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ANNUAL REPORT 1978-1979

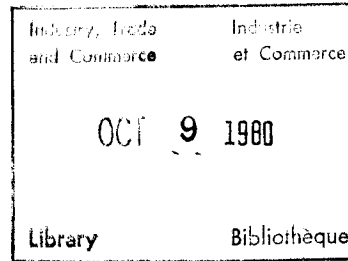


Government
of Canada

Gouvernement
du Canada

Industry, Trade
and Commerce

Industrie
et Commerce



Department of Industry, Trade and Commerce

ANNUAL REPORT

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OTTAWA

The Honourable Herb Gray
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, 1978 to March 31, 1979.

Respectfully submitted



Robert Johnstone
Deputy Minister

OTTAWA

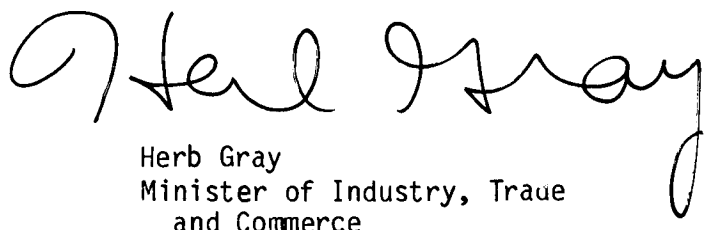
To His Excellency
The Right Honourable Edward Schreyer, C.C.
Governor General of Canada

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, 1978 to March 31, 1979.

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

Respectfully submitted



Herb Gray
Minister of Industry, Trade
and Commerce

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HIGHLIGHTS

The Department of Industry, Trade and Commerce promotes the development of a strong industrial base in Canada and encourages the sale of Canadian goods and services abroad. Fiscal year 1978-79 was an active period for the department. Among the more important developments were these:

* Canadian exports totalled \$52.5 billion during 1978 while imports were \$49.1 billion for a record \$3.4 billion surplus in merchandise trade. There was a 40 per cent increase in exports of fully manufactured goods.

* More than 200 Canadian businessmen took part in 27 ITC trade missions to 43 countries. At the same time, a total of 802 companies participated in 56 trade exhibits around the world. On-site sales were estimated at \$27 million.

* New industrial strategies were announced for the shipbuilding and forest products sectors. These policies arose from a series of consultations between governments, industry, labour and the academic community, begun in 1977.

* Federal support for the agriculture, fish and food products industries became available through the Program for Export Market Development (PEMD). About \$7 million was provided through PEMD during the year, assisting in the creation of an estimated \$1.5 billion worth of export sales.

* The Enterprise Development Program (EDP) was expanded to assist companies affected by tariff changes resulting from the multi-lateral trade negotiations (MTN). A total of \$135 million was provided to 146 firms in the form of adjustment assistance loans and guarantees. A total of \$39 million was made available for 254 projects involving innovation or product development.

* Clothing import controls were removed during the year and replaced on January 1, 1979, by a number of voluntary restraint agreements bilaterally negotiated with Canada's major low-cost suppliers.

* The tourism industry expanded during the year as more than 13.5 million foreigners visited Canada. However, the tourism deficit increased from \$1.6 billion in 1977 to \$1.7 billion in 1978.

* A private/public risk insurance program was launched to increase the flow of private financing for small business. More than 130 manufacturing firms received loan insurance totalling \$105 million.

* More than 7 800 loans, valued at more than \$190 million, were made to small businesses.

* A task force was established to examine opportunities for technical and industrial participation in large domestic projects by Canadian firms.

* A review committee was set up to study the federal government's export promotion services.

* Ten Business Information Centres were opened in ITC regional offices across Canada to advise businessmen on programs and services extended by the federal government.

* Ministerial missions visited Japan, Korea, the People's Republic of China, Indonesia, the Philippines, Trinidad and India.

ENTERPRISE DEVELOPMENT

Programs

The Enterprise Development Program, designed primarily for small to medium-sized businesses, provides assistance to manufacturing and processing firms to increase their viability and international competitiveness. The program encourages innovation in the design and development of new or improved products or processes and helps companies adjust to changing competitive circumstances.

The program is administered by the Central Enterprise Development Board and 10 regional boards which can provide up to \$200 000 in assistance to firms with annual sales of less than \$5 million.

