

The significance of interdependence for our own prosperity and security is clear. Healthy economic relations and development contribute greatly to stability and influence. That's the rosy picture. On the gloomier side, the potential for problems is great. Regional conflicts affect national economies, trade flows and international price structures, the East/West arms race and global military procurement affect national budgets and economic development; security considerations impact on our commercial relations with Communist countries; socio-economic unrest upsets political stability and national economies. This complex of factors determines the relative stability and policy climate of the world in which we trade.

Some of those problems are beyond our control. But what is within our control is our own competitive position. Canada's competitiveness in the world economy is vital. Nations derive their influence from their ability to advance their assets and their interests. And, the flip side of that is that nations lose influence as their ability to advance their interests wanes. As many of you know, we aren't doing well enough. Let's look at some of the statistics which serve to describe our competitiveness and our relative position in the world.

It is a sobering thought that, while in 1968 Canada exported more than the Japanese, today Japan's share is double ours. As an exporter, we have fallen from fourth to eighth place globally. The data indicates that in seventy manufacturing sectors we have gained market share only in four and have declined in twenty-one.

Analysis of productivity trends is no more encouraging. Between 1970 and 1981, Canada was among the worst performers of the major industrial countries in terms of growth of manufacturing output per person employed. Furthermore, in the manufacturing sector, the combination of relatively low output and high compensation per hour of labour has forced up our labour costs per unit of output. This is particularly evident in comparison with the United States. It is also significant the Canada's gross rates of return in manufacturing were considerably below those of the U.S., Japan, France and Germany in 1982.

These indicators are not very comforting. Nor is the broader perspective that we obtain when we look at two key areas of Canadian life directly related to present and future competitiveness: our research and development performance and our educational system.

The OECD ranks Canada as only a "medium" R & D spender compared with other Member States, even though