

CHALLENGE AND OBJECTIVES

Canada's future prosperity depends on our collective ability to compete both at home and abroad. This requires a co-ordinated intergovernmental approach to trade, technology and investment, and a practical partnership between the private and public sectors.

This chapter briefly describes some of the profound changes taking place in the global economy, their implications for Canada and the broad objectives being pursued by the federal government to improve our competitive position.

THE CHALLENGE

For decades, Canadians have enjoyed one of the highest standards of living in the world. We still do, having built one of the most productive societies in the world. But there are signs all around us that we can no longer take our prosperity for granted. Over the last decade, profound changes have taken place in the global economy — changes that require a new approach to wealth and job creation. These include:

- the accelerated pace of change brought on by instant communications and rapid scientific advancement;
- the creation of a truly global economy, with transnational corporations increasingly shaping trade flows across borders through their production location decisions and production-sharing strategies;
- the growing importance of strategic alliances and technology transfers between firms to ensure simultaneous access to many national markets;
- the growing international trade in services, including intellectual property, rather than in goods themselves; and
- the continuing decline in the relative world price of many commodities, given national food self-sufficiency policies, increased supply of minerals and decreased demand for natural resources due to conservation and new manufactured substitutes.

These global changes present a major challenge to Canada, with our small domestic market, significant dependence on foreign customers and traditional reliance on resource-based industries. Our national challenge can be stated simply:

- 1) To maximize our future prosperity, Canadians must learn to produce and sell a wider range of high quality, sophisticated goods and services that complement our current export base.
- 2) To produce competitively priced, high quality commodities or value-added goods and services, we must use advanced technology in our production facilities.
- 3) As a nation of only 26 million in a world of 5 billion people, we must *focus* our national technology investments, *pool* our limited research and development (R&D) resources with technological partners in strategic alliances, and *adopt* good ideas from the rest of the world.
- 4) To secure investment in advanced industrial manufacturing, we must ensure that Canada is an attractive investment location. Given that our domestic market is often too small to consume the output of a world-class manufacturing facility, it is essential to ensure that Canadian goods and services can be traded freely to customers in foreign markets.
- 5) In sectors where proximity to a customer is necessary to ensure timely and effective customer service, we must encourage Canadian firms to invest abroad, recognizing that such investments generate a range of benefits.