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ANNUAL REPORT 1977-1978



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Industry, Trade
and Commerce

Industrie
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Department of Industry, Trade and Commerce

ANNUAL REPORT

1977-78

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OTTAWA

The Honourable Jack H. Horner
Minister of Industry, Trade and Commerce
Ottawa, Ontario

Dear Sir:

I have the honour to submit the annual report of the Department of Industry, Trade and Commerce covering activities during the period April 1, 1977 to March 31, 1978.

Respectfully submitted



G. F. Osbaldeston
Deputy Minister

OTTAWA

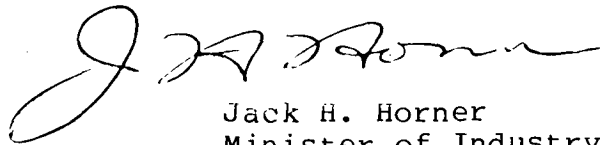
To His Excellency
The Right Honourable Jules Léger, C.C.
Governor General of Canada

May it please Your Excellency:

I have the honour to submit to Your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1977 to March 31, 1978.

A summary of the Department's policies, activities and services rendered is laid before Your Excellency.

Respectfully submitted



Jack H. Horner
Minister of Industry,
Trade and Commerce

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INTRODUCTION

The Department of Industry, Trade and Commerce has initiated an intensive and productive consultative process directly with industry, labour and the provincial governments. In the Enterprise Canada 77 program, department officials interviewed thousands of Canadian businessmen to get their views on what was needed to increase government impact on and aid to industry and to the economy. That process led to the production of 23 industry sector profiles assessing the strengths and weaknesses of the sector concerned. It also led to a call at the First Ministers Conference in February for a consultation with business and labour involving the federal and provincial governments.

The effect of Enterprise Canada 77 was felt throughout the department. For instance, dozens of firms in various sectors requested help through the Interfirm Comparison Program. This program measures company performance against that of competitors through a proven methodology developed by the Department of Industry, Trade and Commerce.

An Office for the Reduction of Paperburden was established to ease the burden of paperwork that businessmen complained of when dealing with the federal government, and a Business Centre was set up within the department to direct businessmen to the appropriate government office relevant to their problem.

Through the department's Enterprise Development Program. The government committed more than \$17 million towards the cost of 93 new industrial innovation projects. Total commitment of assistance to Canadian industry by the government runs at about \$3.7 billion a year, and such assistance includes guaranteeing of loans and loan insurance.

A good example of industry-government co-operation was the opening in Saskatoon during the summer of a pilot plant to develop new food technologies and to help increase value-added processing, making use of Canadian agricultural resources.

In world trade, Canada increased its exports to its major trading partner, the United States by about 20 per cent to \$30.2 billion, while exports to Japan reached \$2.5 billion.

Canada continued to maintain a favourable trade balance with Western Europe with exports of \$5.3 billion, although imports from that part of the world increased by 12 per cent over last year to \$4.5 billion. More than 200 Canadian firms used the department's Program for Export Market Development to explore and assess new markets in Western Europe.

The European Economic Community, besides being Canada's largest trading partner after the U.S., is also Canada's second largest source of investment capital. This year was the first full year of operation for the Canada-EEC Framework Agreement for Commercial and Economic Co-operation, and sectors are still being identified that offer possibilities for joint ventures, licensing arrangements, exchanges of technology and general expansion of trade in such areas as forest products, metals and minerals, telecommunications and nuclear equipment.

In other areas of the world, an agreement was signed with Venezuelan and Spanish groups for the construction of a 700-kilometre railway in Venezuela that should be worth at least \$400 million in exports from Canada. Algeria received \$200 million worth of Canadian equipment for the development of a natural gas field. Canada's resource-based industries as a whole recorded exports worth more than \$16 billion, aluminum, coal, lumber and steel being among the more successful.

During the coming year many new jobs will be created in Canada through industrial innovation, but a hard fight against a tendency towards protectionism in some countries is anticipated. Canada's role in the Multi-Lateral Trade Negotiations in Geneva and in the GATT negotiations is expected to bear fruit in this and in other areas.

ENTERPRISE CANADA 77

Enterprise Canada 77 is the name given to one of the Department of Industry, Trade and Commerce's most effective initiatives to bring about a closer relationship between government and the private sector.

The first step in this program involved the co-operation of 5,300 business leaders who generously gave their time and effort to discuss concerns about the economy, governments, markets, taxation, transportation, R & D and other matters. These discussions involved officers of the department who visited plants and offices all across the country and into the northland.

This first step was followed, in the fall, by a massive cross-country series of meetings with about 10,000 business people to explain the array of services available to business from federal and provincial governments.

As a result of these meetings the department learned that business finds Ottawa too remote, its programs little known and its operations too slow, too burdened with red tape, too restrictive. Also criticized were the confusing duplication of programs between provincial and federal governments, too many regulations, too many bureaucrats to deal with, too many different approvals to get from the two or three (federal, provincial, municipal) levels of government.

It was discovered that business and industry felt there was no one in government representing and fighting for the concerns of business. Business wants government to occupy itself more with creating a healthy business climate than with offering more financial assistance and more regulations. Furthermore, government services should be provided as much as possible locally rather than centrally.

There was also massive discontent with government-created paperwork, particularly so among the smaller businesses. Business is also concerned about the scarcity of well-trained labour and fears that the work ethic is in danger, partly because of the unemployment insurance program. Many businessmen believe taxes and minimum wages are too high while customs and tariffs are too low. Others cited high transportation costs, inequitable freight structures and outmoded or inadequate rail and other facilities.

Industries facing especially intense foreign competition called for extensive government support and much more technological research and development in Canada. Another serious problem identified was lack of knowledge of market opportunities within Canada.

In response to this massive mound of information, the department set to work and initially, in consultation with industry and the provinces, formed 23 manufacturing and tourism task forces which submitted reports designed to get these sectors moving ahead.

A Business Centre was opened in the department in March, providing information for business people. More personnel were moved from Ottawa to strengthen the department's 11 Regional Offices and make them more responsive to the needs of business and industry.

ASSISTANCE PROGRAMS

Enterprise Development

The Enterprise Development Program (EDP) replaces a number of previous programs, including PAIT, IDAP, PEP, GAAP, FTIAP and PIDA. It is designed to increase the effectiveness of the department's industrial support efforts, and to help small and medium-sized companies become more viable and internationally competitive.

During the year contributions were approved for up to 50 per cent of the cost of 93 new innovation projects to a total commitment of more than \$17 million. Of these, 57 projects were approved by the various regional boards.

Projects covered a wide variety of industry sectors and applications came from companies throughout the country. Development of new manufacturing machinery and of electronic instruments continues to be a major interest of the companies applying.

Projects were also approved for ships components; communication equipment; sports items; automotive vehicles and parts; building components; textiles; agricultural, food, beverage and chemical processes among others.

Because of the high risk involved, not all projects succeed but the success rate continues to run about 50 per cent. These successful projects have added considerably to the sales volume of the companies involved and, in many cases, have generated a significant level of exports.

Contributions totalling \$772,000 were approved for 54 projects to assist manufacturers in the cost of feasibility studies to improve productivity. Twenty-nine projects of smaller companies were approved by the regional boards.

Twelve new design projects received \$377,000 in contributions. These projects involved increasing the companies' industrial design capability to introduce aesthetic appeal in mass-produced products. Five of the projects were approved by the regional boards.

Last resort financing in the form of loan insurance was authorized to a total of \$100,772,600 covering loans advanced by private lenders to 67 manufacturing firms. Fourteen of these loans were insured by the various regional boards.

Assistance was provided to manufacturers in all regions of the country and in all sectors. The greatest activity was in the consumer product and electrical and electronics sectors.

Adjustment assistance was particularly instrumental in supporting companies experiencing financial difficulty but deemed viable in the long term. Insured loan assistance resulted in the creation of 1,441 jobs and the maintenance of a minimum of 8,260 jobs in firms which would have otherwise reduced or ceased operations.

Eight footwear companies received assistance totalling \$234,108 on a shared cost basis for consulting studies to improve operating efficiency.

Export Market Development

The Program for Export Market Development provided \$5.7 million in repayable contributions to 960 companies to share in their costs of developing export business. This represents a 16 per cent increase over the previous year.

There were 1,853 PEMD applications received and companies reported export sales of \$1.4 billion as a result of the program. This represents a dramatic increase in sales during the year, bringing to \$2.1 billion the amount of exports generated with PEMD assistance since the program was started in 1971.

During the life of the program, 8,897 applications have been received from more than 3,800 Canadian companies. This involved a Crown expenditure of \$21.5 million against the export sales total of \$2.1 billion.

The most active sectors were commercial and institutional buildings, industrial plants, transportation and primary resources. The most active geographical areas were the Middle East and Africa, followed by Asia and Latin America.

Among the successful projects were the export of \$3.9 million of British Columbia Delicious red apples to Hong Kong; a contract to construct a 600-room de luxe hotel in Saudi Arabia valued at \$55 million; sale of \$950,000 worth of automobile wheels in the United States; a \$2 million sale of an analog control system in Spain; coal development projects for the Philippines valued at \$50 million and construction of low and medium cost houses in Saudi Arabia at a value of \$500 million.

By year-end plans were finalized to decentralize the program. Effective April 1, 1978 authority was to be delegated to the directors of all the department's regional offices to approve applications for market identification, trade fair participation and incoming buyers up to \$10,000 of Crown funds for all companies in their regions.

Industry Energy Research and Development

The Industry Energy Research and Development Program (IERD) was introduced in October, 1977, to encourage and assist Canadian industry to undertake research and development of new and improved processes and equipment that will reduce industrial energy consumption. The program operates within a \$1.5 million annual budget.

Since its inception, projects requiring total funding of \$367,000 have been approved. Further submissions under consideration have estimated project costs of more than \$9 million over the next three years. The department normally contributes up to 50 per cent of the estimated costs.

A project to assess the technical and economic feasibility of applying potential measures to conserve energy or to increase internal energy generation in a highly interactive process can lead to a significant reduction in the energy consumed (3.55×10^{15} BTUs) in the kraft pulping industry.

A project, to develop a heat transfer device which can be used in a wide range of industrial applications will provide a more efficient method for the recovery of low energy heat. Other projects under consideration at year-end offer worthwhile potential energy savings and significant reduction in environmental pollutants.

Defence Industry Productivity

Since the inception of the Defence Industry Productivity Program (DIP) in 1959, 760 projects have been contracted totalling \$612,000,000. Emphasis is placed on areas of defence technology with civil export sales potential.

Projects initiated under this program have played a major role in helping industry to develop skills on a specialized basis in areas of technology that have defence and civil applications which Canada is in a favourable situation to exploit.

Costs are shared by the department and the Canadian firms concerned and, in some instances, by the governments of other NATO countries. Among projects which have received assistance are communications and aircraft navigation systems, gas turbine engines for aircraft, flight safety and simulation equipment and information display facilities. Exports of the products of these developments continue to increase, including significant orders for such diverse applications as commercial airlines, public communications networks and television distribution systems.

During the past year the program has provided assistance to companies in Canada that are directly involved in the government plan for restructuring the munitions industries for domestic needs and for defence export purposes.

EXTERNAL TRADE

OVERSEAS PROJECTS

The Office of Overseas Projects was created as part of the departmental reorganization of 1977 to be a focal point in the department for Canadian participation in overseas projects.

The responsibility of the new office is to provide assistance to groups of companies and to individual companies to develop competitive proposals for project opportunities. The requirements of an overseas project usually bring together many disciplines, ranging from consulting engineers through equipment suppliers to construction companies and such a diverse grouping poses problems in addition to those of the project itself.

The office's activities include identification of appropriate financing for projects, analysis of risks involved and possible means of covering these and, where required, planning and execution of appropriate promotional activities to support a Canadian bid.

A major responsibility is to provide liaison for the department with the Export Development Corporation on all aspects of EDC financing for Canadian exports. The office works closely with other branches on transactions which may involve commodities or equipment exclusive to one industry sector or the direct sales of engineering consultancy or Canadian construction services.

Trade Commissioner Service and Field Operations

During the fiscal year the Trade Commissioner Service was amalgamated with the Regional Offices Branch to form the TCS and Field Operations Branch.

With its 238 Foreign Service Officers and 172 local Commercial Officers in 90 offices located in 67 countries, the Trade Commissioner Service continues to play a significant role in trade relations, both trade policy and trade development.

TCS works closely with other department officials to identify obstacles to Canadian trade and access to markets. It also reports on local economic and commercial policies and developments affecting Canadian interests.

During the year, TCS answered more than 60,865 requests from Canadian businessmen for marketing assistance and directed more than 42,697 inquiries from foreign buyers to Canadian firms. TCS posts also helped to establish 1,449 new foreign agencies and provided some 2,369 new buying connections for Canadian firms.

Collaborating with other branches, the Department of Regional Economic Expansion and provincial authorities, the TCS identified and encouraged direct investment of significant benefit to Canada. It also helped influence potential investment in Canada of \$480 million.

Business response during Enterprise Canada 77 resulted in the movement of 38 officers and 19 support staff to Regional Offices, increasing their capability to respond to the local business community.

The 11 Regional Offices intensified their work in industrial and trade development and in federal-provincial relations. They sponsored seminars and conferences on licensing, patents, joint ventures, international trade and tourism and helped to co-ordinate the programs of incoming trade missions.

In addition, the Enterprise Development Program (EDP) and the Program for Export Market Development (PEMD), sections B, C and D, were further decentralized. As a result, there has been a significant increase in the number of applications from companies for the use of department programs to improve productivity domestically and to assist the export potential for Canadian goods and services.

Promotional Projects

The Promotional Projects Program assisted 593 companies to participate in 78 offshore international trade fairs in 30 countries. Twenty-five missions took 170 Canadian businessmen to 28 countries and 19 incoming missions brought 750 foreign businessmen to Canada. A further 425 foreign buyers visited Canadian suppliers under the trade visitors section of the program and 12 technical trainees were brought to Canada for export-oriented training.

