

The Address

Being competitive lets us trade. Trade also makes us more competitive. Competitiveness and trade are not optional extras for the Canadian economy. They are at the core of any modern economy. They make an economy modern. They make it succeed. That is not argument or ideology. It is reality.

I doubt whether there is anyone in this House who would dispute that. Nor can anyone deny that the Canadian market is small, larger than many, but small compared to our main competitors. Twenty-six million people cannot sustain a prosperous economy in the modern world by selling only to themselves.

That simple fact of life has made us one of the world's great trading nations. Many of our companies have been great success stories internationally. They know they must compete abroad to be successful at home. This trade generates revenue. This revenue is spent on research and development, technology acquisition, growth and training.

The success of these companies shows how Canadian industry can meet the challenges of the international economy. But in order for Canada to prosper in international trade we need to expand our access to new markets and secure our access to traditional ones.

Through the growing global initiative Canada will penetrate new markets in Europe and the Pacific Rim and take advantage of market opportunities in the U.S.A. The free trade agreement with the United States was a quantum leap in securing and enhancing trade with our largest trading partner.

In 1988 just prior to the FTA implementation, the net direct investment outflow, that is outflow from Canada, was \$2.5 billion. In 1990 Canada had a record net direct investment inflow of \$4.3 billion from all countries. That was the first time in 16 years that there was a positive inflow of net direct investment.

Our trade surplus with the United States has grown from \$14 billion in 1988 to \$17 billion in 1990. Since the FTA was implemented exports to the United States rose by approximately 7 per cent in spite of the recession.

What kind of exports? Commodities like cereals and zinc, manufactured goods such as electrical equipment and railway rolling stock, and high-tech equipment such as aerospace equipment, and scientific and professional instruments. In many sectors we are undergoing an

export boom since the FTA. But we cannot rest on our laurels.

Our ability to compete in the global marketplace continues to be severely tested. There are disturbing signs that Canada is losing its competitive edge. We must respond to this.

According to the World Economic Forum 1990 World Competitiveness Report our over-all competitiveness ranking is fifth, but we rank only thirteenth in industrial efficiency, fifteenth in international orientation, and sixteenth in future orientation.

The world is not going to wait for us to dither and deliberate over the various options to improve our productivity any more than it will wait for us to solve our constitutional issues.

We must act quickly. We must rethink our old ways of doing things. We must adjust our business attitudes and practices to fit the new trading environment.

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A number of key factors contribute to the construction of a vigorous, competitive Canadian economy that can thrive in the global market.

First, we must improve our science and technology capabilities and apply best practice technologies in the work place. The level of research and development performed by private industry in Canada is significantly lower than the industrial R and D of our competitors. We are about the same in the level of R and D performed by governments, but we are lagging in the private sector.

We must build networks and alliances among the research communities in industry, the universities and government. We must help industry adapt and adopt new technologies that will sharpen its competitive edge.

The second building block of competitiveness is a highly skilled, quality labour force. Not only does this mean helping the educational system provide the skills that are essential for a modern industrial economy. It also means helping business to sponsor continuing training for its employees. This is all part of the continuous learning experience that is referred to in the Speech from the Throne.

The third factor necessary for international competitiveness is capital markets that are responsive to the needs of our entrepreneurs and our inventors. Lower cost of capital investment means that companies can