

In recent years, Canada has met its NATO target of a three percent real increase (above inflation) in annual defence spending. In the process, new capital equipment programs, including the acquisition of new long-range patrol aircraft, CF-18's and frigates, have helped to arrest the decline. Some decline was inevitable and normal. Canadians have no history of large forces in peacetime and no tradition of universal military service. Nor are we a continental European state directly under threat from the conventional forces of the Warsaw Pact, or a superpower with global responsibilities. The principal threat to Canada has been from nuclear-armed ballistic missiles, against which the only effective defence has been strategic deterrence. It is now generally recognized, nevertheless, that the decline was allowed to go too far.

## THE NEED FOR CHANGE

Canada has the capacity to be both powerful economically and influential in the cause of peace and security. There are sectors in which we have done well and in which we should continue to keep pace — agriculture, especially grains, newsprint, pulp, steel and transportation products. There are sectors in which we are at the leading edge of technological development — notably telecommunications and digital technology. But in some areas there is evidence that in various ways our economic competitiveness is slipping. Certainly the competition is getting tougher in virtually every field.

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Our competitiveness is measured against international standards, but our ability to compete is in our own hands. We can try to create a climate in which our strong industries will flourish. We can rely less on government protection for those other industries that are not, or cannot be, competitive. We can enhance our human capital through technical education and training. Cooperative education, industry-university research collaboration and the development of centres of excellence and specialization are important factors. And we can remove the unnecessary obstacles to economic growth that have resulted from some government policies over the years.

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Our success in advancing the cause of peace and security depends on judgements by us about what we can achieve and how we can achieve it, and judgements by others about our capacity and our seriousness of purpose. Our political and moral standing is high; we can be counted upon to contribute to international progress on the most serious and difficult issues which divide East and West, North and South. Our commitment to collective security remains firm, but we need to examine carefully the ways in which our forces can make their most effective contribution. Our desire to help control and reduce arms is deeply held, but we need to develop ideas that stand up to the most searching scrutiny. Our dedication to helping the world's poorer countries develop their own economies is strong, but we need to look at our government programs and voluntary sector efforts to ensure that they remain effective.

The challenges are real, but so too is the determination of Canadians that Canada make a difference in the world.