales promotion in the export market in excess of those made in the base year, the year before the plan goes into operation. Not only would all such expenses be completely written off in the year when they are made, but a considerable cash bonus will accrue to the company for its additional sales promotion activities. The kind of incentive I have mentioned will greatly encourage the kind of activity which is essential if increased sales are to be made.

Another thing which the government should do to help increase the sale of Canadian products abroad is to organize "Fly and Buy" missions whereby the important buyers from the principal foreign markets would be brought to Canada once a year to see Canadian products displayed in giant trade shows in Montreal, Toronto, Winnipeg and Vancouver, and our heavy machinery in the factories where it is manufactured. Such operations have produced spectacular results where they have been used and have paid for themselves many times over by the additional business generated.

Finally, I would like to discuss the need for this country to process more of our raw materials to their finished state, and what should be done to bring this about. For far too long, we have been shipping out of Canada a much too large proportion of our primary products to be processed to their final stages of production in other countries, which thereby gain the many advantages of employment, taxes and profits which accrue from this further processing. We have in Canada the skilled manpower, managerial skill, cheap power and excellent transportation facilities which are needed for this further processing. It is about time we started doing something about getting more of this work for Canada.

Now, what should and can be done? Forty years ago, the government of Ontario introduced a plan which has been largely responsible for the spectacular expansion of the pulp and paper industry in that province during the intervening years. It required companies to process in the province a far higher proportion of the logs which they cut, a large proportion of which they had been shipping in the raw state to paper mills in the United States.

What has worked so well in the case of the pulp and paper industry in Ontario can work equally well in other primary industries right across the country. It should apply to all raw materials which we ship to other countries for further processing. It can succeed equally well because of the great dependence of other countries on our primary products to feed their manufacturing processes.

It is obvious that a certain proportion of the raw materials we produce must be exported in the raw state, but not nearly the proportion that is the case today. The Department of Industry, Trade and Commerce should now undertake an intensive study of our primary industries to determine what proportion of the primary products we produce can reasonably be required to be processed to their finished state in this country.

Having decided what proportion of our various primary products should be further processed in Canada, we must produce an incentive sufficiently attractive to persuade those who normally export our raw materials that it will be profitable for them to build the plants necessary to carry out this additional processing in Canada.

It has become painfully obvious that the grants now provided by the Department of Regional and Economic Expansion, although useful, have not proved sufficiently attractive to bring to our areas of slow growth sufficient new industry to reverse the dangerously high rates of unemployment that have persisted in those areas for many years.

I believe that in addition to the DREE grants which are now available to areas of slow growth, we must also make available an additional incentive in the form of a graduated scale of federal taxation which will permit a new plant processing primary products in an area of slow growth to pay no federal taxes in the first full year of operation, and gradually increase its tax payments until it is paying full taxation in the fifteenth year. My conversations with leading businessmen across the country have convinced me that this incentive, added to the present DREE grants for slow growth areas, will prove sufficiently attractive to accomplish what has to be done.

● (1600)

The four incentives which I have outlined will pay for themselves many times over in years ahead in the following ways. First, we can drastically cut the presently far too high expenditure on unemployment insurance, which is more than $4 billion a year, by stimulating the economy and enabling people to find work. The potential in this regard is at least $2 billion of the more than $4 billion a year we are at present paying out in unemployment insurance premiums.

Secondly, we can greatly increase tax revenues because more people will be working and paying income taxes, more commodities will be sold and will be subject to additional commodity taxes, and the increased volume of business will lower unit cost of production and make available more profits to tax.

What we need is an incentive strategy to get the economy moving at a satisfactory pace, and I think I have outlined such a program.

Another serious weakness in the budget is that there is no attempt to ensure that Canadian industries and workers will be able to compete on a fair basis with those in the low wage countries of Africa, Asia and Eastern Europe. Those countries pay wages which are a small fraction of those paid in Canada and other industrialized countries, and they are thus able to pay transportation charges and duty, make a very satisfactory profit and sell their products in Canada at prices considerably below the Canadian cost of production.

What we need are import quotas similar to those imposed by the United States and countries of the European Common Market. Those countries require that 80 per cent of domestic needs be supplied by domestic producers, and thus leave the remaining 20 per cent of the market to be competed for by offshore producers.