

And closely related to that indicator is our performance in research and development (R&D).

In Canada we have a curiously unbalanced record. Governments spend \$8 billion a year on R&D and basic research. Our tax incentives for R&D are probably the best in the world. Proportionately, Canada's public-sector support for civilian R&D is close to the average among our major competitors.

But in private-sector R&D and innovation, we are further back in the pack. It's up to industry to change that -- no one else can.

In the matter of social infrastructure, we have some things going for us. One is the Canadian medicare system. As our neighbours to the south have been discovering, in health care we do much more than they do for much less. It is a Canadian competitive edge.

But no one is saying that about our regulatory system or the disincentives to work that are built into our unemployment insurance and welfare systems. Or about our system of standards and certification. Getting rid of these handicaps is a complex challenge that cannot be tackled unilaterally. They involve every level of government -- federal, provincial and municipal. They engage the interest of deeply entrenched constituencies. But they are issues we must deal with now, and in a global context.

I should add that when I say "we", I don't mean just government. These frameworks of policy don't build themselves. They are shaped by the constituencies that take the trouble to get involved. You have to get in there or your views will not register.

The quality of our trade policy is now and always has been a major influence on our national competitiveness.

The objective of that policy must be to turn a trading nation into a nation of traders. We are far from that yet.

We have 40,000 manufacturing plants and mills in this country. Only 15 per cent export, and most are big firms. But there are big markets out there waiting to be pitched directly by smaller contenders. That's how small companies get big. And smaller companies can compete internationally. I can give you examples of small, specialized Canadian firms that are doing business with giants in the United States, Germany and Japan.

There are individual sagas of small business success. There is a company in Burnaby, British Columbia, with 50 people on the payroll -- Interstyle Ceramics Industries Ltd. It developed the world's first 3-D glass decorating tiles. Exports to the United