

Canada-U.S. Free Trade Agreement

will not be comparative advantages, as energy resources otherwise might be.

It is clear to anybody who wants to examine the elements of competitiveness in this the tail end of the 20th century that the very core of competitiveness is the ability to produce new technology and new knowledge; that the core of economic survival for industrial nations such as Canada is research and development.

And yet, Mr. Speaker, this country has a pitiful record in respect of research and development. Only one-half as much of our Gross National Product is spent on research and development as is spent by the other industrial nations against which we must compete. And one of the reasons for this is that so much of our industry is American owned. In fact, if one looks at those industries that are Canadian owned and their commitment to research, it can be seen that they commit the same proportion of their sales to research investment as characterizes the other industrial nations, and our real problem is our foreign ownership.

One of the elements of the trade deal that has not been discussed in any great detail is in fact the ownership or investment rules. In respect of this signal fact, every single company in Canada worth less than \$150 million is open to acquisition by Americans without any review at all. None. No conditions with respect to performance; no conditions with respect to employment; and no condition that would say that, once acquired by the Americans, a company even has to stay in Canada.

And what characterizes those industries? What characterizes those industries is the fact that almost every single new net job produced in Canada in the last 10 years has been produced by companies worth less than \$150 million. Most important, virtually all Canadian research and development was done in companies worth less than \$150 million. We have put up for sale the very core of our competitiveness, assuming we understand that research and development is important to our future competitiveness. Certainly that is clear.

• (2230)

How do you stimulate research and development? You do it by subsidies, at least in part. You do it by grants to industry, at least in part. You do it by procurement. We face five to seven years in negotiations on subsidies and you know damn well that the result is not going to permit the Canadian Government to invest specifically in Canadian industry to stimulate research and development. That is going to be unacceptable. You

cannot count on it. Yet half of all research in the U.S. is paid for by the American Government.

Some \$65 billion a year is spent by the American Government on research, and two-thirds of that is for defence. In other words, the Americans have an area of subsidization for research that is not accessible to Canadian industry. And I am not even going to talk about the subsidies at the state or city level that will never be attacked. I am talking about a heavy duty investment in research by the American Government that we will not be able to duplicate and which is closed off to us.

We say we are going to make Canada more competitive in the American market. Nonsense. We put up our research and development intensive industries for sale. We are in a deal in which the Americans can subsidize their research in ways in which we cannot.

Furthermore, we have procurement rules. Oh, we have a nice level playing field in the procurement rules. Procurement is one of the most powerful methods of stimulating research and development. Do you know that our \$150 million or less industry is where one would expect to have research taking place, yet they are wounded by this agreement. Do you know that the Americans have protected their small business by a set-aside rule? There is a whole gob of contracts that the American Government puts out that will not be accessible to our industry because it is closed off to favour their industry. We will not even talk about the minority set-asides. So procurement is unlikely to be the weapon it ought to be in stimulating research and development in Canada. The importance of this aspect of this deal is such that I am tempted to ask you for extra time.

Some Hon. Members: Hear, hear!

Mr. McCurdy: However, I know the Government would not tolerate that because of course it does not want to penetrate the cloud of ignorance which has propelled speeches from Members opposite so far.

Let me say in closing that I know you enjoyed this, Mr. Speaker. I wish you a Merry Christmas and a Happy New Year and I look forward to seeing you again next year.

Mr. Pat Sobeski (Cambridge): Mr. Speaker, I want to thank you for the privilege of addressing this House. As this is the first time I have spoken in the House of Commons I must first thank the voters of my riding who elected me to continue the tradition of strong federal representation for Cambridge. As many in this Chamber