EDP provides:

1) insurance of up to 90 per cent in support of term loans made by private lenders

for restructuring operations or supplementing working capital when normal financing is not available on reasonable terms;

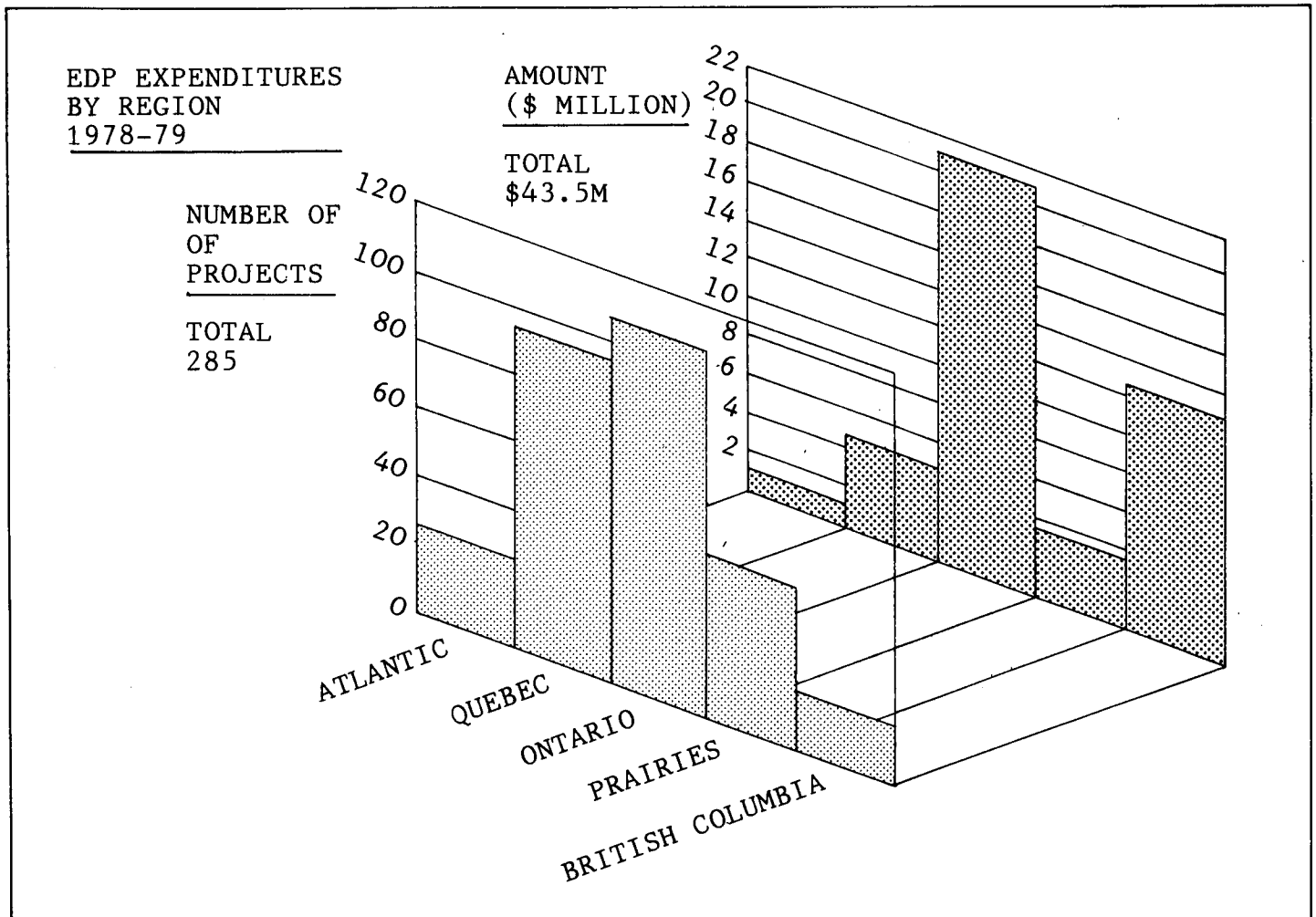
2) grants, up to 75 per cent of eligible costs, for research and development projects if the project in question represents a significant burden on company resources;

3) grants, up to 75 per cent, to engage consultants for market feasibility studies, productivity enhancement studies, product development and design and pollution technology projects.

Special assistance is also available for:

1) loan insurance and consulting grants to encourage restructuring in the footwear or tanning industries;

2) loan insurance and consulting grants to facilitate mergers and acquisitions of manufacturing and processing firms.



During the year, EDP regulations were modified to provide new forms of assistance covering mergers and acquisitions, injury resulting from tariff negotiations, investment in certain types of intellectual property, pollution abatement projects, and product identification and market testing projects. The regulations were also amended to provide for 100 per cent loan insurance for the footwear and tanning industries and a change in the cost ratio for innovation, design and consulting projects.