The total departmental investment in PPP was \$4.1 million. Initial returns indicate more than \$175 million in sales reported or anticipated.

Defence Programs

Canada continued to work with her allies primarily through co-operative defence research, development and production agreements co-ordinated by the department. Regular meetings were held under the Canada-United States Defence Production Sharing Arrangement.

There were also meetings at regular intervals with the governments of Britain, France, the Federal Republic of Germany, Italy, The Netherlands, Norway and Sweden. Defence co-operative efforts and programs identified as a result of these meetings represent advanced technology in communications, navigation and transportation equipment, many with commercial application.

Defence export contracts placed in Canada by NATO and other friendly countries amounted to \$533.3 million during the year. Canadian imports of defence equipment amounted to \$324.5 million.

GENERAL RELATIONS

Multilateral Trade Negotiations

The negotiations during most of the fiscal year took place against the background of the desire of the United States and other major participants to achieve some sort of broad political settlement, or at least the outline of a package, by mid-July, 1978.

In January the Canadian delegation formally tabled in Geneva statements setting out the basis on which Canada was prepared to participate in the negotiations on industrial tariffs. Subject to certain considerations and conditions, Canada indicated readiness to enter the bargaining on the basis of a "working hypothesis" similar to that being adopted by the U.S., the European Community and Japan. Canada, like the other countries concerned, has made the achievement of reciprocity in the negotiations as a whole a condition of its participation.

The most important of Canada's more specific conditions relates to low duties and to sector negotiations. In regard to low duties, to obtain a greater degree of equity on the export side Canada indicated that it is seeking, inter alia, the agreement of its major trading partners to negotiate the total elimination of duties of five per cent or less on a range of products, including resource-based products, of interest to Canada.

Another of Canada's key objectives is to achieve the greatest possible liberalization of trade and continuing security of access in certain clearly defined industrial sectors. This is designed to reduce tariff escalation and facilitate exports of products in further processed form. Canada suggested the forest products and non-ferrous metals sectors for this sort of treatment.

In agriculture and fisheries, the offers tabled in January were in response to the specific item-by-item requests which had been exchanged previously. Responses to the various requests dealing with particular non-tariff measures were also tabled.

In addition, negotiations moved ahead on possible commodity arrangements in grains, dairy products and bovine meats.

One of the major objectives in the negotiations is the reduction or elimination of the trade-distorting or trade-restricting effects of non-tariff measures and the bringing of such measures under more effective international scrutiny and discipline. In addition to the tabling of requests and offers on non-tariff measures, work proceeded on the elaboration of draft international codes of conduct governing some of the more comprehensive forms of non-tariff measures such as government procurement practices, technical barriers to trade (product standards, test methods and certification systems), customs valuation and subsidies and countervailing duties. In these areas, apart from the search for a certain degree of consistency in the way such measures are applied, a major priority is to make sure that there is an effective mechanism for international notification, surveillance, consultation and the settlement of disputes.

In short, such codes are expected to put an end to some of the uncertainty that has so far prevailed in these areas, to ensure that access to foreign markets is not improperly impeded, to guarantee that whatever measures are applied follow agreed rules and to provide those affected with an opportunity for consultation and redress.

Commodity Trade -- Multilateral

Canada participated in negotiations under UNCTAD for a new International Sugar Agreement and in intensive preparatory discussions in the International Wheat Council, leading to the negotiation of a new International Wheat Agreement (IWA).

The negotiations on sugar concluded successfully in October with the adoption of the text of a new International Sugar Agreement which entered into force on January 1, for a period of five years. Canada has signed and ratified the agreement as an importing member.

The negotiations for a new IWA are expected to conclude in 1978. Meanwhile, Canada joined with other IWA members in agreeing to a further extension of the 1971 IWA to June 30, 1979.

Canada continued to take an active part, as an importing member, in the operation of the Fifth International Tin Agreement which came into operation on July 1, 1976, and the International Coffee and Cocoa Agreements, both of which entered into force on October 1, 1976.

Canada also took part in intergovernmental consultations on a number of individual commodities within the framework of the Integrated Program for Commodities (IPC), which was agreed to at UNCTAD IV in May, 1976. Commodities for which preparatory discussion were initiated include natural rubber, jute, tea, phosphates, hard fibres, cotton, manganese, vegetable oils, meat, tropical timber and iron ore.

Although negotiations of formal arrangements for these commodities under the IPC were to be concluded by mid-1978, natural rubber is the only commodity for which negotiations are expected to begin in 1978.

Canada took an active role in discussions on copper in the IPC context and it is anticipated that an intergovernment consultative group will be formed in 1978/79.

Commodity Trade -- Bilateral

Canada reached understandings for 1978 with the United States, Australia and New Zealand regarding anticipated levels of Canadian imports of fresh, chilled and frozen beef and veal from those countries and exports of the same products to the United States.

TRADE BY AREAS

Pacific

Two-way trade between Canada and Japan reached record levels with exports to Japan of \$2.5 billion and imports of \$1.8 billion.

The first meeting of the Canada/Japan Joint Economic Committee was held in Vancouver in June, and served to identify priorities, problems and new opportunities in bilateral economic relations.

A heavy schedule of provincial and federal ministerial missions to Japan continued in 1977. Visits were made by ministers from New Brunswick, Quebec, Ontario, Saskatchewan, Alberta and British Columbia as well as by the ministers of External Affairs and Transport. The department provided substantial input to these visits as trade and economic issues figured prominently.

An active market development program, particularly in the automotive, forestry, energy and agriculture sectors, was supported by an increase in the number of trade commissioners posted to Tokyo. Support for the private sector was provided to aid the establishment of the Canada/Japan Business Co-operation Committee, a group designed to enhance private sector to private sector contact and understanding.

Trade relations with Australia and New Zealand during the year were characterized by close consultation on items where Canada or either of these two countries was considering changing the terms of access for products of interest to the other country. Trade continued to increase with exports to the two countries reaching \$478 million and imports \$445 million during the calendar year.

Canada/China trade approached one-half billion dollars (exports \$369 million, imports \$82 million). The fifth meeting of the Canada/China Joint Trade Committee was held in Peking in March. Chinese statements reflected that country's heightened development and it was agreed that Canadian industry will have an opportunity to participate where competitive in China's modernization plans in such sectors as resource development, communications and transportation.

Dr. S. Affief, vice-chairman of the Central Planning Agency of Indonesia, Bappenas, visited Ottawa in June for discussions with ITC, EDC and CIDA. Possibilities for new forms of financing were discussed, as well as major projects which Canada is pursuing in Indonesia.

Representatives of the Association of Southeast Asian Nations (Indonesia, Malaysia, Philippines, Singapore and Thailand) met with senior Canadian officials in October. The discussions covered major trade policy issues and prospects for Canadian participation in ASEAN regional projects.

A high level mineral resources mission from Thailand visited Canada in October to discuss Canadian capabilities and policies in the development of oil, gas, uranium, potash and base metals.

In April, the Minister of Commerce and Industry of the Republic of Korea visited Ottawa and held discussions concerning trading possibilities between Canada and Korea as well as possibilities for co-operation in third markets.

Africa and Middle East

Exports to Africa and the Middle East expanded significantly in 1977, increasing by 25 per cent to \$1.1 billion. Algeria became Canada's largest market in the region with sales totalling \$186 million. Exports to Iran were \$144 million and to Saudi Arabia \$108 million.

The Minister visited Iran, Saudi Arabia and Israel during May. In each country he met with senior ministers to discuss trade and economic matters. He was accompanied by Canadian businessmen who had specific business interests to pursue.

During the visit to Saudi Arabia, the Minister signed a memorandum of understanding which subsequently led to a \$100 million contract for rural electrification between a Canadian consulting engineering firm and the Saudi Electricity Corporation. This contract was supported by the Export Development Corporation.

The second meeting of the Canada/Saudi Arabia Joint Trade and Economic Committee took place in Riyadh in February. The committee reviewed progress in the sectors discussed at the first meeting (construction, power generation and transmission and mineral resource development) and introduced new sectors, including transportation, telecommunications, astronomy and cost re-imbursable technical assistance.

Canada's first Joint Economic Committee meetings with Israel were held in Tel Aviv and negotiations were undertaken to establish similar consultations on a regular basis with Algeria and Nigeria.

Trade promotion in the region included a wide range of missions and the department's participation at fairs in Algeria, Morocco, Iran, Iraq, Turkey and Nigeria. A ministerial trade mission involving nearly 30 Canadian businessmen visited Algeria and Morocco in the early autumn. During this period arrangements were made for some 13 separate visits to Canada by ministers of cabinet rank from African countries.

In December, the government announced its intention to phase out official support for commercial activities by Canadian companies in South Africa. Canadian trade commissioners were withdrawn and the commercial offices in Johannesburg and Cape Town were closed. A decision was taken to open trade offices in Kuwait, Senegal and Tunisia to exploit the new trade opportunities.

Western Europe

Canada's favourable trade balance with Western Europe was maintained in 1977. Exports rose five per cent to \$5.3 billion and imports showed a 12 per cent increase to \$4.5 billion. Britain continued to be Canada's largest market, accounting for 36 per cent of the total.

Industrial materials and agricultural products comprise the bulk of Canada's exports to Western Europe. Finished goods make up about 12 per cent of the total although the latter form close to two-thirds of the region's exports to Canada.

The European Economic Community (EEC) is the world's largest trading entity (almost one-quarter of world trade, excluding trade among member countries). Its population of about 260 million generates almost one-fifth of the world's output of goods and services.

The Community as a group is Canada's largest trading partner after the United States, with exports of \$4.7 billion and imports of \$3.6 billion in 1977. The EEC as a whole is Canada's second largest source of investment capital, with 15 per cent of direct foreign investment. The potential for trade, investment, intercorporate links and scientific and technological exchanges is, however, far from fully realized.

A major objective of the department is to create and maintain a favourable environment for Canadian business to pursue its interests in the region. Efforts found expression in three broad areas during the year:

1. To safeguard and improve its access, Canada continued to look to the current round of multilateral trade negotiations, in which the EEC is also an active participant. In this context, the department identified export opportunities in Europe that would benefit from concessions in these negotiations.

2. To promote exports to Western Europe, more than one-fifth of the trade commissioner service officers abroad were deployed in 22 posts there. More than 40 per cent of the department's fairs and missions budget went to Western European projects. The department took part in 25 fairs which, because of the worldwide audiences many European fairs attract, also helped support Canada's export promotion efforts elsewhere. It also sponsored several missions to and from the region. More than 200 Canadian firms took advantage of the department's program for Export Market Development in the area.

3. The Canada/EEC Framework Agreement for Commercial and Economic Co-operation, which came into effect in October 1976, experienced its first full year of operation. It provides a mechanism for consultation and co-operation between Canadian and EEC businessmen and officials. Sectors are being identified which present possibilities for industrial co-operation between Canadian and European firms by way of joint ventures, investments, licensing arrangements, exchanges of technology and arrangements which expand and diversify trade. Working groups are active in forest products, metals and minerals, aeronautics, computer peripherals and telecommunications and nuclear equipment. Canadian and European companies, officials of the Community and of the federal and interested provincial governments are participating. The Joint Co-operation Committee, which usually meets annually to review activities under the Framework Agreement, held its second meeting in Ottawa during the visit in March of Roy Jenkins, President of the EEC Commission.

In parallel with industrial co-operation activities with the EEC generally, Canada has been working along bilateral lines for further co-operation with particular Western European countries, including Britain, Denmark, France, the Federal Republic of Germany, Italy, Finland, Sweden, Norway, Spain and Greece.

Complementing activities under the Framework Agreement, the department has made a special effort to inform Canadian businessmen of economic conditions and trade opportunities in Western Europe. In March, 1977, members of the Minister's Advisory Council visited the EEC Commission in Brussels for meetings with high level commission representatives.

This visit was enlarged upon in November when the Minister led more than 150 Canadian businessmen, journalists, academics and provincial representatives to Brussels for a series of in-depth discussions with the commission.

Both visits helped to clarify for the Canadian business community the objectives, organization and current trends of the EEC. They also served to demonstrate the serious interest of Canadian businessmen in closer trade and economic relations with Europe.

In addition, in late 1977 under the general umbrella of Enterprise Canada 77, a series of seminars ("Perspective on Western Europe") was held in major Canadian centres. Doing business in Western Europe was the theme of the seminars, which featured senior trade commissioners, department product and market access specialists and provincial representatives. Several hundred Canadian businessmen took part in group discussions and private interviews.

Several access matters were raised with EEC and individual countries, including problems faced by Canadian producers of cheese, malt, flour and turkey hatching eggs as a result of subsidies to EEC producers or restrictive measures under the Common Agricultural Policy.

Other issues included the alleged dumping of chemical wood pulp and kraft linerboard by Canada in the EEC, accelerated anti-dumping procedures in the EEC on steel, gift shipments of confectionery to Britain and the tariff classification of frozen blueberries by Germany.

Canada held semi-annual consultations with the EEC Commission and the Canada/U.K. Continuing Committee also met. Bilateral and multilateral trade and economic matters were reviewed at a senior level.

Eastern Europe

Canadian exports to Eastern Europe declined by 20 per cent in 1977 to a level of \$635 million due to sharply reduced grain shipments to the Soviet Union, Romania, the German Democratic Republic and Czechoslovakia. Imports from the region increased marginally from \$206 million in 1976 to \$213 million in 1977. Grain continued to be the major commodity in Canadian sales and accounted for 67 per cent of the total.

The value of non-grain shipments continued to increase over previous years and reached a level of \$197 million, of which approximately \$80 million comprised end products. The Soviet Union maintained its position as Canada's largest market in Eastern Europe, accounting for 56 per cent of total exports.

