

Minister of Industry,  
Science and Technology and  
Minister for International Trade



Ministre de l'Industrie, des  
Sciences et de la Technologie et  
ministre du Commerce extérieur

# Statement

# Déclaration

91/39

AS DELIVERED

**NOTES FOR AN ADDRESS BY**  
**THE HONOURABLE MICHAEL H. WILSON,**  
**MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY**  
**AND MINISTER FOR INTERNATIONAL TRADE,**  
**BEFORE THE KITCHENER CHAMBER OF COMMERCE**

**KITCHENER, Ontario**  
**September 10, 1991**

I'm honoured by your invitation and delighted, as always, to be in Kitchener. My work as Minister for International Trade takes me outside Canada a great deal, so it's great to be back in Canada's heartland.

Some of you may not appreciate the importance that we, in public life, attach to talking to the people who really drive our economy. In preparing for the return of Parliament next week, I am pleased to have been able to speak with business people from many parts of Southwestern Ontario about the challenges ahead. Together, we Canadians have before us some of the most difficult challenges we have ever faced; challenges both from within and without. As a result, my colleagues and I have spent the summer working very hard on our agenda for a united Canada and a prosperous Canada. The two issues really come down to the same thing -- building a stronger country.

The unity or constitutional issue has to do with how we get along together. The prosperity or competitiveness issue is about how well we do together. Each is meaningless -- even impossible -- without the other. Clearly we can't go forward on one, or the other, without a consensus on the constitutional and competitive challenges facing us.

I want to talk to you today primarily about competitiveness and our agenda for prosperity. I want to make very clear that we're in this for the long game, and we're playing to win. There are no long touchdown passes in this game. The only way to win is to move the yardsticks down the field. And the only way to do that is to have a winning game plan. That's how we see Canada and Canadians -- as a nation of winners who welcome the opportunities of the emerging global economy.

I know the challenges you all face have not come to an end even though the recession appears to be over. While the consumer confidence index is up 13 points over the end of 1990, there are still some tough months ahead. And there is still the continuing challenge of a rapidly changing marketplace and an ever more competitive environment. However, I see tremendous reasons for optimism. Here in Ontario, we've always looked to develop new markets for our products and services. We've never been afraid of the competition. Whatever the short-term effects of the recession, in the long term Canadian business still needs to sharpen its competitive skills. The fact is that we are already strong competitors, but the marketplace is getting tougher and tougher.

Trade and investment are both key factors in securing our standard of living. They are already strong. For example, since 1988, the value of all Canadian merchandise exports to the United States has increased by almost \$8 billion, or nearly 8 per cent. And investment in Canada has increased as well. In 1988, Canada had a net direct investment deficit of \$2.4 billion. Last year, Canada had a record net surplus of \$5.1 billion -- the first time

in more than 15 years there was a positive inflow of net direct investment. The Royal Bank, the country's largest financial institution, concludes this turnaround suggests "that overseas investors see Canada as an increasingly attractive base for their North American operations."

The automotive industry knows this. In Ontario, over the last five years it has invested nearly \$10 billion in new plant and equipment -- what a tribute to our capacity to attract investment and compete. I recognize that the restructuring of the automotive sector has caused some disruption recently. There have also been significant investments in this region by Toyota and GM Suzuki. So the long-term economic picture in this region is certainly not as gloomy as the current headlines paint. However, if we are going to secure our future prosperity, we need to equip ourselves with the means to compete in an ever-changing marketplace. For this reason, the government undertook a fundamental restructuring and updating of the Canadian economy, to transform the sluggish economy we inherited in the 1980s to a dynamic market economy for the 1990s.

I believe that Canadians are supportive of our economic policies, provided they see positive results. And on all the evidence, we are delivering results: on deficit reduction; on investment; on privatization; on fiscal reforms; on trade. No single policy can be viewed in isolation. Each is part of a coherent and comprehensive economic plan. Nor is any single policy going to assure our long-term prosperity. It is a question of getting all the fundamentals right, something we've been working at since we took office seven years ago.

Somebody has said that Canada lived for the first 100 years off its resources, and for the next 20 years off its credit, and that from now on we'll have to live on our brains, our initiative, our entrepreneurship -- and our markets. The simple fact is that we're a trading nation. This country was carved out of the wilderness by traders, and our economy, from the days of the timber and fur trade, has been built on foreign markets. We export over 25 per cent of our output. That's about twice as much, on a percentage basis, as Japan and about two-and-a-half times as much as the United States, and they are the world's two leading industrial powers. Among the G-7, the most developed nations of the world, only Germany relies more on trade for its standard of living than Canada.

Ontario's economy mirrors Canada's overall economy; exports account for over 25 per cent of the provincial GDP, with 85 per cent of these going to the U.S. Our standard of living depends on our markets. Our markets depend on our competitiveness. Our competitiveness depends largely on our productivity, increasing our use of export opportunities, increasing the quality of our goods, and doing so at a competitive price. And let's be clear,

being competitive doesn't only mean working hard -- Canadians already do that -- it really means working smarter. It works the other way, too. When we lose our competitive edge, we lose markets, which results in a lower standard of living.

Our prosperity depends in large measure on the reputation of the Canadian trademark: "Made in Canada." The competition is tough, and getting tougher all the time. Canada does well on a world-competitive scale, but if we are to thrive, as well as survive, we have to do better.