The central and regional boards authorized 146 adjustment assistance loan guarantees or loans valued at \$135 million during the fiscal year. They also provided \$39 million in contributions towards the cost of 254 innovation and product development projects.

Innovation projects covered a wide industrial range including machinery, electronic instruments, ship components, communications equipment, automotive vehicles and parts, building components, textiles, sporting goods and various chemical processes.

A total of \$2.3 million was approved for 128 projects concerned with productivity improvement, industrial design capability and consulting assistance in developing restructuring proposals. Regional boards approved 60 projects, valued at \$544 000.

More than 130 manufacturing firms received loan insurance totalling \$105 million. Seventy-two of the loans, totalling \$7.2 million, were authorized by the regional boards.

The program provided \$5.5 million in direct loans to the footwear and tanning industry and \$21.4 million in insurance to assist in financing sales of the Dash-7 aircraft and computer hardware.

Assistance was provided in all regions of the country and to all industrial sectors. Greatest activity occurred in the consumer products, marketing and electrical and electronics sectors.

Export Market Development

The Program for Export Market Development (PEMD), established in 1971 to develop and increase Canadian exports, shares with the business community the financial risks of entering foreign markets.

The program has five sections covering specific project bidding, market identification, participation in trade fairs, incoming buyers and formation of export consortia.

During the year the department received almost 2 500 applications for PEMD assistance. More than 1 000 Canadian busines-

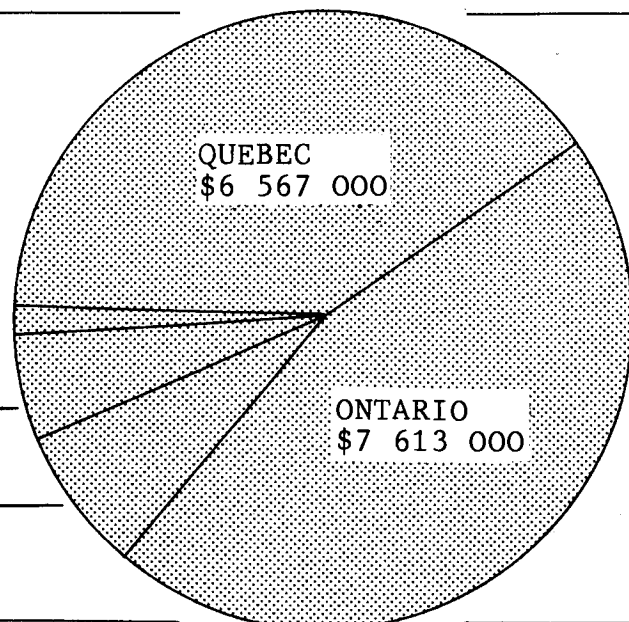
EXPENDITURES UNDER THE PROGRAM FOR EXPORT MARKET DEVELOPMENT FISCAL YEAR 1978-79

TOTAL \$11 294 000

ATLANTIC
\$255 000

BRITISH COLUMBIA
\$864 000

PRAIRIES
\$1 280 000



ses, including 242 new companies, received a total of \$7.1 million, a 24 per cent increase over the previous year. The department has recovered \$1 million since the program began in 1971. Companies reported that PEMD assistance was involved in \$1.5 billion of export sales. A total of \$3.7 billion sales has been generated with PEMD assistance since the program began.

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

Successful projects included:

- a \$7.1 million sale of flight simulators to Singapore;
- a \$15.6 million contract for management of a computing data processing centre in Saudi Arabia;

