

But, despite its well-established position in the economy, secondary manufacturing has tended to follow development, not to lead it, and to be confined primarily to the domestic market, which generally has not been large enough to permit the degree of specialization and scale of production necessary for maximum efficiency and competitiveness. Thus, while traditional policies have contributed importantly to the establishment of industry in Canada, much of this industry has been relatively high-cost.

Even a few years ago, 94 per cent of the value of our secondary manufactured products was sold domestically. There have, of course, been notable exceptions, such as farm machinery, some electronic goods and others, which have enjoyed a high level of exports, and on a broad front the insularity of our secondary industries is now dramatically changing. In the past few years, more and more secondary manufacturers have been looking to foreign markets. This new outward orientation is reflected in the changing composition of our exports. In the past five years, exports of "end-products" have increased fourfold and now comprise well over one-quarter of our total sales abroad. In other words, "manufactured products", which a decade ago comprised just over 10 per cent of our total exports, now rank above agriculture -- about equal with forest products and just below metals and minerals -- in the spectrum of our exports.

This new momentum is soon to be reinforced by the substantially-improved access to the major industrial markets of the world resulting from the conclusion to the Kennedy Round of trade negotiations which, in the overall, was successful.

The eventual outcome should be a basically stronger industrial structure in Canada, involving a more productive role for secondary manufacturing, new dimensions to our foreign trade, and higher living standards for Canadians generally.

Keep Demands within Reasonable Proportions

Canada seems now to be in the midst of major industrial advance. But, to realize fully our opportunities, we Canadians must be willing to devote the necessary energy and resources to industry-building pursuits, and we must be prepared to keep our demands upon the economy to reasonable proportions.

Self-evident as the advantages of such an approach may seem, these are pretty big "ifs" right at this moment. Under pressure of public demand, expenditures at all levels of government are too high. In a speech last September, I warned that:

"One of our difficulties arises from the fact that, in common with what seems to be current general practice, Canadian governments at all levels have been spending too much money -- not in relation to the needs for services of all kinds, for we all recognize that there is much more that must be done, but in the light of what we can currently afford."

Things haven't changed much since then and the Federal Government is now in the midst of a rigorous exercise in order to keep our expenditures and revenues within a manageable relation for next year. But we must work toward the longer-term objective of reasonable balance between expenditures and revenues so as to take some of the pressures off the economy and move forward again to do