

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

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CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS BY

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MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY

AND MINISTER FOR INTERNATIONAL TRADE,

TO THE CANADIAN CHAMBER OF COMMERCE

**TORONTO, Ontario
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Good afternoon. I want to talk today about the changes we must make in the 1990s so our country will keep up with the competition. We must change -- and change soon and over the long term -- to hold our position as one of the world's leading economies and to maintain our high standard of living.

The brutal fact is that we aren't keeping up with the changing global economy. Canada is a trading nation. Few industrialized countries export more than 25 per cent of everything they produce, as we do. But we're losing ground. While world trade has doubled in the last eight years, our share has slipped to 4.2 per cent from 5.1 per cent -- the steepest decline of market share of any of the Group of Seven nations, according to the Canadian Labour Market and Productivity Centre.

We put our economic faith in our natural resources. Our share of the world's resource-dependent trade almost doubled to 9.5 per cent in 1989 from 5 per cent in 1978. At the same time, our share of world trade in non-resources fell. In 1985, nearly half of Canada's exports weren't resources, and that gave us a 3.4 per cent share of the world's non-resources trade. By 1989, only one third of our exports were non-resource commodities, and they had only a 2.7 per cent share of the world's non-resource trade.

We can't go on relying on our natural resources for prosperity. When I was in Japan in November, I was told that they do not regard natural resources as a competitive advantage. "We can buy them anywhere," they say.

Our future prosperity is with non-resource trading. Too few Canadian companies are exporters. Harvard professor Michael Porter's study of Canadian competitiveness, released in October, found that Canada's top 50 industries produce more than one fifth of all Canada's exports. Of those 50 companies, 35 produce unprocessed or modestly processed natural resources.

Of the 40,000 Canadian manufacturers, only about one third export at all -- even though the Canada-United States Free Trade Agreement has secured the biggest two-way trading relationship in world history.

For those who do export -- and who work at developing export markets -- success follows. Comnetix Computer Systems in Mississauga exports 40 per cent of its production of software for law enforcement agencies. Comnetix exports to Costa Rica, Hong Kong, Mexico and the U.S. In March, Comnetix is building export opportunities by holding an international law enforcement seminar in Singapore for police officials from 10 Asia-Pacific countries.

Canexa Trading Corporation Ltd., a Toronto company, has found opportunities in Iran, Kuwait, Saudi Arabia, South America and Turkey, supplying Canadian goods to small- and medium-sized high-tech industries.

Another example is Glenow Building Products Ltd., a Calgary company that is a trailblazer in applying computer technology to producing windows and doors. Glenow has formed a strategic distribution agreement with Nippon Sheet Glass Co. Ltd., one of Japan's largest glass producers.

These companies have found that establishing strategic alliances, adapting new technologies and using partners to expand into foreign markets are all critical to keeping up with the competition. But how are we doing in general in keeping up with the competition? The World Economic Forum Report ranks Canada fifth in competitiveness among the 24 Organization for Economic Co-operation and Development (OECD) countries -- up from 11th place in 1986. We have a well educated work force. We have plentiful natural resources. We have an excellent telecommunications and transportation network. We have a competitive tax regime.

Those pluses are not guarantees of future prosperity. While Canada's overall ranking appears very good at first glance, our rankings in other areas, which are critical contributors to our future competitiveness, are troubling.

In the 1980s, while other nations made significant gains, Canada's productivity growth stalled, despite strong investments over the past six years. According to the World Economic Forum, Canada ranks 12th in productivity performance, with the U.S., Japan and much of Europe ahead of us.

Canada is a trading nation, yet we are slow in meeting the challenges of a global marketplace -- we rank 16th in terms of international orientation. Few other countries in the industrialized world are as dependent as Canada is on trade, so our products should be among the best in the world. Yet in product quality, design, packaging -- all critical to expanding markets -- we rank 13th.

