

● (1700)

**Mr. Paproski:** Not even the Minister of Finance (Mr. Macdonald) can stomach what the minister is saying. I see he is leaving.

**Mr. Gillespie:** Mr. Speaker, I understand the vulnerability of hon. members opposite. But they introduced the motion; we did not.

**Mr. Alexander:** Speak to it, then.

**Mr. Paproski:** The Minister of Finance has now left the House in obvious disgust.

**Mr. Gillespie:** The hon. member for York-Simcoe talked about our balance of payments difficulties and export difficulties. It might be useful, for the sake of those interested, to put some facts on record. There is confusion about whether our exports were up or down last year. It depends on whether you look at volume or value. Similarly, there is confusion about our imports, about whether volume or value was up or down and what the trade balance was. Allow me to put on record the situation for 1975. True, Canadian export volume went down some 8 per cent last year, but the value of exports rose by 2 per cent, and export prices by some 10 per cent. This must be considered in the perspective of the general decline in the volume of world trade last year, a rare event, as in most years world trade rises by more than 9 per cent in volume terms.

It is noteworthy that most major industrial countries fared worse in general economic activity than did Canada last year. The official OECD record shows that the volume of industrial activity dropped by close to 9 per cent in seven major OECD countries. This is twice the rate of decline which occurred in Canada in the index of industrial production. The point is that even if our volume was down, we were in good company. The conditions which caused our decline existed worldwide.

**Mr. Alexander:** How can the minister say that?

**Mr. Gillespie:** Well, if your customers are not economically healthy, if your customers do not have buying power and therefore cannot buy, you cannot expect them to buy your goods and you cannot expect them to buy other's goods. That happened in the world trading community last year.

**Mr. Hamilton (Qu'Appelle-Moose Mountain):** Then how do you sell goods to China? They have no money.

**Mr. Gillespie:** Quite apart from the OECD countries, the United States, our biggest market, was in an economic slump. The slump in that market, which traditionally has taken between 65 per cent and 70 per cent of Canadian output, was particularly difficult. It is estimated that the volume of U.S. imports from all countries declined by 14 per cent in 1975. Yes, Mr. Speaker. The United States, our biggest market, imported about 14 per cent less, in terms of volume, in 1975. Surely those figures tell the story with which Canadian manufacturers had to contend.

Let me now deal with some of the factors affecting our trade. Some hon. members will say that these are short term but others will recognize them as being of a longer

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term nature. One of the major factors affecting Canada's merchandise trade in 1975 was a swing to a deficit in Canada's trade balance on crude petroleum as exports declined by \$355 million. Despite that, despite the decline in commodity prices from previous peak levels affecting lumber, wheat, copper and zinc; despite major strikes affecting the delivery of wheat and newsprint in particular; despite the worst slump in industrial activity in the post-war period among our major trading partners; despite our major market for automobiles, the United States, being worse than it has been for many, many years; despite the slump in U.S. housing activity which in particular affected Canadian lumber prices and volume, Canadian exports in total went up in value by 2 per cent. It is important to see these facts in their proper perspective. One must acknowledge that our imports went up even more, by 9 per cent. But that reflects the comparative strength of the buying power of the Canadian public vis-à-vis the buying power of the public in our major markets.

Our merchandise trade position showed a definite improvement during the course of 1975. All of the \$800 million merchandise trade deficit which Canada registered on a balance of payments basis occurred in the first eight months of the year. In the last four months of the calendar year 1975, Canada's merchandise trade was in virtual balance, despite work stoppages affecting particularly our pulp and paper industry. Exports of end products, inedible, fared particularly well in 1975, being up about 12 per cent in value. Industrial machinery exports were up 21 per cent last year, and exports of agricultural machinery by 36 per cent. In January, 1976, Canadian exports of end products, inedible, were up some 21 per cent over the level of exports in the same month in 1975. Over-all, the value of exports went up by about 5 per cent.

I think one ought to bear those figures in mind. Although there is not much satisfaction in knowing that our volume went down, the value of exports went up by about 2 per cent and we should be encouraged by the trend of the last four months. We have made a good start this year. The 11.9 per cent increase in the value of end products, inedible, in 1975 over 1974 is a source of encouragement. Putting it another way, our end products, inedible exports rose at a rate six times greater than the average percentage increase with respect to all Canadian exports in 1975. The net increase of Canadian exports in dollar terms in that regard was significant. The record is not all black, as the hon. member for York-Simcoe tried to paint it.

**Mr. Baker (Grenville-Carleton):** No, it's mostly red.

**Mr. Gillespie:** The hon. member for York-Simcoe referred to productivity. Certainly, we would have liked productivity in this country last year to be greater, but so would a lot of other countries have liked their productivity to be greater. Our critics opposite forget that you must look at productivity on a worldwide basis, on a country by country basis. It declines in a country when there is slack in the economy. Only when the economy is well out of a slump and bumping, as it were, upper levels of activity do productivity increases become significant. Again, an examination of the record will reveal that all is not black. Generally, Canada's productivity in manufacturing has been relatively favourable. During the decade 1964-1974, output per man-hour in Canadian manufacturing