For example, Canada has ranked fifth for the last two years running in the World Economic Forum's survey of competitiveness of the 23 Organization of Economic Co-operation and Development (OECD) nations. That's up from 11th place five years ago, before our program was fully in place. But it's slipped slightly from fourth place two years ago. We are rated near the top for our natural endowments, our human resources, our transportation and health services infrastructures, our market orientation and the dynamism of our economy. The Ontario auto industries, the quality of the Ontario work force, and the strong, market-driven regional economy, are all good examples of Canadian competitive advantage.

But there are also strong warning signals on the horizon. Canada spends more per capita on higher education than any country in the world except Sweden, and we have the second highest post-secondary enrolment after the United States. Yet in terms of the responsiveness of our school system to meet the demands of a competitive economy, we ranked 11th, in the middle of the pack. At the same time, we face a critical shortage of scientists and engineers.

Equally troubling is the fact that we ranked 20th -- at the back of the pack -- in terms of effectiveness of company training programs. In terms of international orientation -- our adaptiveness to technology and innovation -- we rank 16th. In terms of science and technology, we rank 17th.

We are not sufficiently outward-looking, forward-looking, risk- or investment-oriented. There are some 400 000 manufacturing firms in Canada, but fully two-thirds of them don't export at all, not even to the United States, our closest market and best customer, with which we conduct a \$200-billion a year two-way trade relationship, secured by the Free Trade Agreement. And we have relied too much, for too long, on our basic resource industries to guarantee our standard of living. The growth areas of the economy in the 1990s are in the knowledge-based industries. And in the resource and manufacturing sectors, still vital to our prosperity, we need productivity improvements, better quality products, and a more highly skilled work force.

We need to develop a pervasive learning culture in Canada. Education is a provincial jurisdiction, and we will respect that fully in developing Canadian learning goals. But education is a key to our standing in the world economy and is very much a matter of concern to all Canadians. It concerns their performance. It concerns their pride. It concerns their prosperity. Education and investment, largely through research and development (R&D), hold the key to productivity improvements and ultimately, our competitiveness.

Our R&D picture is a decidedly mixed one. On the bright side, Canada's R&D spending runs ahead of OECD averages in such high-tech sectors as electronics, aerospace and computers. And private sector R&D in Canada has grown by 6.5 per cent a year, in spite of the recession. But we still have a long way to go. Canada ranks with Italy as the G-7 country that spends the lowest percentage of output on R&D. Germany, Japan and the U.S. all spend at least twice as much as we do on R&D. In business terms, R&D is nothing less than an investment in the future, and in those terms, as Canadian Pacific Chairman Bill Stinson said recently, investment is nothing more than "putting today's profits into tomorrow's products."

Canadians have nothing to fear, and everything to gain from enhancing our competitiveness. Competitiveness isn't a dirty word. It isn't about losing jobs, it's about securing jobs. As Bank of Nova Scotia Chairman Ced Ritchie has said, "competitiveness is really about the chance for every Canadian to have a decent paying job." In this emerging world economy, our only guarantee is our performance.

Well, what are we doing about it, as a government and as a country? The awareness of the importance of this issue is building. Canadians increasingly realize the importance of competitiveness, and they realize that we are all in this together. In a discussion paper we'll be releasing on competitiveness, we've identified five key requirements for Canada's future prosperity.

First, a learning culture. We're not going to compete if we continue to permit a 30 per cent high school dropout rate -- compare this with 2 per cent in Japan. We're not going to be able to compete when Japan is producing nearly nine times as many engineers per capita as we are. Not when Mexico is graduating four times as many engineers as we are.

Second, science and technology. The government has made significant investments in R&D. We have established 14 university centres of excellence with nearly \$250 million of funding. We have created an R&D-friendly tax regime recognized worldwide as one of the most attractive to companies. However, Canadian business is lagging behind its competitors. We rely on

the private sector to create jobs, it should also take the lead in making critical R&D investments. However, in the late 1980s Canadian industries' investments declined as a percentage of GDP. As a result, Canada has the lowest level of R&D investment of any of the G-7 nations. We need greater business investment in R&D. We need more pure research, more applied research, and we desperately need more scientists and engineers.

Third, financing investment, putting money back into the product. Working capital drives growth. We need to invest in physical capital. And in infrastructure. Both are essential to make productivity gains. We need to encourage business to go for these productivity investments.

Fourth, a competitive domestic market. We all know about inefficiencies and barriers to trade within the Canadian common market. The Canadian Manufacturers' Association has identified 500 such barriers which cost Canadians over \$6 billion a year, or \$1 000 for a family of four.

And fifth, trade, the end result of the other four. No G-7 nation, excepting only Germany, is more reliant on trade than we are, and like them we need to expand our pursuit of every available trade opportunity.

As we seek to build a competitive consensus in the weeks and months to come, we hope to develop with all stakeholders a strategy for Canada, one to take us through this decade and into the next century. And who are those stakeholders? Quite simply, all of us, all Canadians in all regions of Canada.

We began in this country with many competitive advantages. We have been blessed with strategic geography and unparalleled natural resources. Our natural markets, the United States, the Pacific Rim and Europe, are the biggest and richest in the world.

The United Nations survey on human development -- a study on health care, education and the environment -- ranks Canada as the second best country in the world in which to live. But I suspect that most of us, deep in our hearts, think of Canada as second to none. We all want to keep our country united and prosperous. These goals will be ours if we meet the competitive challenge of the 1990s.

Thank you very much.