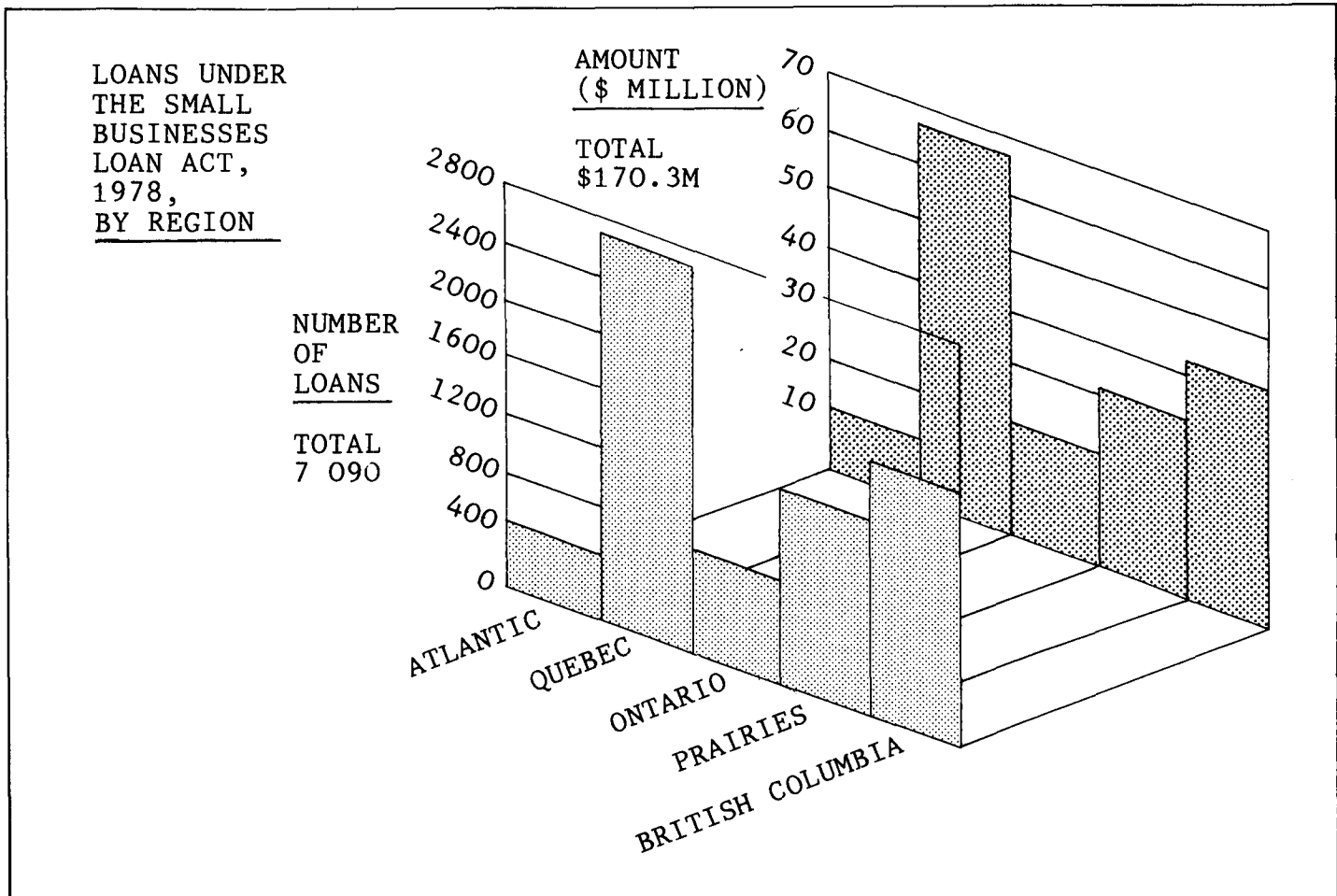
- a \$530 000 contract to provide consulting engineering and management services in Iran;
- a \$1.7 million sale of saw equipment to Brazil.

During 1978-79, PEMD was expanded to include U.S. market identification and incoming buyers missions and to share the cost of developing and implementing foreign market penetration plans.

Small Businesses Loans

Administration of the Small Businesses Loans Act was transferred from the Department of Finance to the Department of Industry, Trade and Commerce April 1, 1978.

The program encourages lenders in the private sector to make term loans for capital improvements by small Canadian businesses. The loans are guaranteed by the federal government. The maximum interest rate is bank prime plus one per cent. The maximum term is 10 years.



During the year, 7 844 loans for \$190 074 576 were made compared to 5 259 loans valued at \$109 637 772 during 1977-78.

Defence Industry Productivity

The Defence Industry Productivity Program helps develop and maintain technological capabilities in Canada, thereby generating exports. The program operates under international agreements for defence development and production sharing. It supports selected development programs, pays one-half of the cost of acquisition of new, advanced equipment required for plant modernization and supports establishment of production capacity and production of component parts and materials.