Joint Canadian/Soviet working groups carried out an active program of meetings and exchanges throughout the year in line with the objectives for furthering economic and industrial co-operation under the Canada/U.S.S.R. long-term economic agreement. Negotiations were also opened on a long-term program as provided for in the agreement, identifying specific areas where trade and industrial, scientific and technological co-operation could be expanded.

During a visit to Canada by the Polish Minister of Foreign Trade in April, a revised grains agreement was signed providing for the purchase by Poland of between 1.5 and 2.4 million metric tons of grains over a three-year period. A multi-million dollar contract covering the supply of four semi-container vessels was also signed with a large Canadian shipbuilding firm.

A number of high-level missions composed of senior officials of Eastern European governments, including the Czechoslovak, Romanian and Hungarian Vice-Ministers of Foreign Trade, visited Canada for trade consultations with Canadian officials.

The consultations provided an opportunity to emphasize Canadian supplier capabilities of interest to the countries concerned. Romania, for example, had expressed an interest in importing pulp and paper equipment and coking coal. Orders for more than \$7 million worth of pulp and paper equipment have been signed and the first order of Canadian coking coal to Romania was shipped at the end of 1977. This has been followed by further shipments worth more than \$8 million.

Annual consultations held with trade officials in Poland pinpointed promising projects over and above the pulp and paper mill complex that is Canada's largest single project in Eastern Europe.

Effective January 1, a \$285 million line of credit covering a period of two years was extended by the Export Development Corporation to the Polish Bank Handlowy to cover the sale of Canadian goods and services to Poland.

United States

Bilateral trade between Canada and the United States increased by some 20 per cent to nearly \$60 billion. Canadian exports reached \$30.2 billion and imports were \$29.5 billion.

Trade relations with the U.S. continued to be conducted in a positive and co-operative atmosphere. Protectionism in the U.S., although strongly resisted by the Administration, was of continuing concern. There was a sharp increase in the number of legislative initiatives at both federal and state levels to introduce new "Buy American" preferences for domestic suppliers to governments and government funded projects. Other actions of concern against imports included steel, fish, metals (zinc and copper), refined sugar, industrial fasteners, nails, offset paper, silicon metal and cement.

Bilateral consultations were held with the U.S. authorities relating to Canadian action, taken under Article XIX of the GATT, on certain clothing and footwear items.

U.S. tax treatment of expenditures relating to conventions held outside the U.S. continues to be a matter of serious concern which has been discussed with the U.S. Government at the highest levels. U.S. legislation enacted in 1977 has resulted in the cancellation of plans to hold a number of U.S. based conventions in Canada.

The department continued to provide advice and assistance to Canadian exporters to encourage them to broaden their activities in the U.S.

The Western Hemisphere Bureau enlarged its service to assist Canadian exporters faced with difficulties regarding the U.S. customs tariff and other market access areas (labelling, food and drug regulations, etc.) and sought to maintain and improve general access to the U.S. market.

As part of Enterprise Canada 77 the department held a series of 11 specialized seminars across Canada. Staffed by officers from our trade posts in the U.S. and from the department, these seminars dealt with marketing intelligence and market access. By invitation, officials of the United States Customs Service also participated in nine of the meetings, providing additional advice and guidance on questions of market access.

The department continued to pay special attention to markets for automotive parts and mass transit equipment. In addition to the usual market development support, exports of furniture, machinery and clothing were promoted by means of trade fairs in both countries and assistance to incoming buyers.

The United States, where the department maintains 16 trade offices in addition to the Embassy in Washington, is by far Canada's largest trading partner, taking 69.7 per cent of total Canadian exports. Sales in 1977 were 20.1 per cent above 1976. Leading items were autos, trucks, automotive parts, natural gas, lumber, newsprint, petroleum and wood pulp.

Latin America

Canadian exports to South America and Mexico reached a record level of \$1.3 billion, an increase of 19.5 per cent or \$200 million over the previous year. Two of Canada's major markets in the region showed substantial increases in purchases from Canada --Venezuela up to \$542 million from \$373 million in 1976, and Argentina to \$105 million from \$47 million in 1976. Exports to Mexico remained virtually the same at \$215.9 million, despite the economic difficulties encountered by that country and the attendant resistance to imports.

Total trade with Brazil, our second largest trading partner in Latin America, continued to grow and reached almost \$500 million in 1977 while at the same time Canadian exporters continued to expand their share of the Brazilian market.

Canada's expanding relations with the region were highlighted by the ratification of the Canada/Colombia trade agreement which lays the groundwork for expansion of our bilateral trade.

The third Canada/Mexico Ministerial Committee Meeting was held in Ottawa in November and led to an agreement between the Minister of Industry, Trade and Commerce and the Ministry of Industry and Commerce for Mexico on the establishment of a consultative group on trade and industrial matters which was instructed to identify priority sectors in the new Mexican Development Program in which Canadian companies could participate. A meeting of this committee was scheduled for April, 1978.

The Minister visited Venezuela in June to finalize negotiations on the Canadian share of the design and construction of the 700 kilometre railway. This cleared the way for the signing of a consortium agreement in December between the Canadian, Spanish and Venezuelan groups which will lead to negotiations of a first contract for this major project worth \$400 million in exports from Canada.

The first visit ever of a Paraguayan minister took place during 1977. Commerce Minister Dr. Ugarte Centurion met with the Minister and government officials in connection with Canadian participation in the major bi-national Itaipu hydro-electric project and with regard to Canadian involvement in Paraguayan industrial development plans. Dr. Ugarte travelled to Montreal and Toronto for meetings with businessmen in a variety of industrial sectors.

Canada/Brazil relations continued to grow in trade and investment. Brazil is now the second largest recipient of Canadian foreign investment. During the visit to Canada of the Brazilian Agricultural Minister there was agreement to establish an agricultural sub-committee of the Canada/Brazil Joint Economic Committee. Late in the year preparations were undertaken for a meeting of an expanded JEC to be held in Brasilia in April, 1978.

The department was extensively involved in the CALA VI, the annual Canada/Latin American Association conference which brings together businessmen from Canada and Latin America and which included trade commissioners from all posts in the region.

The Minister was the keynote speaker at the conference, which was attended by some 400 businessmen. This was the largest attendance in CALA's seven-year history and signified a growing interest and awareness in Canada of Latin America.

Caribbean and Central America

Canadian exports to the Caribbean and Central America decreased some \$2 million to \$556 million. This is largely attributable to a drop of some \$40 million in sales to Cuba, which totalled \$194 million.

In the Commonwealth Caribbean exports increased 16 per cent to \$153 million, mainly as a result of increased exports to Trinidad and Tobago. There were also good gains in Barbados and the Leeward-Windward Islands, which more than offset the decline in Canadian exports to Jamaica and Guyana.

Sales to the non-Commonwealth Caribbean decreased to \$316 million from \$345 million primarily because of deterioration in the Cuban market. Sales to Central America increased by six per cent to \$87 million.

The low level of world sugar prices over the past year continued to affect Canadian sales to Cuba and the Dominican Republic. However, favourable world prices for their main export commodities (coffee and bananas) benefited the foreign exchange balances of most of the Central American countries.

Canadian firms are pursuing a number of major projects in the region. Two of particular interest are a large steel mill in Trinidad and a railway project in Costa Rica. These are near the contract stage and Canadian firms have excellent chances for participation. The mining, hydro-electric, transportation, forestry and tourism sectors also present opportunities.

Severe balance of payments problems continued to plague Jamaica and Guyana. As a result, both countries further tightened their import control regimes. Foreign exchange difficulties have also caused numerous and, at times, lengthy delays in the clearing of accounts of foreign suppliers. (It is expected that the way will be cleared for further assistance to Jamaica following conclusion of that country's current discussions with the International Monetary Fund.)

A number of meetings took place during the year. Negotiations between Canadian and Caribbean Common Market (CARICOM) officials continued with a view to preparing a draft trade and economic co-operation agreement for consideration by ministers to replace the 1925 Canada/West Indies Treaty and its 1966 protocol.

At the end of October, a Guyanese delegation, headed by Prime Minister Burnham, visited Canada to discuss economic relations.

The second meeting of the Canada/Cuba Joint Economic Committee took place in Havana in June at the official level.

In view of the number of hydro-electric projects planned in Central America, the department held an electric power seminar in San Jose, Costa Rica, during March. The seminar provided an opportunity to demonstrate Canadian capabilities to Central American utilities officials.

DOMESTIC SERVICES

BUSINESS SERVICES

Advancing Management Efficiency

Information provided through Enterprise Canada 77 sparked a new influx of requests for the department's Interfirm Comparison Program. Dozens of firms in various sectors asked that their performance be measured against that of their competitors on the basis of the proven methodology developed and used by the department. Business management welcomed the program as a reliable means of evaluating productivity performance, of assessing the effectiveness of their strategies and identifying those aspects of their operations which offered opportunity for corrective action and increased competitiveness.

Eleven comparisons were undertaken with some 160 enterprises participating. The sectors included several parts of the plastics processors, iron foundries, tanneries, the New Brunswick saw milling industry, manufacture of farm implements, chemical film and fabric, aluminum windows, wooden sash and door, and hosiery. For the first time in 1977 the entire collection, processing and analysis phases of the program were contracted out to private firms of consultants who worked under direction and control by ITC officers.

Another major initiative was the development of a computer system for processing interfirm comparison data. The use of the system should significantly reduce the amount of work involved in processing of data but will be of particular value in broadening the analysis and improving the quality of reports.

A third highlight of the program was the progress made toward the development of international comparisons involving Canadian and U.S. businesses.

Assistance Through Universities

The department has continued to assist in the improvement of business management, in co-operation with Canadian universities, through the development of management courses and the establishment of centres of international business training.

Management advisory institutes were in operation at Laval University and the University of Alberta. Centres for international business studies were attached to Dalhousie University, Hautes Etudes Commerciales, University of Western Ontario and the University of British Columbia. In addition, through financial assistance to the international student organization of AIESEC, the department has endeavoured to help Canadian university students in economics and commerce to gain practical experience in international business.

Industrial Growth Through Market Development

International competition in world trade continues to emphasize the importance of the department's import analyses and market surveys for Canadian industry. These are designed to find opportunities and further industrial development by providing significant market segment data to industry, which is not otherwise available, and thereby allowing normal competitive action to be taken.

Of the 150 requests for surveys which were accepted and conducted this year, about 110 were undertaken to assist directly companies with industrial development opportunities or to prevent possible loss of jobs.

The remaining were surveys to monitor imports of sensitive goods, to identify possible dumping of goods on the Canadian market, to provide data for development of industry policies and other isolated end uses. The subjects covered included machinery, chemicals, health care products, metal and metal products, wood, rubber and plastic products, textiles and leather goods.

Although it is difficult to establish the full result or value of these studies, some estimates are possible. For 97 surveys published during the year, a review was conducted of the results or contributions this data made to the initial client. Although this survey was conducted a mere three months after the end of the year, the results indicate that at least 1,580 jobs were either created or retained in 30 firms following action and decisions based on the information provided. This represents approximately \$94 million of sales for firms in Canada. Put another way, it cost about \$50 to develop or retain each permanent direct manufacturing job in this manner.

Facilitating Customs and Tariff Procedures

The department has continued to seek the best use of the tariff for the benefit of Canadian interests and to streamline the relevant procedures. The objective has been to bring about the maximum possible extension of production in Canada while striking an equitable balance between the interests of the producer and those of the consumer.

Applications from Canadian companies for remission of customs duty and the introduction of temporary tariff items have been examined in co-operation with the Department of Finance and Revenue Canada. The feasibility of legislative improvements has also been under review.

DESIGN CANADA

Design Canada organized three National Design Council meetings and six advisory committee meetings during the year. The members of these committees continued their work in the context of their mandate focussing on the role and the importance of design in product development in companies as it relates to the present and the future corporate growth strategies.

Canadian Capability Assessed

Design Canada has undertaken an assessment of the design and product development capability in Canadian industry in recognition of the fact that they are major factors contributing to the competitive strength of manufacturers.

This analysis, together with studies of the design and product development situation in specific sectors, has provided the department and the council with a basic appreciation of problems of and opportunities for product design development. In addition, it identifies the problems and opportunities encountered by companies that undertake or may wish to undertake design and product development on a sustained basis.

Design Canada formulated and implemented in five provinces an experimental employment opportunities in product development program under the department's Federal Labour Intensive Program (FLIP) endorsed by the National Design Council. The data to date indicates that at least 1,000 qualified young people will be placed in Canadian industry in 1978 as a result of the program.

Incentives

The Design Canada Scholarships program for Canadian students awarded 15 scholarships totalling \$100,000. This will enable students to undertake advanced design studies in international schools, raising the level of Canadian professional product designers.

In the continuing effort to help improve the design of Canadian products, six special case studies were developed of well-designed Canadian products. The studies were circulated nationally with the intention of promoting Canadian design capability.

The co-funded Federal/Provincial Product Design and Development Program established in 1974 was extended to include six provinces. In 1977 Quebec joined the program and it is anticipated that other provinces will join in 1978.

Design Canada provided the Federal Business Development Bank with a product design audio-visual presentation for use at regional director information meetings in Montreal, Winnipeg, Halifax and other locations. A continuing advisory service on the subject of design has served the department, other federal departments and agencies, and the private sector.

A preliminary program for the implementation of industrial design in a small Colombian manufacturing establishment was proposed in co-operation with Colombia and CIDA.

Design Canada in conjunction with the National Design Council created a task force from industry and education to report on the capability of Canada's formal, informal and professional education systems to meet the country's current and projected industrial needs.

The National Design Council's design industry committee with Design Canada and Statistics Canada has undertaken a survey of 632 companies engaged in design. The object is to establish a national data base on the structure and volume of business carried out by Canadian design firms.

Internship Program

Design Canada developed an internship program for post-secondary students in small business manufacturing and product development, called "Operation Design Canada". The program ran for four months from May 1, 1978, and provided employment for 328 students in 21 communities across Canada. Each province had at least one project.