The Prosperity Initiative is the opportunity we must seize now to build that future. To build that competitive economy, I believe we need a new spirit, new partnerships, new approaches to competitiveness. That's what people are saying in the Prosperity Initiatives' Community Talks. People are looking for more co-operation among the stakeholders in our economy. They especially want more co-operation among all levels of government, and more partnerships between management and labour, for the competitive advantage of everyone. They are saying that we must change our attitudes toward work, organization, workers, learning, skills and competition if we are to capitalize on our strengths. Clearly, we've got to take a good, hard look at ourselves.

The Prosperity Initiative is that good, hard look. It takes a good, hard look at the underpinnings of Canadian competitiveness: skills training, science and technology, capital and investment, the nature of the internal economic union and international business.

I'd like to talk about two of these points with you -- learning and science and technology -- and I'll start with learning, an issue that has been in the headlines in the last week.

Just eight days ago, the Second International Assessment of Educational Progress was released. The results weren't encouraging -- particularly for a country ranking third in education spending. Canadian 13-year-olds placed 9th out of 20 countries in a comparison of mathematics and science knowledge. Canadian nine-year-olds placed 8th of 14 countries in a comparison of mathematics knowledge.

We have one of the world's highest drop-out rates. At least 30 of every 100 youngsters entering Grade 9 drop out before graduation. That means there will be more than one million drop-outs in the 1990s, if we do nothing. Many of these one million Canadians will join the nearly 38 per cent of adults who lack the literacy skills needed to be part of a labour force for knowledge-based industries. This problem is already being seen today. A recent survey found that, even in the midst of a recession, 300,000 jobs are going begging because Canadian employers cannot find people with the right skills to fill the positions. And if it is a problem today, when only about 23 per cent of new jobs require more than 16 years of education, just imagine what the situation will be like in the year 2000.

Then, 40 of every 100 new jobs will require 16 or more years of schooling, and 63 per cent of all new jobs will require at least 12 years of education -- high school graduation. Yet, in 1986, fewer than 50 per cent of adults beyond school age had high school diplomas.

Where are we going to find the people for these new jobs? Not from youngsters in school today. Since the 1970s, young people have made up an ever-smaller proportion of the population, and there is no sign that this will change in the 1990s. The most obvious source of trainable people is those who are already working. So, how are we doing at training workers?

Not well. For every dollar U.S. companies spend on training, Canadian companies spend 50 cents. For every dollar Japanese companies spend on worker training, we spend 20 cents. For every dollar German companies spend on training, we spend 12½ cents.

The federal government's concern about learning is shared by Canadians. People are telling us in the Community Talks that we

should focus on developing brain-power, not raw materials, by improving the quality of education and providing continuous training; that higher, national standards are needed to improve educational performance.

Canadians are looking for more and better partnerships between the business community and educational institutions, and for more effort to be put into developing learning skills useful throughout life, and into ensuring that workers are re-trainable.

So these are some of the dimensions of our learning challenge.

In science and technology, only 3 of every 100 Canadian companies do research. Nearly 30 per cent of private-sector research and development (R&D) spending is done by four companies. Canadian firms invest only half as much in R&D as their German, U.S. and Japanese competitors.

The rate of application of new technology to industrial processes in Canada is alarmingly low. According to a 1989 survey, fewer than half of Canadian manufacturers had implemented even 1 of the 22 leading manufacturing technologies, such as robotics and laser technologies -- keys to productivity growth in the 1990s.

There are bright spots. Canada's R&D spending runs ahead of OECD averages in high-tech sectors such as electronics, aerospace and computers. Private-sector R&D in Canada has grown by 6.5 per cent a year, in spite of the recession.

Companies investing in R&D get returns. Inverpower Controls Ltd., a Burlington company making power electronics equipment, invests 30 per cent of its sales -- about \$3.5 million a year -- in R&D. The investment pays off. Inverpower's sales increase every year, and 70 per cent of its sales are export sales.

Ballard Battery Systems Corporation invested 10 years in the development of a lithium dioxide battery, which has a shelf life of 10 years and can function in temperatures ranging from -40°C to +50°C. Eighty per cent of Ballard's production is exported, and Ballard has won a 13 per cent share of the North American market, despite tough competition from U.S. battery giants.

