is to "pursue a comprehensive long-term strategy to develop and strengthen the Canadian economy and other aspects of national life and in the process to reduce the present Canadian vulnerability".

As he later explained in a Toronto speech:

"Under Option Three, we will have a permanent test for each policy instrument we devise: what will it do to strengthen our economy and reduce its vulnerability? And we will be compelled to examine each policy instrument in relation to the others, because each will be intended to support and reinforce the others. The proof of the pudding will be the kind of industrial strategy we pursue, the kind of energy policy we adopt, and so on. . . . The emphasis of the third option is on Canada on decisions that have to be taken in this country by Canadians - rather than matters to be negotiated with the United States. Deciding about Option Three means deciding what sort of Canada Canadians want to have . . . it means ensuring our continued freedom to develop in our way through a judicious use of Canadian sovereignty."

Diversification of our external economic relations is not an end in itself, but is a function of reduction of the vulnerability of the Canadian economy caused, as the Gray Report amply demonstrates, by a relation with the economy of the United States that is too intimate and too subordinate to permit our distinct development. The reduction of vulnerability can best come about through the shaping of Canadian industrial structures more in line with our development interests.

Many, of course, see an "industrial strategy" as a panacea needing only the facile selection of six or seven growth sectors where Canada could concentrate its talents, energies and Canadian capital and succeed in the post-industrial age in a way that would never have seemed possible when we limited ourselves to building wing assemblies for American aircraft. We should thereby prove that Herman Kahn was wrong in suggesting that Canada in the year 2000 would be the economic backwater of the West. It is a delusion to expect that our work will be so easy.

Industrial strategy

A coherent view of Canadian industrial features and a strategy to co-ordinate their effective development are critically needed; but it will be an enormously complicated business and will take time to evolve. As Mr. Sharp has said, a formidable array of policy instruments will be necessary, "each intended to support and reinforce the

others". Complex consultative mach. The would emerge, involving industry, in common ing labour, and all levels of governmenies and well as various interest groups, an peration management resources of both governmerests and industry would be stretched by the attra kind of examination and consultationological quired. Moreover, in an uncertain poinstitution situation, governments are reluctanda and unable to deal with long-term issues rommon people are preoccupied with unem hus far of ment this winter and the cost of Why next month. lanada?

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First phase studies

However, preliminary studies in 0 to the su are under way as a first phase of effectual be longer-term analysis of Canadian inominate trial possibilities. Studies are alreadyould, a hand on, for example, the processipossibility industrial raw materials, science and industrial nology, energy, virtually all industrian condition tors, as well as on foreign investigation The competition and transport methods point of these and other relevant optiques, and the l applied to anticipated Canadian as a loss graphic and regional conditions in the hat coul text of presumed world-trading tretween t should be able to give us an early gli of what our broad options might be for Year of formulation of an "industrial strateg he poss

That glimpse might probably ion need that we should, ideally, eventually will be the an economy not very different frominger ha present basic Canadian economic "juestions but with a stronger service sectitary refer strengthened and rationalized innovacconomic ary capability in technology - inteng about manufacture, more judicious use dions and resources for leverage and planning ssentials poses and a considerably greater lian view dian role in the upgrading of hose of l resources, as well as a critically impo external dimension to our planning. o. place

The EEC is an obviously imporbit in feature of the external dimension of in the are dian industrial development. In the he EEC, of technology, for example, economie a natu scale are needed to assist Canadian cople att prises of limited size in the expensive sphere mercial exploitation of innovation ounter to might most effectively achieve the tempts quired capital economies by joint verimphasize and other rationalizing arrangements rading sy existing industrial units abroad. Althans this the United States is not going to berms of o placed as Canada's principal indumake m partner, such ventures would increase all developments have to be made with firms outside an be dec America in the interests of diversific haterials The new partnership emphasis that ic might the most consistent sense in the acleaner" would be one with Japan technology interests.

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Strategy to require more than choice of growth sectors for concentration of talent, capital