

bilateral relations with other countries, we will press hard for greater opportunities to trade.

We have been through a period of great disturbance in international financial markets. The American dollar has come under severe downward pressure. The United States government has taken steps to rectify the situation, including sharp increases in interest rates. Our own situation has necessarily been made more difficult by the higher interest rates that have accompanied our efforts to control the rate of monetary expansion and maintain an appropriate relationship with interest rates in other countries.

[*Translation*]

Laying the Basis for Future Growth

While recognizing the setbacks and difficulties we have encountered, I want to emphasize that Canada has made great progress since the introduction of the Anti-Inflation Program in 1975. We have been getting the fundamentals right and laying the basis for sustained growth in the 1980s.

In the last three years the Bank of Canada has gradually reduced the rate of growth of the money supply. It has set target ranges for monetary expansion, successively reduced them and consistently succeeded in staying within them.

Expenditures by all levels of government have been brought under tight control. The growth of total federal outlays has been held to less than the growth of the gross national product since 1976-77 owing in large part to the tough leadership of my colleague, the President of the Treasury Board.

The ceiling on total outlays for next year has been established at \$52.6 billion, an increase of 8.9 per cent over this year's ceiling. This increase is well below the expected growth of the GNP. Many programs will have to make do with a lower level of real resources; some activities have been eliminated. We are having to cut back on the rapid growth in our transfers to the provinces. Even so, our expenditure budget is coming under great pressure from the rising cost of our statutory programs, especially interest on the public debt. There can be no weakening in our determination to keep expenditures under tight control.

Average increases in wages and salaries have been brought down from a high of 15 per cent to 6 per cent in the last year of controls. I do not attribute all of this to our prices and incomes policy, because no doubt there would have been some slowdown in any event. But I am sure that controls made a contribution to the process. That appears to be the view of economists who have closely examined the record.

While domestic costs were being brought under better control, the decline in the exchange rate reversed the loss of competitiveness which we suffered earlier in the decade. Canadian firms are now in a good position to increase their sales in foreign markets and win back the share of our domestic markets which they had lost to foreign competitors. This is already happening. The good September trade figures

The Budget—Mr. Chrétien

suggest that we will have a record trade surplus this year of close to \$4 billion.

Industrial Policy

Mr. Speaker, our manufacturing industries are benefiting most from this improvement in our competitive position. They suffered most when we priced ourselves out of world markets. The decline in manufacturing output and employment was a major concern, but the latest data show a turnabout in the past year.

Manufacturing production in August was 7 per cent higher than a year ago. New orders have risen sharply. Capacity utilization is back up to 86.4 per cent, which is above the long-term average. Manufacturing employment in October was up 110,000 or 5.7 per cent over a year ago.

The government has recognized the strategic importance of the manufacturing industry and provided assistance to it in many ways—through the tax system, through the Export Development Corporation, the Federal Business Development Bank and the Enterprise Development Program. In the reallocation of government expenditures announced September 8, we set aside an additional sum of \$300 million to assist industry to exploit new markets, to develop new technology and to reorganize to meet the challenges which lie ahead. This will reinforce the measures contained in the last two budgets which have provided generous tax incentives for research and development.

I am frankly sceptical about the search for a single grand industrial strategy in a competitive market system. But we must have a set of sensible industrial policies, designed to provide a healthy framework for all industries and specific incentives tailored to particular needs. This government has gone a long way to putting these in place, and I will go further tonight.

The effective process of consultation between business, labour and government launched by my colleague, the Minister of Industry, Trade and Commerce (Mr. Horner) is contributing to the further development of our industrial policies.

● (2012)

[*English*]

Energy

There is good news from another critical sector of the economy—energy. The massive increase in world energy prices in the early 1970s created severe difficulties for all consuming nations. Because we are relatively rich in energy, we have been able to cushion the shock by phasing in higher prices gradually. At the same time, we have provided generous incentives to spur the development of new energy sources and we have put in place a number of conservation measures to restrain demand.

Our policies are working. In contrast to the perspective only two years ago, the outlook for energy self-reliance and the