In Gloucester, just outside Ottawa, State of the Art Electronik sets the standard for professional loudspeaker systems for recording studios and broadcasters. State of the Art Electronik works with the Canadian Research Consortium and the National Research Council on R&D that will help the company -- and other Canadian companies -- hold the lead in this technology.

Many of our small- and medium-sized businesses find it difficult to fund R&D, whether related to products or processes. The university-based network of 15 centres of excellence provide

business access to research facilities they could never afford to build or fund on their own.

A new initiative that the federal government will be launching in the coming months will provide a similar access to the 200 existing federal labs. Our goal in forming an alliance among these labs is to give our businesses access to some of the most advanced laboratories in the country. For the first time, through Industry, Science and Technology Canada, business will have access to every one of these labs, which, I hope, will lead to the development of much more extensive alliances between the private and public sectors in the fields of R&D. Those of you familiar with the research programs in Japanese and French public-sector labs will certainly not find this new initiative unexpected.

Despite the obvious need for change, some dismiss the Prosperity Initiative. It's a political exercise, they claim. Well, if that were true, it wouldn't be aimed at the economy's long-term problems. It would be the same as previous governments' solutions: a band-aid.

Others claim the Prosperity Initiative is consultation in place of action.

But -- what action?

The federal government has a very good idea of how to respond to the challenges. I'm sure many of you have some very good ideas on how we could improve.

But, even if most Canadians agreed on solutions, there is no way the federal government can act alone. The issues the Prosperity Initiative tackles demand solutions that are beyond the capacity of the federal government -- or any provincial or municipal government -- to achieve on its own. Building our competitiveness is a truly national project -- one to which Canadians must commit themselves for the long term.

The Prosperity Initiative is a way all Canadians can share in meeting their economic challenges. It provides an opportunity to examine -- critically -- the competitive ability of every sector of the economy, and look at what every Canadian, including business, labour, educators and governments can do -- or should stop doing -- to enhance competitiveness. The Prosperity Initiative challenges Canadians to find out what skills they need for the global economy, to find out how they get those skills, to take a new look at how they do their work, to figure out how to adapt new technologies, and to find ways to meet customers' needs.

I want to enlist your support for the Prosperity Initiative.

I want your help to speak to Canadians about the changes in attitude we need if we are to be successful in meeting global competition.

Attitudes won't change overnight. It is going to take hard work to break down barriers of suspicion and distrust built up over many years. I'm not pretending that finding ways to cultivate partnerships between schools and the business community is going to be effortless. Nor do I expect the tradition of confrontation between unions and management suddenly to disappear. But we have to start securing our future prosperity, and the starting point is finding new ways of working together.

Many of you learned that as your companies converted to Total Quality Management (TQM). I like to think of the Prosperity Initiative as TQM on a national scale. For Canada's economy, with its high costs and high wages, the only choice is to adopt the process of continuous improvement. Non-quality products and services cost the Canadian economy an estimated \$100 billion a year -- just under one sixth of our gross domestic product.

Canada's poor productivity performance could be turned around by implementing TQM everywhere. Eliminating activities that don't add value for the consumer often dramatically improves productivity. Motivation and commitment among employees are enhanced by involving the entire work force in quality management; employees get greater job satisfaction and are more likely to be good candidates for investments in training.

I have no doubt that Canadians would support Canada operating under TQM principles, if Canadian business, labour, governments and educational institutions showed leadership in adopting TQM.

The Prosperity Initiative is about adopting that leadership. More important, the Prosperity Initiative is about winning the commitment of Canadians to making the changes to ensure that we produce nothing but quality products and services.

With a commitment to TQM and a new competitiveness grounded in the traditional Canadian values of co-operation and teamwork in tackling and solving common problems, Canada can compete successfully. The Prosperity Initiative process will reshape and continue reshaping Canada's economic success for the next decade and beyond.

The global challenge we face is a race without a finish line. Let's show that we have the strength and qualities to be a leader in that race. I believe we do.

Thank you.