

And structural changes too

On another economic front, Canada has been trying to grapple with structural changes in the world economy. With commendable foresight, the Economic Council of Canada had warned in 1975 that a new division of international labor was occurring and that Canada would have to shift from industrial to post-industrial production:⁴

Business enterprises in the future will be increasingly research oriented and the most advanced countries will tend to develop and export technological know-how, follow-up services, and a variety of other intangible products in which the principal ingredient is intellectual capital.

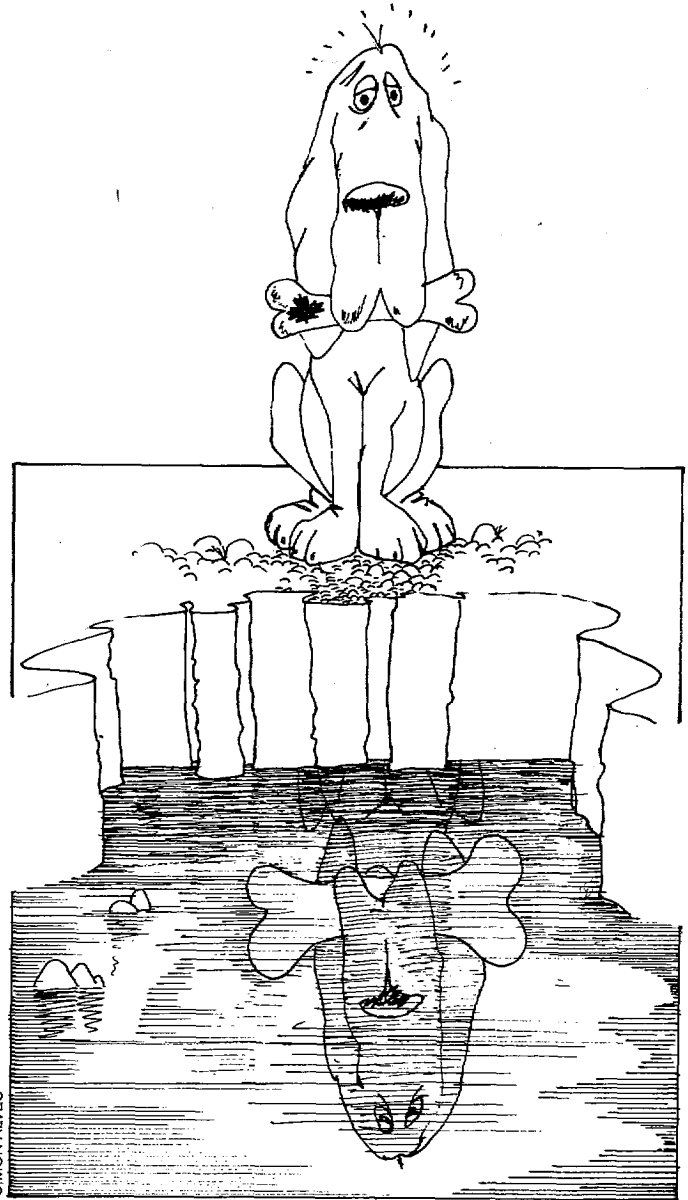
But because the Council recommended free trade as the best way to drive the Canadian economy through this difficult transition, its report was attacked by nationalists and ignored by the government. Nevertheless, the structural changes predicted by the Council were happening, not only in Canada but also in the United States, Europe and even Japan.

Developing countries such as South Korea, Hong Kong, Brazil and many others began to emerge as industrial economies with new factories and cheaper labor able to produce a huge range of products at costs far below those in Canada and the other affluent democracies. By the 1980s, the decline of the old industrial sectors in Canada and the United States had become apparent to all. There was an urgent need to phase out the sectors beyond recovery, to modernize others, and to enter the international race to build new industries based on scientific research and the development of new technologies. With a small home market and a relatively inefficient industrial base, Canada's ability to make this jump was in doubt. The best hope, said the Standing Senate Committee on Foreign Affairs, in Ottawa, after a seven-year study,⁵ was in free trade with the United States. Again, the proposal was attacked by nationalists and ignored by the government. It was not as if the government, or indeed the nationalists, had a real alternative strategy to offer. There was no agreement on what form an alternative industrial strategy might take, and therefore no effective action.

Energy policy

There was, however, a strategy of sorts for the energy sector. It was nationalist in character but came about more by political accident than by long-term design. With the rapid rise of oil prices in the 1970s, the Liberal government had become concerned about the fact that the industry in Canada was dominated by multinationals. It appeared that their enormous profits derived from soaring prices might be used to buy up Canadian-owned sectors of the economy, or siphoned out of Canada. The government's first step, in 1975, was to create a publicly-owned corporation, Petro-Canada, to compete with the foreign corporations and to provide an inside view of the industry. While popular with the public, the government's initiative disturbed much of the business community which saw it as a step toward nationalization, and the Progressive Conservative party thought it worthwhile to promise that if elected to office it would privatize Petro-Canada — that was, to sell it to private interests. The PCs were willing also to consider free

trade with the United States, and there was talk in the party even of a full-fledged common market. But when the PCs actually won the election in 1979 and formed a government, the situation quickly changed. Prime Minister Joe Clark found that Petro-Canada was too popular to be privatized, and there was little response to his call for a national debate



on the possibilities of free trade. The Canadian public, after all, had been exposed for years to nationalist attacks on foreign ownership and on the concept of free trade, with very little argument on the other side of the issue. And the multinational oil companies were everybody's favorite villains.

The Liberals, meanwhile, were beginning to look for new policies with which to appeal to the public, and as usual in such circumstances they were swayed by the energetic, enthusiastic, left-of-centre nationalists in the party leadership. In the normal course of politics, Liberal policies would have been exposed to considerable debate be-