

### Supply

There is a growing sense that the window of opportunity for Canada to become a substantive player in research and development is closing. There is a growing malaise within the technology community in this country.

Mr. Woodbridge went on to say that unique among industrialized nations Canada now has a negative balance and a growing trade deficit in every single sector of the advanced technology industry.

• (1320)

Members should also consider the fact that this country, which invented the telephone, which has led the world in telecommunications technology, which in fact devotes nearly 40 per cent of all its R and D to telecommunications, and which for years has had a healthy trade surplus in telecommunications equipment, last year for the first time imported more telecommunications equipment than it exported.

Combine that with the impact of the trade deal signed by this government with the United States, a trade deal which will encourage more and more takeovers of Canadian business and the transfer of research and development to head offices outside Canada.

What is also happening is that the government is just standing by and letting our high tech sector become more and more of a branch plant economy. Yet, as the government House leader said a year ago when he was Minister of Consumer and Corporate Affairs: "Branch plants just don't do research".

However the trade deal and this government's *laissez-faire* attitude to foreign takeovers are only two of the many impediments this government has thrown in the way of increasing our ability to perform the levels of research and development necessary for economic growth and prosperity.

The imposition of the new goods and services tax will also have a negative impact. The government has imposed this new tax on all books—essential tools of knowledge and education. Equally important, the new tax will also be applied to university expenditures. This means that even though rebates are to be given of this goods and services tax, and these rebates are supposed to leave them no worse off than under the old manufacturers' sales tax, this has not yet been proven. It is not yet clear that universities will be in the same position as they

were and as they are under the present tax regime. Many fear, and I think for good reason, that universities will be worse off.

Furthermore, there will be a heavier administrative burden for universities in applying for these rebates. This means that less money will actually be available for research and development because a portion of it will have to be used for the extra administrative burden imposed on our universities as a result of the government's proposed goods and services tax.

Also, our research granting bodies are facing the possibility that the government will cancel the university-industry matching grants programs under which the councils' budgets were increased by \$1 for every \$1 contributed by industry to university research. This single change in policy could mean a reduction of 20 per cent of the entire operating budget of the Natural Sciences and Engineering Research Council, a cut of 26 per cent of the operating budget of the Medical Research Council, and a \$13.1 million cut in the Social Sciences and Humanities Research Council.

I am sure members will agree that such a change in policy would not help encourage more research and development. It would do exactly the opposite.

The decisions we make on research and development today will have an enormous impact on our economy tomorrow.

We in Canada cannot rely on our present resource based economy alone to provide the level of growth and development we need to be a leading industrial power into the next century.

If we look around the world at other industrialized countries, it is not difficult to understand why they have greatly increased their competitive position compared to Canada. Two good examples are West Germany and Japan in which governments have taken a leadership role, in partnership with industry and educational institutions, in devoting money and resources for research and development.

If we compare our efforts to seven other leading industrialized countries, using ten different tests for R and D performance, we find that Canada ranks lowest on five of those tests, second lowest on three, and is about average on the remaining two. That is not a very good record.