Mr. Hogan: About a year ago a DREE study suggested that there were a number of sites on the eastern seaboard suitable for a very large steel complex. About a year and a half ago the Nova Scotia government formed a corporation called Cansteel Corporation. Let us keep in mind that much money was put into this steel plant. Most of it as I mentioned, went down the drain, and the Auditor General hauled the government of Nova Scotia over the coals for that. DREE had conducted this study mentioned previously and suggested that there were a number of possibilities for a new large steel complex in eastern Canada, specifically in the Atlantic region.

● (1710)

For those members who are not familiar with Cansteel, let me repeat that it is a consortium of steel companies which includes Dofasco of Hamilton, in Ontario, and two of the largest European producers, one German and one Dutch, plus National of Pittsburgh which, with the province of Nova Scotia, is studying in depth all the technical, financial and marketing aspects in respect of the establishment of a new steel complex in eastern Nova Scotia and Cape Breton Island. They have been involved in this for a year and a half since Cansteel was organized. The decision concerning whether to go ahead should be made by—I previously said May of next year, but in light of new information that has come to me I think the decision will be put off further into the future.

Despite the present uncertain conditions in relation to world steel markets and the large capital financing that would be necessary, there seems to be a strong possibility that in the long run the effort could be successful. For instance, just today in the *Globe and Mail* the head of the Steel Company of Canada predicted that by 1985 there will be a shortage of steel capacity in Canada and that we will have to import more steel. As most members probably know, traditionally from the nineteenth century forward, steel plants were located near raw materials such as coal, iron ore, limestone or dolomite at sites inland. Later, of course, closeness to markets became strategically important and, of course, the location of Hamilton and Algoma meant that they profited from this shift.

It seems that now in Europe, however, and seems increasingly possible also in North America, there is a trend back to locating near raw materials, especially coking coal and tidewater with great depth of water. The consortium partners would buy much of the semi-finished slabs and billets that would be produced and, hopefully, we could produce some other finished products besides rail, given the fact that there would be a sort of captive market for a majority of the semi-finished steel.

The government must seize the opportunity and encourage such development in every feasible way. It would appear now that there would be available from the Cape Breton Development Corporation some three million tons of good coking coal at internationally competitive prices. Iron ore and generations of steel-making skill are available in the Cape Breton industrial area. There is access to deep tidewater and easy access to limestone and dolomite. In order to make the project a success, the federal government must be deeply involved and committed. As I mentioned in the House before, given the return of the hon. member for Cape Breton Highlands-Canso (Mr. MacEachen) to the duties of government House leader and deputy prime minister, we expect that Ottawa will give more co-operation in depth than it has in the past.

There is a great problem, however. This has become a longer term proposal than was envisaged as recently as a few months ago. The reason is primarily, as all of us could suspect, the changing international economic scene as it relates to all the economies of the western world. I will summarize that as I see it and try to relate that to its effect on the steel industry. I mentioned in the House last week, Mr. Speaker, that the present international economic situation seems to be characterized by something more serious than a pause or a lull in economic recovery. Great Britain, France and Italy have begun to take very tough measures against inflation even as their business activity slows. I am inclined to think that the deflationary policies followed in these countries mark a historic juncture for the western world's post-war economy. They seem to be having a fully-fledged test of monetary theories and the system of floating exchange rates adopted in recent years.

Recently, Mr. Arthur Smith, former chairman of the Economic Council of Canada and past head of the Conference Board, now a vice-president of INCO, said that Canada has a 50-50 risk of a very serious recession in 1978. Many economic analysts believe that Great Britain, France and Italy also run a 50-50 risk of what they are calling a growth recession. Some are predicting it early in 1977 as a result of the deflationary measures being carried out by Great Britain, France and Italy.

A growth recession is a term recently coined to characterize a period when total output is neither rising nor falling materially. Recently, some 14 prominent economists made what is now being called the Brookings Institute plea or warning. In effect, they said the only way to resist a deeper recession in the economies of the western world is for the United States, Japan and Germany to start stimulating their economies.

The answers given in the House today by the finance minister suggest he still has a deaf ear. Maybe he is still waiting, as he was in the last budget policy, for the United States and these other economies to improve so that our export sector will get momentum. It has not, of course, yet he is still maintaining the attitude he inherited from John Turner, who got it from Mr. Simons, the secretary treasurer of the United States, under President Ford, and of course, Jimmy Carter's advisers hope to completely reverse that kind of idiocy that could lead us into an international depression.

● (1720)

Our nation's recent budgetary policy, I repeat, was largely centred on the notion that we could get recovery through American recovery and that of certain European nations. As we said, that seems to be the game that the men in the Department of Finance and the Bank of Canada who are the advisers to this Minister of Finance want to play. I understand his position. He has been a lawyer and has held various positions in government. He does not know much about eco-