SMALL BUSINESS

Following nation-wide discussions between the Minister of State for Small Business and small business people early in 1977 and extensive research carried out by the Small Business Secretariat, the federal government announced in September a 10-point plan aimed at enhancing small enterprises.

Accepting the argument raised by small business people in meetings with the Minister and officials that the answer to the problems facing small business did not lie in additional direct support programming or in "umbrella legislation" but in the improved management of an already large national commitment to small business, the government undertook the following initiatives:

- . Improved co-ordination of existing programs among federal agencies and between federal and provincial governments, following consultation with the provinces, to reduce overlapping among programs now in place.
- . A heightened awareness among officials at all levels of the specific characteristics of small businesses and their owners so that the effect of government actions on the small business community may be assessed before they are taken.
- . Easier access for small business operators to government information and the presentation of the information in a comprehensive and usable format.
- . A study of the applicability of the U.S. small business investment company mechanism in the Canadian context to function as a means of making more long term equity financing available to small business.
- . A feasibility study of pilot projects which would provide a mechanism to bring together entrepreneurs, investors, academics, technological experts, government representatives and others whose activities can have a bearing on small business.
- . An in-depth study of taxation measures affecting small business, including tax treatment of capital gains when a family business passes from one generation to another, and the tax situation of an entrepreneur's relatives in his business.
- . An examination of means to assist small business through government procurement policies.
- . An analysis of measures to bring about closer and mutually beneficial co-operation between small and large firms.
- . A major study of government paperwork with the aim of determining how much publicly collected data are usable or dispensable.

. Publication by the government of a statistical handbook on small business in Canada and an increased effort to make statistical data more available to small business in a form useful for making management and marketing decisions.

Steps Taken

By March 31, 1978, the Small Business Secretariat had made considerable progress in the development of this strategy. The Minister of State announced the government's program for the reduction of paperburden and the creation of a Paperburden Reduction Office to co-ordinate the government's ongoing efforts in this area.

In addition, an agreement with Statistics Canada, to become fully operational by 1981, will result in the reduction of reporting for nearly 350,000 small firms. Further, the government sponsored legislation which would amend the Corporations and Labour Unions Returns Act to free some 70,000 firms from having to file returns under the act.

Consultations regarding small business policies and programs have been held with provinces, all of which place a high priority on development of small business. A Business Centre, with a toll-free telephone system linking it to all parts of the country, has been inaugurated to make it easy for the business community to get information on government programs and services. This facility has been particularly useful for small business people. Various tax measures designed to assist small business have been adopted as a result of advocacy work by the Small Business minister.

Work has continued on studies of the equity financing environment and of government procurement policies with respect to small business. The secretariat, with the co-operation of Statistics Canada, produced early in the year a handbook entitled "New Statistics on Small Business", in fulfillment of the last point of the 10-point strategy.

Substantial improvements have been made to the Small Businesses Loans Act (SBLA), the administration of which was transferred to the Department of Industry, Trade and Commerce from the Department of Finance.

Late in 1977, the Minister of State announced that an agreement on a more flexible interest rate formula for loans guaranteed under the SBLA had been finalized with the Canadian Bankers' Association. As of March 1, 1978, the rate of interest on new SBLA loans is set at one per cent over the prime lending rates of chartered banks and fluctuates with changes in the prime lending rates.

In addition, the scope of the SBLA has been expanded considerably following legislative amendments. The eligibility criteria of the Act have been expanded and the maximum loan limit has been increased to \$75,000. These changes make the SBLA program more attractive to lenders as well as a more effective instrument to meet the term financing requirements of small business.

In 1978/79 it is intended to move still further in the implementation of the strategy for small business. A major thrust in the equity financing environment for small business is expected. Action is also expected on a number of other fronts including new taxation measures for small business, more procurement subcontracting to small business, greater employment opportunities for university and community college graduates in small business, and better statistical information on small business.

TECHNOLOGY

Technological Innovation Studies in Universities

Nine awards to eight universities were made under the terms of the Technological Innovation Studies Program during the year. Research reports and books resulting from this program are being used to an increasing extent by the department. Notable examples are a report on the development and operation of Canadian consortia in the Middle East and a book on the attitudes of furniture manufacturers toward exports.

Industrial R & D in Universities

For the past 10 years, the department has provided grants to encourage universities to undertake contract research for industry and to establish technical capabilities in specific areas of importance to Canadian industry. As a result, nine industrial research institutes and five centres of advanced technology have been established at universities in Nova Scotia, Quebec, Ontario, and Manitoba.

During the past year, grants were made to support five of these organizations. The remainder now function without department support. No new organizations were established but discussions regarding additional centres of advanced technology have been held.

Industrial R & D in Provincial Organizations

Five centres of advanced technology have been established in recent years at provincial research organizations in Nova Scotia, Ontario, Manitoba and British Columbia. Grants were made for the support of four of these centres during the year.

In the case of the Centre for Ocean Engineering at B.C. Research and the Canadian Food Products Development Centre at the Manitoba Research Council, the grants were used largely to provide special capital facilities and equipment.

Industrial Research Associations

Support has continued for the operation of the Canadian Welding Development Institute, the Canadian Gas Research Institute and the Sulphur Development Institute of Canada. Consideration is currently being given to the establishment of another industrial research association.

Computer Aided Design and Manufacturing (CAD/CAM)

Over the next decade, CAD/CAM will be an important factor in improving industrial productivity. Accordingly, the department has established a technology advancement council for CAD/CAM to advise the department and to assist industry with the introduction and use of this technology.

Space Activities

The department participated, with the Department of Communications and other departments and agencies, in several initiatives aimed at obtaining increased business for the Canadian space industry. These activities included negotiations with the European Space Agency concerning closer co-operation with that organization; participation in a study undertaken by the Treasury Board Secretariat on Canada's space program, with particular emphasis on the future requirements, scheduling and organization of the program; interdepartmental discussions on the creation of a prime contracting capability for satellites in Canadian industry. The department also facilitated export sales of Canadian-manufactured communication satellite ground stations.

Metric Conversion

The department is responsible for co-ordinating the planning and implementation of metric conversion in the federal government through the Interdepartmental Committee for Metric Conversion (ICMC). During the year, the first metric conversion omnibus bill received Royal Assent and the Minister sponsored the second metric conversion omnibus bill. The Plan for Metric Conversion within the Government of Canada was approved by the ICMC and Metric Commission Canada. A metric training program for general and administrative personnel in the Public Service has been developed and the Metric Conversion Plan for the Department of Industry, Trade and Commerce has been approved.

Standards

The development of policies and programs for standardization continued as one of the department's responsibilities. Major activities have included a survey of Canadian involvement in multilateral certification arrangements on behalf of the ECE and preparation of the report "Proposals for Implementing in Canada the Proposed GATT Code of Conduct for Preventing Technical Barriers to Trade".

The department has continued its efforts in support of reduction of trade barriers caused by standards and related test methods and certification procedures through participation in the standardization activities of intergovernmental organizations such as ECE and GATT.

AGRICULTURE, FISHERIES, FOOD PRODUCTS

Agricultural and Food Products Market Development Assistance Program (AGMAP)

During the past five years the Agricultural and Food Market Development Assistance Program (AGMAP) has committed close to \$5.5 million to encourage the private sector to undertake an aggressive approach to the development of new potential markets and deeper penetration of existing markets for their products.

The program is jointly administered by the Department of Industry, Trade and Commerce and the Canada Department of Agriculture. Major thrusts with cost sharing under the program have been the consolidation of organizations to carry out market development activities more effectively and the development of export markets for primary and processed agricultural products.

The program has supported 48 projects of which 18 are domestic and 30 directed at the export market. Nine of the projects are cost shared with AGMAP, provincial governments and applicants. The fruit and vegetable sector has had 17 projects, followed by livestock and meats with 12. The remainder of the activity has been divided between special crops with six, dairy six, seeds five and feed with two.

Processed Foods

Canadian food and beverage products were promoted in Japan through department sponsored in-store promotions in Japan's leading department and chain stores. Japanese restaurant menus featuring Canadian foods were also arranged. In addition, the department assisted Japanese buying missions to visit Canada to purchase food and beverage products.

Seven sales presentation meetings for processed foods and beverages were held in the United States in Minneapolis/St. Paul, Cleveland, Seattle, Buffalo, Detroit, Philadelphia and Chicago. At an in-store supermarket promotion arranged with a leading Minneapolis/St. Paul retailer more than 20 Canadian companies sold their products.

Blueberries

The department, in conjunction with Agriculture Canada, DREE and provincial departments of agriculture in Quebec and the Atlantic Provinces, has been encouraging the lowbush blueberry processors to establish an industry organization.

An informal association is now being established. There is a possibility of a formal association being established in November, 1978. The association will exchange information with a view to improved quality control and increasing domestic market promotion for blueberries.

Apples

The Canadian apple industry enjoyed strong domestic and export markets for its 1977 crop. A contributing factor was an unusually strong demand from Britain and European countries which had a shortfall in domestic supplies. The department is represented on the federal/provincial/industry steering committee for the Canadian Apple Market Development Project which was formed in 1977.

Tobacco

Industry, Trade and Commerce was represented and assisted in the Ontario Flue-Cured Tobacco Board's annual negotiations with the Tobacco Advisory Committee of the British tobacco manufacturing industry. A subsequent tour of competitor tobacco producing areas in Argentina and Brazil was organized by the department. As a result of a production and export pricing plan formulated during the year exports of leaf tobacco should reach a new record level in volume and value during the next year.

Cheddar Cheese

In July, the department sponsored a visit to Canada of British importers and retail buyers of Canadian aged cheddar cheese. The group assisted in identifying and defining the range of cheese that is preferred and accepted in Britain. The visitors were shown the favourable changes that have occurred in Canada at both the farm and factory level in recent years.

Cattle, Semen, Fertilized Ova and Swine

Canadian dairy and beef cattle, semen and fertilized ova were promoted by the department in an exhibit at the Novi Sad Agricultural Fair, Novi Sad, Yugoslavia. The department also organized livestock seminar presentations in Hungary and Yugoslavia to develop further exports of purebred livestock and semen to Eastern Europe.

A Canadian information booth was sponsored at the Royal Highland Cattle Show and at the International Swine Exhibition in Italy. A survey of markets for cattle and swine in North Africa was carried out.

In addition, incoming beef and dairy cattle missions were organized to further develop exports of purebred livestock and semen.

Fisheries

The department continued to contribute financial support to the North Atlantic Seafood Association for the promotion of consumption of groundfish in North America.

Fisheries promotions were organized by the Department in London, Paris, Antwerp, Hamburg, Frankfurt, Zurich, Boston and New York. A technological mission was arranged to investigate the opportunities for further processing of fishery products destined to the Japanese market.

The department participated in bilateral fisheries negotiations with the European Economic Community and Japan and in the Canada-Scandinavia Groundfish Consultations.

Position papers were developed for the multilateral tariff negotiations in Geneva.

Furs

Canadian furs were promoted on the international market through department participation in the international fur fairs in Frankfurt, Germany, and Milan, Italy.

Chemicals

Chemical industry sales improved in all sectors, with the strongest increases in the fertilizer chemicals and plastic and synthetic resin sectors. The overall value of factory shipments increased by 11 per cent, or about six per cent in constant dollars, which was almost equal to the increase in the apparent domestic market.

In chemical products the adverse trade balance continued to expand and in 1977 amounted to approximately one billion dollars. To some degree the expansion of the trade deficit was limited by increased export sales of potash and other fertilizer materials.

Under the continued pressure of cost increases, net income was almost unchanged from the relatively low level experienced in 1976. Labour employment increased fractionally while wages rose in the industry by an estimated 11 per cent. Prices increased by just over five per cent.

Petrochemicals

Canada's first world-scale petrochemical refinery was commissioned in the fall. This facility at Sarnia, Ontario, will supply basic petrochemical feedstocks to three new derivative plants which also began operations during the year.

The first polypropylene plant in Canada started production in Montreal and construction continued on a second polypropylene plant in Sarnia. This is scheduled to start up in early 1979. In Alberta, construction of a new ethane-based ethylene plant and derivative petrochemical plants progressed favourably. Start-up is scheduled for 1979.

The combined new petrochemical investment in Ontario and Alberta is expected to reach a total of \$2.5 billion. Although surplus petrochemical capacity internationally is expected to bring pressure on Canadian markets for a number of years, these new facilities should allow Canadian producers to compete effectively and reduce the level of imports substantially.

CONSTRUCTION AND CONSULTING

In response to the growing importance of the construction and service industries as an impetus to Canadian earnings at home and abroad, and in recognition of the complementarity of the design, engineering and construction functions, the department has created a focal point for co-operation with the industry in the establishment of a new Construction and Consulting Services Branch.

The branch has three divisions. The Construction Division serves the interests of Canadian contractors and suppliers in Canada and abroad. The Consulting Services Division represents consulting engineers, architects, management consultants, etc. The Capital Projects Division is responsible for implementing government industrial development policy.

The Secretariat of the Construction Industry Development Council was established in 1970 to improve relations among all components of the construction industry and has been attached to the Construction and Consulting Services Branch.

The branch is responsible for advising companies of new opportunities to expand their sales, improve their operations and facilities and to enter new markets through participation in department advisory and assistance programs, including introduction to prospective overseas partners and clients. The branch provides a forum for Canadian companies offering new solutions for industry problems through industry-government co-operation.

Consulting Services

The Consulting Services Division is the focal point in the department for the consulting and technical services industries, which include consulting engineers, architects, aerial surveyors, management consultants, agrologists and other professional services. The division continued its role of providing promotional and project support to consultants in the international market while increasingly directing its attention to certain domestic issues.

The department, in co-operation with the Association of Consulting Engineers of Canada (ACEC) sponsored a study of the consulting engineering industry in Canada. The study provides a perspective of the industry as well as an indication of its future prospects.