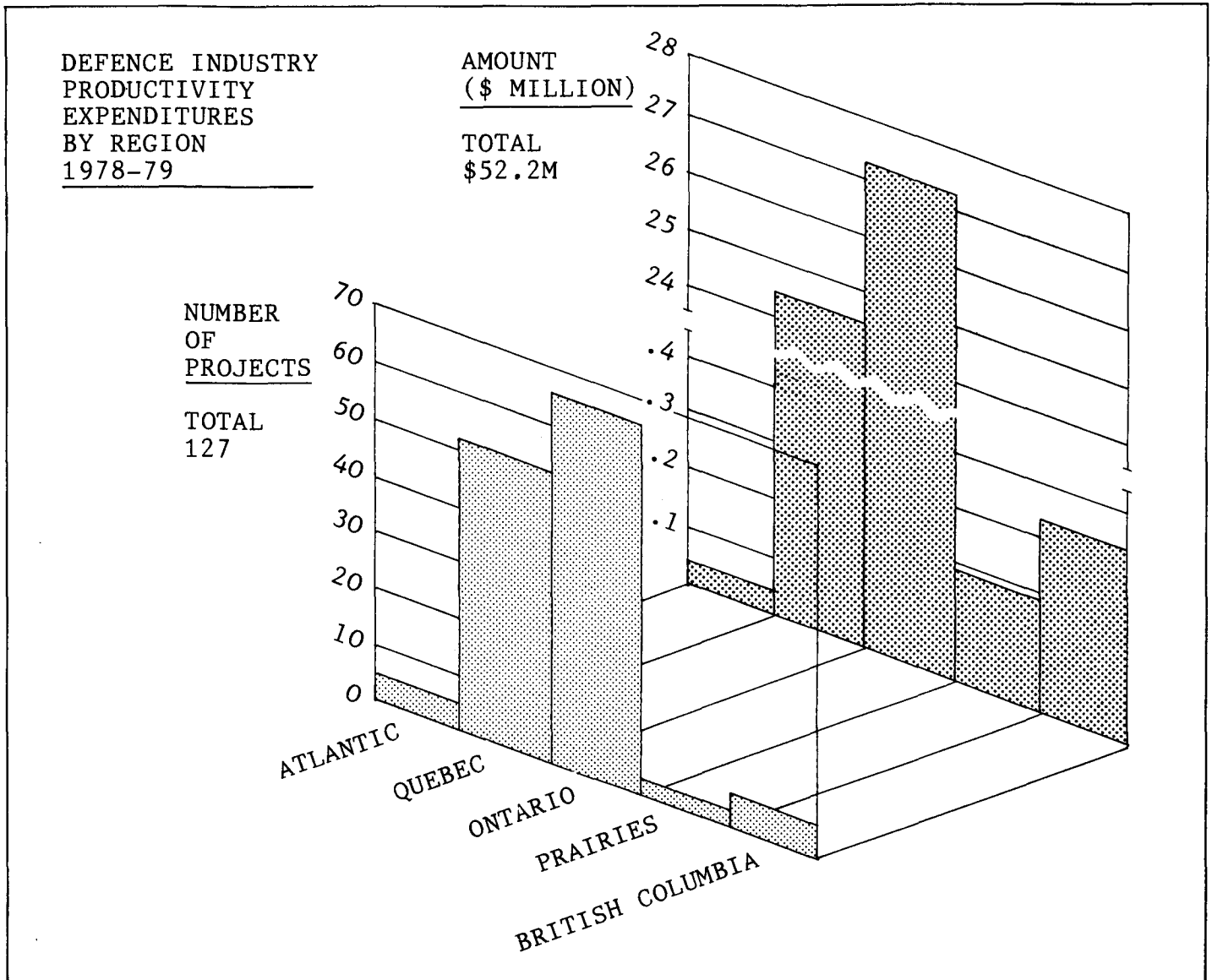
Forty-seven projects, generating \$590 million in sales, were completed during

the fiscal year. One hundred and seventy projects were contracted. Expenditures totalled \$52 million.

Sixty per cent of sales generated under the program were in the defence market while 40 per cent were related civil exports. Almost 85 per cent of defence sales were to foreign markets.

Industry Energy Research and Development

The Industry Energy Research and Development Program, introduced in October, 1977, assists Canadian industry in research and development of new and improved processes to reduce industrial energy consumption. The program also helps promote and market this technology.



Since its inception, 10 projects valued at \$1 822 000, have been approved. The department contributes up to 50 per cent of estimated costs.

Small Business

The department continued to implement the Government's 10-point plan for small business. This plan was announced in 1977 to strengthen this sector.

During the year 11 000 manufacturers were exempted from federal sales tax because their annual sales were below \$50 000. Action was taken to free small manufacturers from tax on the purchase or import of production machinery.

Legislation was passed to allow a tax deferral of up to \$200 000 in capital gains on transfer of a small business holding from a parent to children or grandchildren. Amendments were made to the Income Tax Act allowing broader deductions for capital losses. The losses can now be deducted against income from any source. Previously, losses could be deducted only from capital gains.

During the year more flexibility was introduced in filing federal sales and excise tax returns. As a result, about one-half of Canada's small businesses will file bi-annually or quarterly rather than monthly.

