Of course, the international sector is subject to international movements. There is little the government of Canada can do directly to support the international sector when foreign competition gets hungry or when foreign markets decline. Although subject to cycles, the Canadian international sector stands up well today.

• (2110)

The remaining sector of Canada's economy has been the domestic sector of manufactured goods. In this sector it was Canada's industrial strategy to ensure that the total Canadian market was in effect delivered to the industries which produced manufactured goods in Canada. In this way, by a protected market, industrial expansion was stimulated and Canadian manufacture was encouraged. The policies of the government in this area included a forthcoming immigration policy, tariff protection, and later such interventions as grants and loans to industry from government and government agencies.

It is probable that without these policies of protection and stimulation of the sector of manufactured goods Canada would have no secondary industry today, our population would be less and there would be less Canadian opportunity than there is. We would be an economy wholly dependent on the export of resources, many of which are depleting rapidly.

This general industrial strategy of two sectors subject to very different regimes was right for its time. But beginning in the 1960s, or even earlier, it became clear that this industrial strategy could not endure and that changes were needed. There were political and economic reasons for this. It became clear, firstly, that secondary industry is not viable with only the Canadian domestic economy to serve. Twenty-two million people cannot support an electronics industry, a furniture industry, a footwear industry, a textile industry, a chemical industry, a fine paper industry, an automobile industry, or any one of a number of others.

Such a policy denies Canadian manufacturers the economies of scale which come from the hardware technologies of mass production and the mass media and from the software technologies of mass marketing and mass distribution. Internationally, the exclusion of foreign manufacturers was offensive as well because it prevented the customers of Canada who bought international goods from us from repairing their trade balances with us on a bilateral basis. Few countries have any primary goods which Canada needs in any quantities.

But political objections to the old industrial strategy were also significant. It happens that our domestic sector goods tend to come from the urbanized regions of central Canada while the international goods come from the west, the east and the non-urban regions. Over the years there has been a growing tension in which, for example, the west objects to being required to offer its goods, the international goods, in the world market at world prices subject to international recessions and monetary crises, while it is forced to buy its requirements in protected markets from central Canadian manufacturers. It alleges that these manufacturers are inefficient and non-competitive. Indeed, there is a factual basis for this. Canada's secondary industry is fragmented, it is weak, and protection in the long run is not a viable method of building a healthy industry. This kind of charge of the west or the east against the centre of our country weakens the unity of Canada. We need policies in every sector of national life, including the economy which tie us together and not which pull us apart.

These factors forced Canada to reconsider its traditional industrial strategy. The reconsideration was piecemeal, a process rather than a concentrated effort—but the shape of our new industrial strategy is becoming clarified. What was recognized was that to remain viable economically, to preserve national unity, the old domestic sector had to be turned inside out. Canadian secondary manufacturing had to find international markets; it had to learn to live in the international community.

At the outset it may not have been clear that this was possible. Today, with part of the new policy already implemented, it is demonstrably clear that it can work. Manufactured goods have moved from 14 per cent to 38 per cent of our total exports in the last nine years. The policy change has been guided by the department of industry and then by the Department of Industry, Trade and Commerce. I should like to read a portion of the statute establishing the Department of Industry just to show how its terms of reference were directed toward this problem. It was established to—

> —develop and carry out such programs and projects as may be appropriate to assist the adaptation of manufacturing industries to changing conditions in domestic and export markets, and to changes in the techniques of production; to identify and assist those manufacturing industries that require special measures to develop an unrealized potential or to cope with exceptional problems of adjustments,

The process carried on by the Department of Industry, later by the Department of Industry, Trade and Commerce, has been to review the economy sector by sector looking for ways in which the trade of that sector can find international markets.

The first sector of secondary manufacturing to be internationalized was the automobile industry. This chamber is aware of how successful this first step was—embarrassingly so, as we find our trade surplus now an issue in Canada-United States relations. But we have come so far from the timid safeguards of 1964 that they are largely irrelevant today. A big part of the success story reflects the achievement of American managers of U.S. capital in Canada. But it also reflects the fact that Canadian labour can be at least as efficient as its U.S. counterpart and that Canadian entrepreneurs in the accessories industry and in the after-market can be at least as good as their American counterparts, or better.

Following the automobile industry was the textile industry. Here the department has learned, to its surprise and to the surprise of almost all Canadians, that we make some textiles which we can sell even in Hong Kong, and that Americans are attracted to Canadian clothing, suits and attire where sold competitively right in American cities. The process of internationalizing the textile industry is still going on. It is not imposed by the government on the industry; in fact, the opposite is taking place. A board has been set up and the industry is invited to come forward and present rationalization plans. The government is prepared to assist in financing, to help retrain and