The department is giving its full support to the second statistical survey of the consulting engineering industry to be performed by Statistics Canada for 1978. The first survey, in 1974, was initiated by the department in close co-operation with ACEC. The results were well received by both government and industry alike and showed that consulting engineering is an important sector of the new Canadian economy. The existing information requires updating and the new survey will also provide a more elaborate data base in conjunction with the industry study to develop a better appreciation of this significant sector.

During February and March, 1978, the first fact-finding mission undertaken as a joint project between ITC and ACEC was launched. This mission focussed on Arab banks. Its purpose was to learn about the operations of these banks, the types of projects they finance, and the opportunities for consultants, and to make recommendations for follow-up activities.

The division processed about 400 PEMD applications. The geographic regions for which PEMD support was provided include, in descending order of number of applications, Africa, Latin America, Asia, Middle East, Europe, the Caribbean and the United States. The project sectors included industrial, transportation, municipal, institutional and commercial buildings, forestry and mining.

Construction

The Construction Division is responsible for activities related to the building process, that part of construction carried out by developer/builders, general contractors and trade contractors. Sectors include engineering construction, building construction (commercial, industrial, institutional), housing and building systems and components. Some 100,000 firms are included with annual value of work exceeding \$35 billion. The division's activities include policy and program development, program administration, industrial and export development (construction missions).

The division is also concerned with the development of the solar energy industry -- the manufacture and installation of solar equipment and components.

The division is carrying out an ongoing work program to improve the productivity and efficiency of the construction industry. Elements include computer applications in construction, standardization, management education, industrialization of the building process and market development.

Capital Projects

The Capital Projects Division is responsible for implementing department strategy for maximizing benefits for Canadian industry from domestic projects. Discussions have been held with many resource development firms to ensure that these projects provide Canadian-based industry with participation opportunities and contribute to the development of independent, ongoing firms in the manufacturing and service industries. Projects in which the division has been involved include the Alaska Pipeline, Liquefied Natural Gas (LNG) Arctic Project, heavy oil projects in western Canada and offshore exploration programs in the Arctic and off the east coast.

The division also supports the Advisory Committee on Industrial Benefits from Natural Resources Development, which is chaired by the department and is in its third year of operation. There has been a significant increase in the involvement of Canadian firms in supplying equipment and services to Canadian resource development projects, and considerable progress in the development of Canadian capabilities to undertake the engineering, procurement and construction of very large projects.

Construction Industry Development Council

This council provides advice to the Minister on any matters of concern to the construction industry in order to improve the effectiveness of the industry. The secretariat of the council, with the support and co-operation of the branch, has improved communications within and about Canada's construction industry.

ELECTRICAL AND ELECTRONICS

Product Innovation

The department continues to support various computer peripheral equipment manufacturers. The bulk of the projects consists of technical innovative systems using computer technology to solve specific business problems.

Canadian companies show a high degree of initiative in adapting this technology to resolve problems associated with the use of software with some of the most advanced pieces of computer hardware. Computer software and specific system development are considered good business prospects for this sector.

In the areas of postal automation and specialized instrumentation such as medical instruments and special control systems, product innovation has been increasing. Because international competitors are constantly increasing technology levels in their products, Canadian industrial R&D has also been increased: it is critical to the expansion of those world competitive industries and ITC and other government support in this field is continuing.

Through its R&D and market support programs, the department is assisting the Canadian telecommunications industry to maintain its competitiveness in domestic and world markets. Product R&D support was provided in the areas of voice and data switching, signal processing and transmission and mobile radio, rural communications and TV broadcasting.

Avionics and defence electronics R&D expenditures rose only slightly. In real terms this indicates a static situation, due to the high inflation rate. This is a matter of concern since these high technology sectors are among those in which Canada has reasonable prospects of attaining international competitiveness and growth.

Production Efficiency

Several companies in the telecommunications and space industry took advantage of the Industry Modernization for Defence Exports Program (IMDE) to modernize their facilities and manufacturing processes. It is recognized that if Canada is to maintain its competitive position in this high technology area, continued efforts will be required to improve productivity.

Several Canadian electronics companies are engaged in providing process controls systems for Canada's primary industries so that cost and quality can be improved. As these companies must export to achieve growth and do so in the face of competitors of five times the size, they have taken part in the export consortia and market development programs of the department.

The avionics and defence electronics sector showed a sharp increase in capital and source establishment spending of about 36 per cent. This may be partly attributable to anticipated activity related to the major DND purchases (CP-140 long range patrol aircraft, leopard tank, new fighter aircraft, etc.). However, this rate of just over \$3 million per year may be far from adequate to establish the total industrial capacity needed to deal with direct or offset opportunities arising from these programs.

This was the first year of operation of the five-year plan to restructure the Canadian television manufacturing industry. The main element of the plan is the television remission program. This program allows TV manufacturers to import some television sets duty free based on a formula linking the manufacturer's sales of TV sets in Canada to the level of manufacturing undertaken.

Although two manufacturers announced they would cease TV production, six others have taken advantage of the program. The participating companies have undertaken some initial restructuring and further stages are being negotiated.

International Environment

A joint working group was formed with the European Economic Community for the promotion of industrial co-operation in the computer hardware and software industry between Canadian and European manufacturers. This joint initiative has been well received by all concerned and tangible results are expected.

Negotiations involving a business venture with Japan have been completed with a Canadian company and the largest Japanese computer manufacturer. This association will bring the Canadian company a good source of computer technology.

In the heavy electrical equipment sector, Canadian companies participated in a seminar and trade missions sponsored by the department in South America. This resulted in Canadian companies obtaining a number of equipment orders.

The instrumentation sector's competitors continue to be formidable obstacles. Because most Canadian companies have chosen to compete in narrow areas they were able to survive in the depressed markets of the past year. An improvement in international environment is expected next year and some growth should be possible in this sector.

The trend in most developed and developing industrial nations to encourage the domestic manufacture of a greater portion of their telecommunication equipment requirements has made it necessary for Canadian suppliers to grant manufacturing rights in many cases in order to gain market access.

The major telecommunication expansion programs in the Middle East have presented the Canadian industry with significant opportunities to obtain export contracts. One Canadian company obtained the single largest telecommunications contract ever awarded.

The avionics and defence electronics sector continued to enjoy considerable success in third world markets, particularly with specialized products such as flight simulators. The weakening of the Canadian dollar has improved our competitiveness in the United States, Europe and Japan.

Problems persist, however, in achieving and maintaining access to U.S. and European markets for products of this sector, despite efforts to surmount various non-tariff barriers. In these markets, specialty components and the smaller sub-systems appear to enjoy more success than larger systems -- engine instruments and crash position indicators as opposed to Omega navigators. One notable exception is Germany where a Canadian company continues to be the exclusive supplier of aircraft simulators to the Ministry of Defence. In other EEC countries, some sales have been achieved through licensing for partial assembly in the customer country. Two Canadian companies have used this approach to good effect in Italy.

Domestic Environment

The imbalance of trade in the electrical industrial equipment and office equipment sectors is worsening. In the electrical sector, imports of heavy electrical equipment are taking more and more of our domestic market. In office equipment, the lack of domestic manufacture, compounded by the lack of the technology required to be internationally competitive, places the domestic market at the mercy of the foreign competition.

The Canadian environment remains a difficult one for most instrumentation companies. Small markets and entrenched large foreign suppliers make penetration difficult. To recapture some of the domestic market, Canadian companies will have to increase R&D and marketing efforts to be ready for the expected easing of economic difficulties in Canada.

The rapid expansion in the application of micro-integrated circuitry in both product and process is having a major influence on the reduction in employment in the telecommunications industry. This is a worldwide problem, faced by all large telecommunications companies. The problem in Canada has been further aggravated by a reduced growth in demand for telecommunications services resulting from current economic conditions in Canada.

The avionics and defence electronics sector is trying to come to grips with the industrial benefits and offsets associated with the major DND procurement programs. The major activity was the new fighter aircraft program.

The branch devoted a substantial part of its resources to assisting industry in its search for offsets and in evaluating the industrial benefit packages of the six aircraft proposals received. Considerable effort to generate adequate industrial benefits from this program is continuing.

Market Development

A number of Canadian manufacturers of computer peripheral equipment, system houses and service bureaux have succeeded in establishing themselves in the international marketplace.

These successes are more prevalent where companies have specialized in applications such as text editing, banking systems and in software applications connected with service bureaux.

Emphasis in the instrumentation sector continues to be concentrated on the exploitation of unique or competitive Canadian technology in postal automation and automatic controls. Recent success in Eastern Europe should stimulate further activity.

The department continues to assist the telecommunications and space industry in efforts to expand the export market base. Canadian telecommunications are recognized around the world as being in the vanguard of technical advancement, particularly in digital techniques.

The department participated with the Department of Communications and other departments and agencies in a number of activities aimed at increased business for the Canadian space industry. These activities included negotiations with the European Space Agency for closer co-operation; participation in a Treasury Board study of Canada's space program with particular emphasis on future requirements, scheduling and organization, and interdepartmental discussions of the creation of a Canadian prime contractor capability for satellites. The department also facilitated new export sales of communication satellite ground stations.

The avionics and defence electronics sector continues to make an effective contribution to Canada's trade balance. It is estimated that of the \$150 million in annual sales more than 75 per cent is generated by exports. Branch personnel continue to work in co-ordination with the Defence Programs Branch and the Trade Commissioner Service to assist in the development of export markets. Branch officers also assisted the department's efforts at the Paris Air Show, which was the most successful for the industry since Canada started attending.

The department sponsored seven appliance manufacturers in the International Home Electronics and Domestic Appliances Exhibition in Birmingham, England, in May. More than \$624,000 in sales were completed on site. Total sales within 12 months probably will exceed \$6 million to more than 20 countries.

Three appliance manufacturers have begun a new marketing technique called "kitting" and have penetrated markets in Central America and the Middle East. Kit sales totalled approximately \$300,000. In the kitting technique, the manufacturer provides his offshore distributor with all the parts and components required to build the finished product, whether it is a refrigerator or wringer washer.

MACHINERY

Machinery Program

One of the principal policy instruments to promote the growth and productivity improvement of the Canadian machinery industry is the Machinery Program. It provides a reasonable measure of tariff protection to machinery manufacturers and encourages increased Canadian content in machinery production. At the same time, it enables users of machinery to obtain remission of duty on imported capital equipment which is not available from Canadian production.

More than 28,000 applications were received in 1977 and more than \$200 million in assistance was provided in duty remissions to industry for the purchase of advanced capital equipment. Some 115 machinery producers were assisted in 1977 to rationalize their production activities on an international basis, increase the range of products made in Canada or expand production capacity to take advantage of growing demands that were met previously by imports.

Exports

Some of the larger export orders for Canadian machinery include \$200 million worth of equipment for the development of a natural gas field in Algeria. Algeria committed \$80 million for infrastructure engineering and equipment supply for a liquefied natural gas plant.

The Philippines purchased \$50 million of open pit mining and ore processing equipment, and a \$25 million order was received from Libya for a packaged gas turbine generator power station.

The U.S.S.R. ordered \$24 million of gas turbine driven compressor sets and \$30 million of electric motor driven compressor sets.

Canadian manufacturers of equipment for the service industries shipped more than \$200 million worth of their products abroad, mostly individual orders amounting to less than \$100,000.

The range of products and their destinations included vending machines and glass washers to Sweden and the U.S., auto body frame repair equipment to Japan, chain saws to Turkey, door hardware to Japan, oil burners to Iran, commercial pizza ovens to The Netherlands, tire vulcanizing equipment to Hong Kong, bakery equipment to the U.S., clip-on refrigeration units to Germany, and heating equipment to the U.S.

Canovex Ltd., the Nova Scotia consortium of fishing equipment and vessel manufacturers, has been commissioned to study Nigeria's requirements for two or three fishing terminals.

The Canadian Nuclear Equipment Supply (CNES) was formed to co-ordinate the export efforts of CANDU nuclear power station equipment manufacturers.

Significant innovations include development by a Quebec-based company of a refrigeration unit that clips on to transport containers and meters a flow of carbon dioxide gas into the container.

An Ontario company has developed a new concept for changing automobile tires in service stations. The unit is designed to loosen the upper and lower beads simultaneously. Another Ontario firm has designed and built a residential heat pump specifically for the climatic conditions in Canada and the northern U.S.

Worldwide attention has been attracted by automated machinery designed by an Ontario company to produce large grinding wheels for grinding camshafts, crankshafts and balls.

RESOURCE INDUSTRIES

An Overview

Mixed fortunes were the lot of the resource industries, in part a reflection of the somewhat hesitant performance of the economies of Canada and its major markets. Real output in the industrialized countries grew rather less than four per cent; for Canada alone the rate was below three per cent.

Canada's resource-based industries are heavily export oriented and last year the sector recorded exports of more than \$16 billion, more than one-third of total Canadian exports. Imports were slightly above \$4 billion for an export surplus of \$12 billion.

Several factors contributed to this situation. The devalued dollar undoubtedly had a beneficial effect on a number of resource-based industries. The labour scene was considerably more tranquil than in some previous years and contract settlements for the most part represented smaller increases in percentage terms than previously.

The net result was that industries which were well placed in their markets, whether domestic or foreign, in general had a successful year. Examples are aluminum, coal, lumber and steel. High producer inventories, coupled with relatively sluggish demand, resulted in a disappointing year for producers of wood pulp and nickel.

The profitability of many of the resource industries remained at less than satisfactory levels. Although all sectors recorded improved earnings compared with the preceding year, these gains, when adjusted for the decline in purchasing power and for inventory valuation, would in many instances be inadequate to maintain or improve the fixed asset base of the industry.

Protectionist measures in some foreign markets threatened to cause difficulties for some Canadian resource-based industries. Instances of this situation were anti-dumping levies on kraft liner in the European Economic Community and the implementation of the "trigger price system" for imports of steel into the United States and equivalent measures in EEC.