Large companies awarded contracts from the Department of Supply and Services must now show how small businesses will be offered sub-contracts. As well, companies bidding on government contracts must include plans to sub-contract to small business.

Several provinces studied the Hamilton-Wentworth experiment in large firm/small firm cooperation. The program, started in 1977, may be established in other Canadian centres.

The Small Business Intern Program, designed to place community college and university graduates into small businesses, had a successful introduction as more than 1 000 interns, 30 per cent of

whom were females, were located in small businesses across Canada. Fifty-seven per cent of the interns were placed in Ontario and Quebec, 25 per cent in Western Canada and the Territories, and 18 per cent in the Maritime provinces. The graduates were placed in: manufacturing, 32 per cent; services, 29 per cent; retail or wholesale, 19 per cent; construction, 8 per cent; finance or insurance, 3 per cent; agriculture or fisheries, 2 per cent; mining, 4 per cent

Technology

Twelve awards were made to eight universities under the Technological Innovation Studies Program during the year. Three awards were for the development of university courses on technological innovation and entrepreneurship for science, engineering and business students.

Discussions were held with university and provincial officials on the establishment of industrial innovation centres at the University of Waterloo and l'École Polytechnique de Montréal.

The department provides grants which encourage universities to undertake research and development projects and provide technical advice to the private sector. In addition to the awards, grants were made to five centres of advanced technology.

Grants were also made to centres of advanced technology established at provincial research organizations.

The department continued to support the Welding Institute of Canada, the Canadian Gas Research Institute and the Sulphur Development Institute of Canada. It was announced that an industrial research association for masonry and masonry products would be established.

The Technology Advancement Council for Computer-Aided Design and Manufacturing was established by the department to distribute information and promote use of CAD/CAM. The council works closely with

other government departments, universities and industry.

The department continued to support development of the Canadian space industry. The industry was briefed on government plans for future space activities. The department also arranged a briefing for Canadian industry on contracting procedures used by the European Space Agency. Canadian space industry firms participated in an international satellite communications conference in Lima, Peru.

The department continued to develop policies and programs for standardization certification and to support the reduction of trade barriers caused by standards, test methods and certification procedures. It participated in the standardization activities of inter-governmental organizations and of non-governmental organizations including the Standards Council of Canada, the International Organization for Standardization and the International Electrotechnical Commission.

Design Canada

The National Design Council promotes design in product development by the private sector. During the year Design Canada organized three council meetings and a number of advisory committee meetings. Two new committees, industry relations and promotion and awareness, were created.

The Employment Opportunities in Product Development Program was developed to encourage secondary industry to recognize the importance of design and product development. More than 770 companies in five provinces participated in the program and 1 366 interns were employed.

The professional development committee was expanded and sub-divided into a design industry group, concerned with professional development, and a group concerned with National Design Council education programs. This committee awarded grants to:

- the Association of Ontario Deans of Engineering, to stage a design workshop;
- l'Université de Montréal, for research on design for the handicapped;

- Carleton University, to stage industry seminars in conjunction with an Olivetti exhibit;

- the Ontario College of Art, to stage, in conjunction with the Government of Ontario, a design workshop and seminar for teachers of science, technology and design at the secondary and post-secondary level.

Fifteen scholarships were awarded by Design Canada during the fiscal year. Eleven of these were awarded for studies in industrial design while four were for studies in graphics.

The National Congress of Italian Canadians contributed \$5 000 to a \$15 000 National Design Council scholarship in December to support a practising designer to work and/or study in Italy during 1979-80.

The newly-formed promotion and awareness committee is developing strategy for the council. Case studies were produced on the Versatile tractor, the U-Vic Thermo-float life-saving jacket, the Otaco mass-transit seating and the Exerpacer heart rate indicator.

Financial Institutions and Corporate Liaison

The Financial Institutions and Corporate Liaison Branch studies financial institutions, markets and instruments. The branch formulates policy and advises the department on:

- financial Crown corporations including the Federal Business Development Bank, the Export Development Corporation, the Canadian International Development Agency and the Canada Development Corporation;
- financial aspects of other Crown corporations and agencies;
- financial institutions and markets including banks; investment, insurance and surety companies; and capital markets;
- the financial trends, structures and activities of Canadian industry.

In cooperation with the Department of Finance, a review was completed in October recommending the continuation of long-term debt financing programs and further integration with private financial markets. A new policy on Credit Insurance for Junior Industrial Debt, announced in March, will increase the flow of private financing to junior companies through a joint private/public sector insurance scheme.

