

*The Budget—Mr. Sharp*

**Hon. Paul Martin (Secretary of State for External Affairs):** I am sorry I did not give an earlier answer to the hon. gentleman, who asked me the question some days ago. The commission's international Pembina river engineering board has completed its study. The commission has held a series of public meetings. It is now completing the preparation of its report to the two governments. Until that report has been received and until the government has had an opportunity to examine it, I cannot say what attitude the government will take.

[Translation]

**Mr. Roland Godin (Portneuf):** Mr. Speaker, I thank you for having recognized me. I wanted to put a question to the Minister of Labour but after due consideration, I have decided to refrain, because the answer might embarrass our distinguished visitors from England.

**EXTERNAL AFFAIRS****CUBA—CALL BY O.A.S. TO SUSPEND TRADING**

On the orders of the day:

**Mr. Maurice Allard (Sherbrooke):** Mr. Speaker, I should like to put a question to the hon. Secretary of State for External Affairs.

Is the government aware of a recent request from the Organization of American States asking that trade and financial exchanges with Cuba be reduced, and what policy does the government intend to pursue in this respect?

**Mr. Speaker:** Order. I must point out to the hon. member that this question is too wide in scope and cannot be asked in such form at this time.

[English]

**THE BUDGET****ANNUAL FINANCIAL STATEMENT OF THE MINISTER OF FINANCE**

The house resumed, from Tuesday, June 6, consideration of the motion of Hon. Mitchell Sharp (Minister of Finance) that Mr. Speaker do now leave the chair for the house to go into committee of ways and means, and the amendment thereto of Mr. Monteith (p. 1197), and the amendment to the amendment of Mr. Cameron (Nanaimo-Cowichan-The Islands) (p. 1201).

**Hon. Mitchell Sharp (Minister of Finance):** Mr. Speaker, in view of the relatively long period since this debate began in June I thought it might be helpful to the house if I spoke briefly this afternoon on the economic situation as I now see it, then on the outlook for revenue and expenditures, and conclude with some reference to the tariff changes resulting from the Kennedy round negotiations which I could not disclose at the time of the budget.

It may be recalled that on June 1 I said in my budget speech that the country was experiencing a period of readjustment following the overheated conditions of 1966. Some aspects of the economy were reasonably satisfactory, including the employment situation and our balance of payments position. I was able to forecast a fairly strong demand both for exports and for consumer goods. There had been some moderation in the growth of expenditures by governments as a whole on goods and services compared with the previous year and a flattening out was expected in business capital expenditures this year.

My budget speech underlined one most unsatisfactory aspect of the situation, namely, the continuing upward movements in costs and prices. I told the house that the rate of increase in consumer prices was more than we could tolerate on a continuing basis. It was evident that in general costs of production were rising more rapidly than prices, and I described one aspect of the situation in the following words:

New wage settlements resulting from collective bargaining this year show increases as large as those of last year. Most of the increases now occurring in wage and salary rates, including executive salaries, are substantially in excess of the general increases in productivity that have been taking place. They clearly imply that further increases in prices are likely to occur.

All in all the budget speech forecast on June 1 was that the gross national product would rise this year by between 6.5 and 7 per cent including an increase in prices of not less than 3 per cent. Since June 1 the state of the Canadian economy has developed fairly well, indeed surprisingly like the forecast I made in my budget speech. If I may say so, Mr. Speaker, when we look at our country we find it to be indeed one of the most fortunate in the world and it continues to be very prosperous indeed. The problems that we face—and this is the first time in our history that we have ever faced any problems like these—are those of managing our prosperity. We have had now a continuing upward trend in the economy over more than six years and