Primary Wood Products

International Environment

As part of ongoing activities to develop and expand overseas markets for primary wood products, the department continues to participate jointly with the Council of Forest Industries of British Columbia and the British Columbia Department of Economic Development in the Co-operative Overseas Market Development Program. One of the more significant export thrusts under the program was the design and construction of 38 timber frame houses in Japan, in co-operation with Japanese industry associations.

Following a market survey carried out in early 1977 in selected Mediterranean countries, a department-sponsored softwood lumber and plywood mission visited Spain, Italy and Greece to exploit export opportunities for a range of wood products, with the result that significant initial shipments have been made.

To keep abreast of developments in a changing international environment, officers were involved in various activities such as those related to the Timber Committee of the Economic Commission for Europe, UNCTAD administered Integrated Program for Commodities in the area of tropical timber, and the FAO-sponsored symposium on panel products.

Domestic Environment

An energy-related wood residue study and an in-depth assessment of the Canadian softboard industry were initiated in order to improve resource utilization and manufacturing efficiency within selected primary wood products sectors.

The Federal/Provincial Forest Industries Development Committee (FIDC) was a most effective vehicle for the compilation of inputs that were necessary during preparation of the major forest industries review that preceded development of the sector profile discussion paper prepared by the branch.

The full committee met in Victoria, B.C., to discuss a range of current issues relating to the sector, including two major studies on manufacturing and on wood costs. The committee also organized a panel discussion on the subject "The Way Ahead for the Forest Industries".

Product Efficiency

Following a technical study tour of Nordic countries by a representative group of Canadian lumbermen to examine European finger-jointing technology, a comprehensive report was published by the department for distribution throughout the trade.

Manufactured Wood Products

Market Development

Poor domestic demand for manufactured wood products relative to the previous year reflected a lower level of new housing starts. This was, however, more than counterbalanced by a strong upswing on the international front, with exports increasing by 43 per cent to a total of \$226 million.

The United States was instrumental in this strong showing with total exports to that country increasing by 74 per cent to \$118 million. The Middle East, North Africa, Japan, Latin America and Western Europe accounted for the major portion of the remainder.

In 1977 a number of major Canadian companies--ATCO, Precision Homes, Treco, Domfab, Homexpo, Viceroy Construction, and Citation Cabinets--were particularly active, with assistance from the Manufactured Wood Products Division. This strong showing of the prefabricated buildings and components segment of the industry in offshore markets accounted for approximately \$100 million of total exports. Two large successful contracts were a \$15 million contract by Homexpo in Saudi Arabia and a \$30 million contract by Domfab in Jubail, Saudi Arabia.

Initiatives

The division participated in a number of initiatives aimed at market development and expansion. In Canada, division personnel participated in the various industry and intergovernmental consultative committees related to the forest products industry. They organized the Canadian delegation to the Industrial Co-operation Working Group on timber frame housing to the EEC in October and published a directory of Canadian building manufacturers for use by industry and government.

In the United States the division participated in a Canadian mission of building components manufacturers to the Salt Lake City, Utah, area in the middle of the year.

The division hosted a tour of the Japanese 2 x 4 Association through Canada in May to investigate the merits of the timber frame housing system; participated in the third meeting of the Canada/Japan Housing Committee in Tokyo in June and accompanied a group of Japanese government housing officials through Canada in October.

In the European market, the division participated in a mission of French government officials from the Union Regional des CIL of France in September; hosted a technical housing mission from Belgium in October; participated in the WEAP conference on prefabricated housing in Hamburg, Germany, in November, and provided technical support to Canadian manufacturers at the BATIMAT trade show in November, the BatiBouw Show in Brussels earlier in the year and the Bowbeurs Show in The Netherlands. These three trade shows comprise a major portion of the division's timber frame promotion in Europe.

In October the division accompanied a mission from the Federal Housing Authority of Nigeria which was studying the timber frame method's applicability to that country.

Pulp and Paper

Product Efficiency

Cost studies on the pulp and paper industry in North America and Scandinavia, initiated to investigate ways of improving the Canadian industry's competitive position in world markets, have been completed. The North American study has been released and the Scandinavian study will be published in the near future.

The next stage will be to consolidate the studies so that an overview will be obtained giving a proper comparison of domestic and international costs for bleached kraft pulp and newsprint. The information gathered will be a base for identification and assessment of methods to enhance manufacturing productivity leading to lowering of production costs.

There is continued concern over the competitive position and hence the future viability of the Canadian fine paper industry. A joint government/industry examination of the cost position of the industry has been completed. Additional work is in progress designed to provide a more complete profile of the fine paper sector and an indication of possible future options to enhance the industry's competitive position.

Domestic Environment

Shipments of some 20 million short tons in 1977 indicate that the long depressed international markets are on the upswing. In 1978 pulp and paper shipments should reach the 1974 level of 21 million short tons.

However, the forecast decrease in worldwide consumption of paper and paperboard during the 1980s will create a continuing high level of competitiveness and considerable marketing difficulties for the Canadian industry.

Under the auspices of the FIDC, and direct supervision of the branch, the rationalization study, using New Brunswick as the pilot area, has been successfully completed. The Government of New Brunswick has been asked to keep FIDC advised of progress in the development and implementation of rationalization in the province.

A study of the domestic converted paper sector is continuing with the object of developing a basis for indentifying policy options appropriate for the enhancement of this sector by generating information on the present status of this fragmented industry.

The forthcoming recommendations of the Forest Products Consultative Industry Task Force, which is one of 22 task forces established as a result of the First Ministers' Conference early in 1977, could be a major framework for the development of the industries internationally competitive position.

International Environment

The branch continues to participate in major committees to promote industrial co-operation, including: Canada/EEC Ad Hoc Forest Products Working Group; Canada/Japan Joint Economic Committee; Canada/China Joint Trade Committee; Canada/U.S.S.R. Working Group on the Forest Products Industries; Canada/Cuba Joint Committee.

Officers have been actively involved in export marketing development of new and/or expanded markets including a number of surveys and missions:

- . A sack kraft market survey of selected EEC member state countries.
- . A pulp and paper survey of selected South East Asian countries.
- . A technical pulp and paper mission to the People's Republic of China in November.
- . A pulp and paper marketing mission to Japan in March.

Iron and Steel

Product Innovation

The Iron and Steel Division worked with T.I.W. Systems Ltd. of Toronto on the development and promotional sales effort for a new series of microwave towers. This resulted in multi-million dollar sales on world markets.

The division also co-operated with Canadian steel industry officials to develop and incorporate the new Canadian Steel Industry Research Association.

A large number of steel forging and casting companies were helped by department programs in the development of new product lines and improvement of production efficiency.

Production Efficiency

The division has been working closely with Interprovincial Steel and Pipe Corporation Limited (IPSCO) of Regina and Sydney Steel Corporation (SYSCO) of Sydney in particular and generally with other steelmakers on programs to improve production efficiency.

With EDP assistance, several Canadian producers of steel wire rod and fasteners have enhanced their productivity and competitiveness and have been helped by department programs to survive the serious dislocations in the steel sector during the year.

International Environment

The department continued to work closely with the iron and steel industry during the difficult period of low world steel demand and market disruption. Specialists in the division attended several international meetings of the OECD, the ECE and the UN to discuss measures to counteract the slump in steel demand and over-capacity problems. Considerable work was done in advising the Canadian industry and making representations to Washington on the new U.S. "trigger price" system for steel imports.

Domestic Environment

The department was influential in the formation of a government task force to monitor steel imports into Canada to help alleviate problems for domestic producers. The Steel Industry Advisory Group (SIAG) met at intervals with department officials to finish its report, which was two years in the making. The industry profile on the primary iron and steel section was published and reviewed by the industry and recommendations to governments were formulated.

Market Development

With PEMD assistance Canadian firms were able to take advantage of several sales opportunities identified by trade commissioners in overseas markets.

A promotional booklet "Metal Pipe and Tube from Canada" and "The Canadian Ferrous Foundry Industry Report of the 1976 National Survey" were published.

Several producers of iron and steel products were helped in taking part in CIDA and other large projects, including the Trinidad steel mill and the Mexican and Korean rail projects.

Non-Ferrous Metals

Overview

The continuing depressed world economic environment prevented a recovery in non-ferrous metals prices. This resulted in further production cutbacks and some labour force reductions.

The aluminum market is relatively buoyant but the cobalt market has become unstable due to developments in Zaire. The lead market has hardened and the copper, nickel and zinc markets remain depressed.

Product Innovation

Assistance was provided for a number of technically innovative products and processes. These included development of an explosion-proof container for volatile liquids, production of cobalt strip by powder metallurgy and new hydro metallurgical processing of western copper/zinc ore bodies. Assistance was also provided for projects carried over from previous years.

Production Efficiency

The Non-Ferrous Metals Division continued to provide assistance to Canadian industry for production efficiency through Market Data Generation, a system that reduces manufacturing costs.

International Environment

The department participated in a number of meetings of international groups, including the Lead-Zinc Study Group and the United Nations Committee for Trade and Development (UNCTAD) on copper. There were also a number of meetings on non-ferrous metals in the GATT/MTN.

The Non-Ferrous Metals Division was involved in the formation of the Ad Hoc Working Group on Metals and Minerals which will identify and pursue specific opportunities for co-operation between Canada and the EEC on metals and minerals.

Areas of co-operation include research and development related to energy management, environment, production processes, health, technology exchange, resource upgrading and security of supply as well as other subjects of mutual interest.

Domestic Environment

In co-operation with industry, the division was instrumental in the formation of the Canadian Die Casters Association (CDCA) and continued to work with other representative industry organizations including the investment casters and heat exchangers.

A new investment casters directory was produced.

An intensive study of the non-ferrous industry was undertaken and the non-ferrous sector profile was produced.

Extensive work was done on an interdepartmental study of a proposed east coast zinc smelter to smelt zinc concentrates from the Arctic.

The division participated in the development of the Business Opportunities Sourcing System (BOSS) and is working closely with private industry, provincial governments and Ontario Hydro in the development of a Canadian zirconium facility.

Market Development

The division worked with Canadian industry to penetrate the United States defence market in die casting and was active in developing world markets for nuclear grade tubing and, over the long term, for uranium.

Industrial Minerals

Coal

The branch continued to be involved in market surveys and analyses in connection with the 1977-78 Canada-British Columbia Subsidiary Agreement to Evaluate Northeast Coal and Related Developments. Coal market surveys were carried out in certain Latin American and European countries.

An officer from the British Columbia Ministry of Economic Development was on loan to the branch in connection with these studies. An officer of the branch serves on the Northeast Coal Management Committee and on the Economic, Financial and Marketing Analysis Sub-Committee.

Canadian companies sold Nova Scotia and British Columbia coking coal to Brazil and trial shipments were made to Argentina in the course of the year. Coal negotiations were undertaken by Canadian companies in Romania, Sweden and Italy, and contracts are expected.

An incoming thermal coal mission from Korea visited the western coal industry early in 1978. Prospects are encouraging. A major thermal coal mission was planned for Korea and Japan in FY 1978-79.

World demand for thermal coal is rising rapidly and it is expected that the development and export of thermal coal will help maintain expansion in the industry. World steel markets are soft and coking coal demand is not expanding at forecast rates.

As part of its work program on the diversification of coal markets, the branch received coal buyers from many foreign countries, briefed these delegations on the coal situation in Canada and, in many cases, arranged appointments with appropriate coal exporting companies, prospective producers and with provincial government authorities. Canadian coal exporting companies are becoming increasingly interested in diversifying the market for metallurgical and thermal coal.

Cement and Concrete

The branch produced a sector profile on the Canadian cement and concrete industry and arranged for the formation of the Cement and Concrete Industry Consultative Task Force set up to outline priority issues affecting the industry and to make specific recommendations to governments on these issues. An officer of the branch serves as secretary to the task force and other officers act as government observers.

Several officers participated in Enterprise Canada 77 and follow-up activities were carried on for several months. Many officers were able to help resolve problems raised by company officials. An important problem uncovered, concerning product liability litigation, is still being pursued.

TEXTILE AND CLOTHING BOARD

The final report on the Textile and Clothing Board's inquiry on clothing was presented to the Minister on May 29. The inquiry, undertaken at the request of the Minister, had resulted in the emergency application on November 29, 1976, of a global quota on most imports of clothing.

The board also recommended negotiation of bilateral restraint agreements with 21 exporting countries. Recommendations have been accepted by the government and negotiations undertaken with the major countries exporting clothing to Canada.

The board also carried out inquiries and reported on acrylic yarns, towels, work gloves, hosiery, handbags and hats and caps. In all but one case, the board recommended special measures of protection against imports of these items.

TEXTILES AND CONSUMER PRODUCTS

The carpet sector continues to be most active in developing export markets, particularly in the Middle East, Europe and Australia. Other sectors demonstrated evidence of some export market development but, despite devaluation, have made no real advances in face of keen competition from developed and low cost countries.

Production Efficiency

For the most part, the textile industry has kept abreast of technological improvements and consequently has continued to make every effort to produce as efficiently as possible. This is apparent in the numbers of textile personnel attending annual machinery shows throughout the world.

International Environment

The international market continued to be highly competitive because of the world surplus capacity in textile products. The industry's on-going requests to government for import restraints indicates it is still experiencing great difficulty in maintaining a satisfactory share of the domestic market because of imports.

Domestic Environment

The industry is seriously concerned about the impact of the MTN negotiations. Consideration of long-term restructuring is not likely to begin until the direction of the MTN negotiations as they affect textiles is brought more clearly into focus.

The more restrictive quota actions taken by the government on imports in both textiles and clothing began to have some effect and the decline in most sectors was expected to be checked by mid-1978.

The industry, generally, continued in a rather stagnant state with unsatisfactory profit positions, particularly in the home furnishings sector. As the industry is still unable to reflect increased labour and material costs in selling prices, profits continue to be eroded. In the country's present economic condition, no improvement can be anticipated in the foreseeable future.

Financial pressures have caused mill closures in some areas and temporary shutdowns have occurred as efforts were made to bring inventories into line with current shipment levels.