The branch studied the competitiveness of Canadian export financing during the year. It also participated in a task force study of export financing for agriculture products and participated in international efforts to regulate export credits.

INTERNATIONAL MARKETING

Trade Commissioner Service and Field Operations

Trade Commissioner Service and Field Operations maintained 11 Canadian regional offices and 90 posts in 67 countries during 1978-79.

Decentralization of departmental programs greatly extended the role of the regional offices. Twenty-six officer and 32 support positions were transferred to regional offices to cope with these increasing demands. The offices provide a broad range of trade and industrial development assistance to industry and are focal points for the department's relations with the provinces.

The regional offices were active in a number of trade and industrial development activities in the past year, many in cooperation with the provinces and industry.

Ten Business Information Centres were established in ITC regional offices to provide information on government programs.

The trade posts play a significant role in trade relations, trade policy and export development. Posts report trade opportunities and economic and commercial developments to headquarters.

Canadian interest in exports is increasing significantly and posts are providing greater assistance to the Canadian exporting community than ever before. Export enquiries rose to 99 600 and the number of visitors increased to 23 790. There were 2 471 new buying connections established for Canadian companies.

The Consulate in Puerto Rico was closed and overall, the trade commissioner service was reduced to 234 Canada-based officers and 169 locally-engaged commercial officers. These steps were taken in response to government austerity measures.

Office of Overseas Projects

The Office of Overseas Projects assists Canadian companies seeking contracts for capital projects abroad.

Activities are concentrated in the lesser developed countries where fully-integrated projects are most often required. Appropriate foreign projects are identified and Canadian industry assisted in developing consortia to respond to these opportunities. More than 200 projects are being monitored.

The office coordinates the operational aspects of export financing with the Export Development Corporation, the Canadian International Development Agency, the World Bank, the Inter-American Development Bank and various other regional banks and international financing institutions. Competitive financing accommodations and special mechanisms are arranged for Canadian exporters. Two recent contracts are the Qussem rural electrification project in Saudi Arabia, worth approximately \$800 million, and the Rhourde Nouss natural gas gathering and treatment project in Algeria, valued at \$625 million.

The office also administers a technical assistance program designed to provide public sector expertise on a cost recoverable basis to improve Canada's export marketing performance. Agreements have been reached under the program to provide two airports and a prison complex for the Government of Trinidad and Tobago. Construction costs will be \$150 million for the airports and \$50 million for the prison.

The office is working with the insurance sector to develop a program to cover "unknown" or "residual" risks for companies pursuing capital projects abroad.

Promotional Projects

The Promotional Projects Program spent \$4.86 million in 1978-79 to promote the sale of Canadian goods and services abroad.

The program initiated participation by 802 companies in 56 trade exhibits. Information booths were set up at another 15 trade fairs. On-site Canadian sales from these shows were estimated at \$27 million while follow-up sales should reach \$250 million.

More than 200 Canadian businessmen participated in 27 ITC-sponsored trade missions to 43 countries. As well, businessmen and government officials from 28 countries were brought to Canada. Foreign buyers and trade delegates from 29 countries studied Canadian industrial capabilities.

The Minister of Industry, Trade and Commerce led missions to Japan, Korea and the People's Republic of China. The Minister of State for Small Business, accompanied by representatives of the business community, visited India.

A Canada Trade Centre was opened at the new World Import Mart in Tokyo. The Japanese government established the Mart to encourage imports of manufactured goods. During the year, Canada displayed fur garments and jewellery, ocean industries technology and automotive parts and equipment at the centre.

Export Canada 79

In November, a task force was created to explore the feasibility of a special export drive by small and medium-sized companies to the United States

The task force consulted with various areas of the department, industry and trade officials in each province, and industry associations. It also reviewed the industry sector task force reports.

Factors frequently mentioned favouring a special effort in the U.S. market included:

1) The level of the Canadian dollar offered Canadian manufacturers a significant price advantage in the U.S. market;

2) Canadian labour rates appeared to be more in line with international competition;

3) Canadian manufacturers need to penetrate new export markets and expand export sales in preparation for the eventual outcome of the MTN;

4) Some manufacturing sectors appeared to have market opportunities in the United States and excess capacity in Canada.

The task force report recommended a special export drive to the United States for small and medium-sized companies wishing to penetrate the market for the first time or to expand current U.S. export activities. The proposal included a program of in-depth practical educational workshops to prepare firms for business in the United States. As an integral part of the program, a second phase emphasizing specific trade events with particular potential for increased exports to the United States by small and medium-sized companies was recommended. Supplementary funding of \$1.8 million was requested to support this initiative.