Tariff rates on manmade fibres and viscose filament yarn were reduced to compensate the United States for the imposition of global quotas on garments and double-knit fabrics. In accordance with Canada's international obligations, the tariff reductions applied to all imports of the products involved and resulted in strong protests from the manmade fibre industry.

The Textiles and Clothing Industry Consultative Task Force, which has been meeting on a continuing basis, has submitted recommendations to the Minister on improving the performance of both the primary textiles and clothing industries.

Clothing Industry

Market Development

The Leather/Canada show held in Montreal in March generated more than \$3 million of on-site sales to clients from the United States. Fur garment industry activity improved despite rising world prices for raw furs, primarily as a result of more than \$10 million of exports.

Canadian-made men's apparel, including knitwear, robes, suits, shirts and leather outerwear, were featured in the Westmax Show in San Diego in March. Results from this promotion were satisfactory, especially in view of the fact that it was the first exposure in the California market for most exhibitors. Nine sportswear manufacturers participated in the International Sports Equipment Fair in Munich in February and good results were reported.

Ten companies received assistance under the Program for Export Market Development to identify markets for their products in Europe and the United States.

Production Efficiency

In conjunction with the Government of Manitoba and the province's apparel industry, a productivity program has been implemented and is expected to become operational in July. The program will provide consulting services in technology, production techniques, human resources and information. Funding is being shared by the industry and the provincial and federal governments.

Discussions are also being held with industry representatives in Quebec and Ontario to develop an approach and concept for productivity programs. Financial contributions are being made to the Apparel Manufacturers Association of Ontario and the Apparel Manufacturers Institute of Quebec to support background work on a framework for productivity programs in these provinces.

International Environment

The global quota on the import of clothing, which was introduced in late 1976, was extended through to the end of the calendar year 1978. Negotiations were initiated with a number of major low cost clothing exporting nations with the objective of concluding bilateral restraint agreements to replace the quotas.

Domestic Environment

Although some sub-sectors of the industry experienced increased activity after almost a full year in which most clothing imports were limited by a global quota, overall employment did not increase because of weakening consumer demand and retail inventory accumulation.

A clothing industry profile was prepared to describe developments and trends in this sector over the past five to ten years. The profile is part of a package of background material for the textiles and clothing industry task force.

Footwear and Tanning Industries

Domestic Environment

The imposition of a three-year restriction on footwear imports, effective December 1, coupled with a devalued Canadian dollar, created a more favourable operating climate for footwear manufacturers. As a result, many are considering new product development and recognizing the quota period as the appropriate time to implement restructuring measures to improve their competitive ability.

During the first quarter of 1978 there were indications that the apparent Canadian markets and imports of footwear declined relative to the comparable period of 1977. The domestic industry's market share increased, particularly in athletic footwear sales.

A department survey indicated that industry employment increased by 5.4 per cent in March, 1978, over March, 1977.

International Environment

Developed countries are concerned about the increasing volume of footwear imports, particularly from developing countries. Concerned Canadian manufacturers have recommended that an international agreement on footwear be proposed at the current GATT negotiations and that footwear be excepted from any tariff reductions. The United States this year negotiated bilateral agreements with Taiwan and South Korea while the EEC, under pressure from European footwear manufacturers, is reviewing the situation.

Production Efficiency

Productivity in the Canadian footwear industry is now among the highest in the world, according to the report of the Anti-Dumping Tribunal. However, this productivity depends heavily on sufficient volume to maintain high utilization of productive capacity.

As better capacity utilization is realized during the quota period, the industry will be in a stronger position to compete internationally as more companies restructure their operations under the Footwear and Tanning Industries Adjustment Program (FTIAP) and the full impact of the productivity centre (FLICCC) is achieved.

Market Development

In the leather and footwear sector, the Export Market Development Program has assisted companies to promote their products at the sporting goods show in Munich, the Las Vegas Snow Show and the footwear fair in Duesseldorf. It also assisted in bringing selected buyers from the United States to the Canadian Winter Footwear Show in Montreal. The industry's continuing promotion of footwear associated with Canadian lifestyles has resulted in an increase in exports of special purpose footwear of 64 per cent to \$18 million and in exports of skates of 42 per cent to \$12 million over 1976.

TRANSPORTATION INDUSTRIES

In consultation with industry, sector profiles were compiled on the urban, automotive, shipbuilding, aerospace and ocean industries.

Subsequent to publication of the profiles, the branch provided secretariat services to sector consultative task forces which were assembled by invitation of the Minister after the First Ministers conferences.

The task forces have reviewed the sector profiles and developed a set of recommendations which can contribute to a framework for continued development of the industries.

Aerospace

Forty-five de Havilland Twin Otters were delivered during the year. More than 600 of these aircraft are now in service around the world. De Havilland has now sold 96 Buffaloes and production on this aircraft continues at the rate of one and one-half per month. Canadair sold ten CL-215 water bombers.

The DASH-7 aircraft was certified in April and the first delivery was made to Rocky Mountain Airways in November. The first Canadian order was received from Wardair Canada Ltd. and delivery is expected in 1978/79. Repeat orders are being received and total sales now stand at 10 with 13 firm options. The Department of National Defence ordered two DASH-7s in March, and Transport Canada signified its intention to procure two extended range versions of the aircraft, called the Ranger, for ice reconnaissance.

Canadair's Challenger business jet aircraft has been a tremendous market success. More than 127 aircraft have been sold, even before the first flight, which is expected in the fall of 1978. Both the DASH-7 and Challenger are supported by department programs and initiatives.

Trident Aircraft Ltd. of Richmond, B.C., has completed development of a new light amphibian, the Trigull, and obtained Transport Canada certification. A sizable market has been identified and the company is now planning production.

Future Organization of Canadair and de Havilland

An assessment by D.A. Golden, president, Telesat Limited, requested by the Minister, of the organizational options open to the government in respect of its ownership of Canadair and de Havilland proceeded during the fiscal year.

The branch participated in the early stage of the assessment involving an audit of the company operations directly with the senior management. A report on the audit was submitted to Mr. Golden in August. Since then, Mr. Golden has met with branch officers on three occasions to receive an update on government activities relative to the two companies. Mr. Golden's report has since been submitted to the Minister.

Productivity Aerospace Program

The Air Industries Association of Canada (AIAC) launched its productivity aerospace program in September. The branch has provided liaison and support services to the program, particularly in seeking an improvement in the efficiency of the government/industry interface.

The program, named Productivity Aerospace, is managed by the AIAC through action groups drawn from industry and, to a lesser degree, from government. It is designed to maintain and improve productivity in human resources, management systems, manufacturing methods, marketing and the industry/government interface.

Twelve seminars have been held, attended by representatives from both large and small companies. The result is an interaction of people at all levels in industry and government and an increased sharing of knowledge devoted to productivity improvement in the interests of maintaining the sector's international competitiveness.

Pratt & Whitney Aircraft of Canada Limited

Sales of the PT6 turboshaft/turbopropeller engine reached an unprecedented level for its class. More than 12,000 of these engines have been produced and a backlog of 3,000 currently exists for a total potential value of \$1 billion.

This program began with government assistance in 1960 and its current success reflects the long build-up period required to succeed in this area.

Horsepower, technology and economics of this engine series are continually being improved with the resultant capture of new market opportunities. The department has continued to provide assistance to ensure the success of this program.

CL-89

The Government of France has indicated that it intends to purchase an augmented CL-89 Airborne Surveillance Drone System from Canada. Negotiations are underway to complete the sales contract. This will bring to four the number of European armies using the CL-89. The others are Germany, Britain and Italy.

Marine and Rail

Ocean Industries

The seventh session of the United Nations Conference on the Law of the Seas was concluded with optimism. It appears possible to reach agreement on the many and diverse issues being negotiated. Canadian objectives were well advanced during the session which saw progress made on a production ceiling formula for seabed mining. Progress was also made on environmental matters.

Exploration for oil and gas is increasing in Canada's eastern offshore and opportunities for Canadian companies are improving significantly.

The branch continued its marketing and promotion activities at a high level. Exhibits were sponsored at trade fairs in Aberdeen and Brighton and at the Offshore Technology Conference in Houston. In addition, eight Canadian companies are participating in the Latin American Oil Show in Rio de Janeiro.

A six-member mission visited Indonesia, Malaysia and Singapore from February 10 to 24. Senior officials of the Brazilian National Petroleum Company (PETROBRAS) visited 17 Canadian firms from May 13 to 24.

There has been a sharp increase in the number and size of projects put forward by ocean industries companies for innovation and development assistance. Proposed developments include a large commercial submarine, a new seismic system, a new "Canadian conditions" oriented subsea oil well completion system, iceberg profiling and tracking systems, ocean data systems, a new launch and recovery system and a study of ocean industries opportunity evaluation.

The potential of the ocean industries to generate increased economic activity in the Atlantic region was emphasized again by the Consultative Task Force on the Ocean Industry. The task force report is expected to add impetus to efforts of government and industry to realize the potential of this sector.

Ocean industry markets are expected to develop not only in traditional areas such as the North Sea and the Gulf of Mexico but also in Latin America and Southeast Asia.

Shipbuilding and Components

More than \$600 million worth of production was completed on shipbuilding and repairs, of which about one-half was for export. This is a new record in terms of current dollars.

Canadian shipyards delivered 28 vessels totalling 175,341 gross tons. Repair work was valued at well over \$100 million and non-marine work was close to \$100 million. Employment was down about 10 per cent from the previous year, averaging 13,800.

The drop in employment reflects a worldwide downturn in demand for new ships. To counter new measures of assistance to foreign competitors, the 20 per cent rate of subsidy was extended and will now apply on orders received until October 31, 1978. This enabled Canadian shipyards to obtain several important domestic orders which partially compensated for the lack of new export orders.

The fortunes of the ships components manufacturing sector as a whole continue to be affected adversely by the worldwide slump in shipbuilding. There have been, however, a few cases when, through aggressive marketing of superior or specialty products, companies have succeeded in increasing their share of what is still a substantial market.

The shipbuilding slump, which is particularly severe in Canada, has had the effect of inducing many companies to make greater use of the department's assistance programs for participation in defence production and penetration of foreign markets.

Railway Industry

Transport Canada and VIA Rail placed orders for a total of 10 sets of LRC (light, rapid, comfortable) high-speed passenger trains. This will include 23 locomotives and 50 coaches valued at approximately \$50 million. The LRC, which is considered one of the world's most advanced train systems, was developed by three Canadian companies with the assistance of a department PAIT grant. Two train sets are being constructed for export to the United States for Amtrak.

An agreement was made between the department and the General Motors Diesel Division wherein the Canadian value added would be increased to the extent that General Motors locomotives would be eligible for CIDA financing.

A group of Canadian companies won \$23 million in contracts for the rehabilitation of a 110 km railway line in Costa Rica. The department introduced the companies to the opportunity, hosted a railway mission from Costa Rica and lent guidance and assistance during the negotiations.

A first order has been booked for the 10 metric ton hydraulic rail crane developed with the assistance of a PAIT grant.

Department assistance during the year contributed to the booking of export orders for some 1,000 freight cars and 130 locomotives valued at approximately \$110 million.

Automotive Products

The deficit in trade in automotive products with the United States increased by about \$86 million to \$1,087 million. The major contribution to this increase was a continuing growth in the automotive parts deficit, which increased by 23½ per cent to \$3,126 million. This was in part offset by a 38 per cent increase to \$2,048 million in the surplus on vehicles. Concern has been expressed about the growth in the automotive deficit and discussions were initiated with the major vehicle manufacturers and parts manufacturers to seek ways to reverse the trend to an increasing deficit that appears to be taking place.

The automotive industry in North America is under considerable pressure to meet government regulations in the U.S. and Canada, and it has embarked on a major investment program. The objective of the discussions was to ensure that Canada obtained a reasonable proportion of these investments, not only to offset the growing deficit in trade but to ensure growth in the industry comparable to the growth in the market in Canada.

Overseas Trade

Although the deficit in trade in automotive products with other countries declined by \$85 million from 1976 to 1977, there is still concern for the proportion of the market in Canada held by third country vehicles. This would appear to be growing and is now at about 20 per cent. Trying to offset this growing trend, Cabinet gave approval for the department to enter into discussions with third country vehicle manufacturers for an expanded remission scheme which would provide an incentive for the purchase of additional parts from Canada. An agreement has been reached with Volkswagen under this scheme.

Automotive Parts

Trade with the United States

A continued expansion in the automotive components deficit by 23= per cent to \$3,126 million, was in part offset by a 38 per cent increase in the surplus on vehicles. Exports of automotive components increased 26= per cent to \$3.77 billion and there was a 25 per cent advance in automotive parts imports to \$6.8 billion. A number of discussions were held between the department and the industry in an attempt to ease the continuing parts deficit.

Overseas Trade

Offshore exports of automotive parts increased by \$14 million, or eight per cent, to \$178.5 million. Imports increased \$1.8 million to \$207.9 million.

General

Market development efforts were concentrated in the United States, the European Economic Community and Japan. A number of Canadian companies and their products were introduced to one or more of these potential markets through participation in department sponsored exhibits of trade shows, by assistance with independent exhibits or by opportunities afforded by the department's trade missions.

Promotional Efforts

United States--Eighteen companies exhibited at the Automotive Parts and Accessories Association (APAA) Show in Chicago, November 16 to 18.

Ten Canadian parts manufacturers exhibited at the Pacific Automotive Show in San Francisco, January 24 to 27. This was the first time the department sponsored an exhibit at this show and results were encouraging.

Eleven Canadian parts and equipment manufacturers were in the Automotive Service Industry Association (ASIA) Trade Show in Chicago, March 15 to 17.

Thirteen companies exhibited in a "Product Introduction Days" project in Atlanta and Miami, February 13 to 17. All companies reported successful arrangements with sales agencies. This was a joint project with the Ontario Ministry of Industry and Tourism and the Quebec Department of Industry and Tourism.

Japan--An 18-member mission organized by the Japanese Automotive Parts Industries Association (JAPIA) visited Canada, July 13 to 15, for discussions with federal officials and representatives of the Ontario and Quebec governments.

The mission members represented 14 of the largest automotive parts manufacturing companies in Japan. They were interested in assessing general economic conditions and trends and in obtaining information on financial incentives offered to manufacturers by the Department of Regional Economic Expansion and the governments of Ontario and Quebec.

The mission was also briefed on the Foreign Investment Review Act and on possible plant sites in North America and the comparative site location costs in Canada and the United States.

This mission was followed by 63 representatives of the Japanese automotive parts industry who visited Toronto in March at the invitation of the Ontario Ministry of Industry and Tourism and the Automotive Parts Manufacturers Association (Canada). The mission toured a number of plants in the Guelph area and concluded its visit with a seminar organized by the Ontario government to show the attractiveness of foreign investment in Ontario.

Eight Canadian automotive parts manufacturers exhibited at the 22nd Tokyo Motor Show, October 28 to November 9, under the sponsorship of the department which assisted the companies in establishing entree to the Japanese market.

Other--Canadian automotive parts manufacturers travelled in increasing numbers to Cuba, Switzerland, Germany, Britain, Australia and the Middle East under the department program for Export Market Development. They attended trade shows, investigated new markets and generally promoted Canadian products.

Significant Developments

Canadian vehicle manufacturers maintained record activity and employment levels. The excellent reputation of some Canadian transit operators has helped Canadian manufacturers to penetrate export markets. Although still relatively small, Canadian export of such systems is increasing rapidly.

Innovation

The first prototypes of a new streetcar to be known as the Canadian light rail vehicle are under test in Toronto. New Canadian bi-level commuter cars, the first of their type in the world, are now in service in Ontario and have attracted international attention.

Development programs to incorporate the latest fibre optics capability in computerized traffic control systems are nearing completion.

Major Problems

Access to the United States market is essential if the Canadian industry is to continue to increase its development and production. Canadian companies already face strong local protectionist pressure in the United States. Legislation is under consideration in Washington that would prohibit the use of Canadian steel in U.S. mass transit projects and impose a protectionist preference discriminating against Canadian urban transportation equipment.

TRANSPORTATION SERVICES

International Discussions

The department provided leadership for the Canadian delegation to the eighth session of the UNCTAD Committee on Shipping at Geneva from April 12 to 23. This session was concerned with world developments in shipping, ports and multi-modal transport, the status of the Convention on a Code of Conduct for Liner Conferences; port problems; the effectiveness of consultation machinery for resolving problems that arise between shippers and shipowners; economic consequences of the use of "flags of convenience"; and other matters of concern in international shipping.

The department also provided leadership for the Canadian delegation at sessions of the Maritime Transport Committee in Paris, dealing with general shipping policy matters and the co-ordination of views of member states of OECD on international shipping questions. Similarly, the department participated actively in an UNCTAD-sponsored inter-government working group on the economic consequences of the existence of or lack of a genuine link between vessel and flag of registry in Geneva.

Other shipping-related activities included active participation on the Canadian delegation to a diplomatic conference at Hamburg, March 6 to 31, that adopted a new convention on the carriage of goods by sea and on an inter-government preparatory group drafting a convention on multi-modal transport.

Studies and Research

The department was also involved in discussions on container standards, container safety and standards policy in the distribution of goods. Support was given to the work of the Canadian Standards Association on rationalizing pallet sizes to facilitate transport and handling of shipments.

Continued support was given to COSTPRO, the Canadian Organization for the Simplification of Trade Procedures, in developing simplified trade documentation systems.

Research activities dealt with requirements of new legislation to replace the Shipping Conferences Exemption Act, indirect shipment from Australia to Canada, shipping options for Canadian international trade, tolls on the St. Lawrence Seaway, the significance of "flag of convenience" shipping in the carriage of Canadian trade, the role of state trading fleets in Canadian trade and the transportation of potatoes from the Maritime Provinces.

Other studies were concerned with cross-border container traffic, the competitiveness of Canadian routings relative to routing through United States ports, constraints affecting the flow of containers through Canadian Pacific Coast ports and competitive advantage in terms of availability and cost of transport to selected export markets.

Air Transport

In air transport, the department was concerned with capacity and conditions of shipment for cattle and poultry exports, the need for domestic advance booking charter air services to stimulate tourism, and assessment of possible domestic uses of the de Havilland DASH-7 STOL aircraft. A more active role than heretofore was taken in international air relations in close co-operation with the departments and agencies traditionally providing leadership in this area.

INDUSTRY SECTOR TASK FORCES

Subsequent to the mid-February conference of First Ministers, a task force of business, labour, academic and federal and provincial government representatives was formed for each of 21 sectors of manufacturing as well as for the construction and tourism sectors. Each task force consisted of approximately 20 to 25 participants, 13 to 15 of whom were industry representatives and two to three of whom were officials of organized labour.

As well, each group included at least one academic, one federal government participant (the director general of the appropriate industry sector branch of Industry, Trade and Commerce) and one representative from each province interested in the particular sector.

The industry representation took into account regional interests and was reasonably distributed between small and large firms. Ontario, Quebec, and British Columbia took part in all task forces while other provinces participated more selectively, with only Alberta absent.

A representative of industry chaired each task force and the position of secretary was filled by the federal government participant. Each secretary was supported by a resource group of employees from Industry, Trade and Commerce. There were also representatives from other federal departments as required.

Each task force was given the mandate to examine its sector, using as a base the profiles and overview papers prepared by federal departments. Specifically, they were charged with producing, by June 30, 1978, reports which addressed the major issues confronting their industries, together with specific recommendations to ameliorate problems, exploit opportunities and generally stimulate economic activity in their sectors.

These recommendations were to involve not only actions to be taken by governments but, it was hoped, would include concrete suggestions for private sector initiatives to be taken in order to capitalize on opportunities arising from government action to make framework and other policies more conducive and stimulative to industrial development.

The plan also called for examination of the specific sector reports by a co-ordinating group to ensure coherence and consistency among sectoral recommendations and suggestions for macro and framework policy measures. The overview report is to be reviewed in conjunction with the 23 sector specific reports by federal and provincial ministers of industry and tourism later in the year.

DISTRIBUTION SERVICES

The Distribution Services Branch is a new industry sector branch in the department, responsible to the Assistant Deputy Minister, Industry and Commerce Development. Its objectives are to study the major service sectors not otherwise covered by the department and to develop relevant industry profiles, policy recommendations and action plans.

The branch is organized in three divisions: Food and Drug, Wholesale and Retail; General Merchandise, Wholesale and Retail; Distribution and Services (trading houses, franchising, automotive retailing, warehousing and trucking). Major activities in the initial organizational months have been concentrated on industry contact and sector profile development.

FINANCIAL INSTITUTIONS AND CORPORATE LIAISON

The Financial Institutions and Corporate Liaison Branch was formed in 1977 as a policy advisory group focussing on corporate financial markets and financial institutions in the private and public sectors as they relate to industrial and trade development. The principal federal government institutions and programs with which the branch is involved include the Export Development Corporation, the Federal Business Development Bank, the Canadian International Development Agency and the Small Business Loans Act.

Particular attention has been paid to the availability of commercial term debt financing in Canada as provided by the federal government and private sector financial intermediaries. The administration of one debt financing assistance program, the Small Business Loans Act, was transferred to the department during the year. The branch also participated in international efforts to regulate official export credits, which culminated in a renewal of the International Consensus on Export Credits effective April 1, 1978.

GRAIN MARKETING

Adverse weather in a number of major producing countries in the northern and southern hemispheres resulted in wheat harvests being below the record production level of the previous year. Coarse grains fared better with production about equal to 1976. In spite of strong competition and generally low world prices for grain over much of the crop year, Canadian wheat and rapeseed sales were at record levels.

Exports of the six major grains amounted to 21 million tonnes, of which wheat and flour account for 16 million tonnes, barley 3.3 million tonnes and the major oilseeds 1.3 million tonnes in the 1977/78 crop year.

Programs

The credit grain sales program continued to make an important contribution, covering about 40 per cent of wheat exports and some quantities of barley.

The Grains and Oilseeds Marketing Incentives Program (GOMI), now in its seventh year, encourages market development through market identification/promotion, product/process development and Canadian capability assistance. Expenditures in the year were \$1 million.

Advances issued to producers under the Prairie Grain Advance Payments Act are expected to reach \$120 million, close to the total of the previous year. This reflects some continuation of the reduced grain delivery opportunities experienced in 1976/77. Interest costs which are borne by the government amounted to \$3,478 million, about one-third more than the level of the previous year.

Payments under the Two-Price Wheat Act, which maintains the price for Canadian consumers at \$3.25 a bushel, were \$26.3 million. This represents a decrease of more than 50 per cent from the previous year.

Pilot Plant

POS (Protein, Oil, Starch) Pilot Plant, a unique industry-government venture, was officially opened in July in Saskatoon. Making use of Canadian agricultural resources, the non-profit corporation will develop new food technologies and help to increase value-added processing. The federal government has paid 90 per cent of the facility's capital cost of \$5 million. This \$4.5 million contribution was completed in 1977/78. The government will also contribute toward operating deficits over the initial five-year period up to a maximum of \$3 million.

Grains Institute

The Canadian International Grains Institute helps to maintain and enlarge markets at home and abroad with instructional programs for countries that buy Canadian grains and for the Canadian grain industry. Nine courses involving participants from 23 countries were given during the year, including one in Cuba. The department shares the cost with the Canadian Wheat Board on a 60/40 basis. The department's share was \$619,444.

International Exchange

Joint government/industry marketing visits were made to Britain, Japan and the United States. There were incoming missions from Japan and Israel relating to the feedgrain and oilseeds sectors.

Early in the fiscal year a series of four international missions on technology development in plant and other novel proteins was completed. The mission teams were made up of representatives from government, industry and universities. They visited selected countries in western and eastern Europe, the U.S., Japan and Australia.

Rapeseed

The Rapeseed Utilization Assistance Program, administered by the Rapeseed Association of Canada, provides assistance for research and development in rapeseed utilization. In 1977 the department provided the Rapeseed Association with a grant of \$325,000 for the operation of the program. Funding in order of magnitude went for research on rapeseed followed by rapeseed oil and other areas.

Expenditures in the Grains Program were: operating expenditure \$1,613,000; grants and contributions \$107,500,000.

PERSONNEL

Human Resource Planning

Restraint in the growth of many years has led to the introduction of new initiatives designed to facilitate employee development, communication and productivity.

Consultative meetings between management and all staff associations representing employees of the department are held on a regular basis. New department activities or changes in existing ones which will affect employees in general are communicated and discussed. General problems identified by employee representatives are tabled for management study or action. In an overall sense, these meetings provide a forum for communicating and understanding those issues which arise from normal operations that are unique to this department and its staff.

An Employee Assistance Program has been established in the past year and provides an elective consulting service for individuals to discuss any problem in confidence. Most of these discussions are career related and often deal with organizational or personal problems which affect progress towards new responsibilities or the carrying out of current duties. In other cases, managers may refer employees to the service where a problem related to performance has been identified.

A number of new training programs have been developed which also focus on improvement of both managerial and employee skills as well as self-development. These include a management supervisory seminar (with modules in performance evaluation, managing problem employees, staff relations and consulting skills), handling the employment interview, employee orientation, etc.

In every case, these initiatives, which are only some of the more visible expressions of the whole human resource planning effort, address improved employee development opportunity, improved communications and improved productivity.

Industry, Trade and Commerce

STATEMENT OF EXPENDITURES

for the Fiscal Year 1977-78

	<u>(\$'000)</u>	<u>(\$'000)</u>
<u>Trade Industrial Program</u>		
Operating Expenditures		
Salary and superannuation	65,673	
Other	<u>40,640</u>	106,313
Grants and Contributions		
Enterprise Development Program	34,510	
Industrial Research and Development Incentives Act	16,438	
Defence Industry Productivity Program	43,210	
Program for Export Market Development	5,700	
Capital subsidies for the construction of commercial and fishing vessels	54,606	
Metric conversion	121	
Miscellaneous	<u>5,918</u>	160,503
Loans and Investments		
Loans under the Enterprise Development Program	4,200	
Loan to assist defence manufacturers with defence plant modernization	4,305	
Loans under the footwear and tanning industries adjustment program	355	
Loans to Canadair for the financing of water bombers	2,802	
Loans to de Havilland Aircraft of Canada Ltd. re: DHC 7	33	<u>11,695</u>
		<u>278,511</u>
<u>Tourism Program</u>		
Operating Expenditures		
Salary and superannuation	7,584	
Other	17,109	24,693
Grants and Contributions		
Miscellaneous		<u>847</u>
		<u>25,540</u>

Grains Program

Operating Expenditures		
Salary and superannuation	1,177	
Other	<u>750</u>	1,927
Grants and Contributions		
Credit wheat sales	6,771	
Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	2,994	
Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	2,343	
Prairie Grain Advance Payment Act	3,478	
Two-price wheat	21,860	
Western Grain Stabilization Program	57,980	
Payments to Canadian wheat producers	4,500	
Miscellaneous	<u>7,573</u>	<u>107,499</u>
		<u>109,426</u>
Total department		<u>413,477</u>

Industry, Trade and Commerce

STATEMENT OF REVENUES

for the Year Ended March 31, 1978

Return on Investments	<u>(\$'000)</u>
Interest on loans to Export Development Corporation	91,808
Interest on loans to Federal Business Development Bank	40,249
Interest on loans to assist manufacturers of automotive products	2,080
Interest on loans to assist the pharmaceutical industry	47
Interest on loans to assist the footwear and tanning industries	79
Sundry	278
Miscellaneous revenue	2,547

DUE DATE

APR 29 1987			
FEB 17 1988			
JUN 18 2010			
SEP 06 2012			

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