Defence Programs

The department continued to coordinate Canada's industrial cooperation with NATO allies in the research, development and production of military equipment. Meetings were held with Britain, France, the Federal Republic of Germany, Italy, The Netherlands, Norway and Sweden. Increased emphasis was placed on international and bilateral cooperation with the United States under the Canada/United States Defence Production and Development Sharing Arrangements.

Programs were identified for Canadian industry in advanced technology for electronics, navigation and transportation equipment. Many of the programs have commercial application. Canada continued to

receive world-wide recognition for excellence in military communications equipment, avionics, navigation and flight safety systems, aircraft simulators, unmanned surveillance drones, STOL aircraft, jet engines for small aircraft, landing systems for helicopters and collapsible helicopter hangars for installation on naval vessels.

Canadian industry was assisted in identifying market opportunities in NATO and other friendly countries. Exports of defence equipment reached \$408.1 million while imports totalled \$370.4 million.

INTERNATIONAL TRADE RELATIONS

Office of General Relations

Multilateral Trade Negotiations

The Multilateral Trade Negotiations intensified throughout the fiscal year. A framework for concluding negotiations was reached among the major participants in July, 1978. It was agreed to work for settlement by mid-April, 1979.

Canada's objective in these negotiations is to lower trade barriers and to create an environment which will help Canadian industry, agriculture, and fisheries grow and develop through increased export sales. Canada sought an improved and more certain world trading framework while preserving appropriate levels of tariff protection for Canadian producers and ensuring that the Government would be able to deal adequately with unfair and disruptive import competition.

Negotiations were substantially concluded on international agreements within the framework of the General Agreement on Tariffs and Trade, including:

- a new agreement on Subsidies and Countervailing Duties;
- a code on Technical Barriers to Trade (product standards, test methods and certification systems);
- agreements on customs valuation, government procurement practices, and import licensing.

Negotiations were also close to conclusion on an Agreement on Trade in Civil Aircraft. This agreement will remove tariffs on civil aircraft engines and parts and cover trade problems created by government involvement in the procurement of civil aircraft and in the development of the aerospace industry world-wide. International arrangements were well advanced on meat and dairy products.

Through the rules and guidelines which have been negotiated, and the mechanisms which have been created for international surveillance, consultation and dispute

settlement, the new Non-Tariff Measures Agreements should help bring major non-tariff measures under effective international control.

Commodity Trade -- Multilateral

Canada participated in negotiations for a new International Wheat Agreement and an International Natural Rubber Agreement. Negotiators failed to reach accord and discussions will continue in 1979-80.

The International Cocoa Agreement of 1976 was extended for two years. A negotiating conference, called for January, 1979, did not reach agreement and will reconvene later.

The International Sugar Agreement, the International Coffee Agreement and the International Tin Agreement continued in effect and Canada played an active role as an importing member in these organizations.

A series of intergovernmental consultations took place on individual commodities within the framework of the UNCTAD Integrated Program for Commodities. Under discussion were: copper, tungsten, iron ore, jute, tea, phosphates, hard fibres, cotton, oils and oilseeds, meat and tropical timber. In addition, Canada took an active part in the International Lead/Zinc Study Group focus on continuing difficulties in the world zinc economy. -

Office of Special Import Policy

A global quota on clothing imports was introduced in 1976. It was replaced on January 1, 1979, by a series of bilaterally negotiated restraint arrangements as recommended by the Textile and Clothing Board. Arrangements were concluded with major low-cost suppliers: Hong Kong, South Korea, The People's Republic of China, the Philippines, Poland, Romania, Thailand, Macao and Taiwan. The quotas are intended to stabilize the domestic market so Canadian manufacturers can become more competitive.

A computerized system was introduced for issuing import permits covering most products on the Import Control List on January 1, 1979. Importers are now able to obtain permits directly from customs brokers in certain major centres.

Import controls were maintained or renewed during the year on: footwear, dairy products, beef, veal, turkeys, eggs, coffee, sugar and cocoa. Chicken was placed on the Import Control List for surveillance following the establishment of a National Chicken Marketing Agency.

Purebred cattle were removed from the Export Control List in March.

Eastern Europe

Canadian exports to Eastern Europe increased by 45 per cent in 1978 to a record level of \$922 million. Imports increased by 17 per cent to \$250 million.

Grains accounted for 59 per cent of total exports while shipments of non-grain items nearly doubled in value to \$374 million. There was a 50 per cent gain in sales of fully manufactured goods, primarily machinery and equipment, to a total of \$119 million.

Sixty-one per cent of Eastern European exports went to the Soviet Union, Canada's largest market in the region.

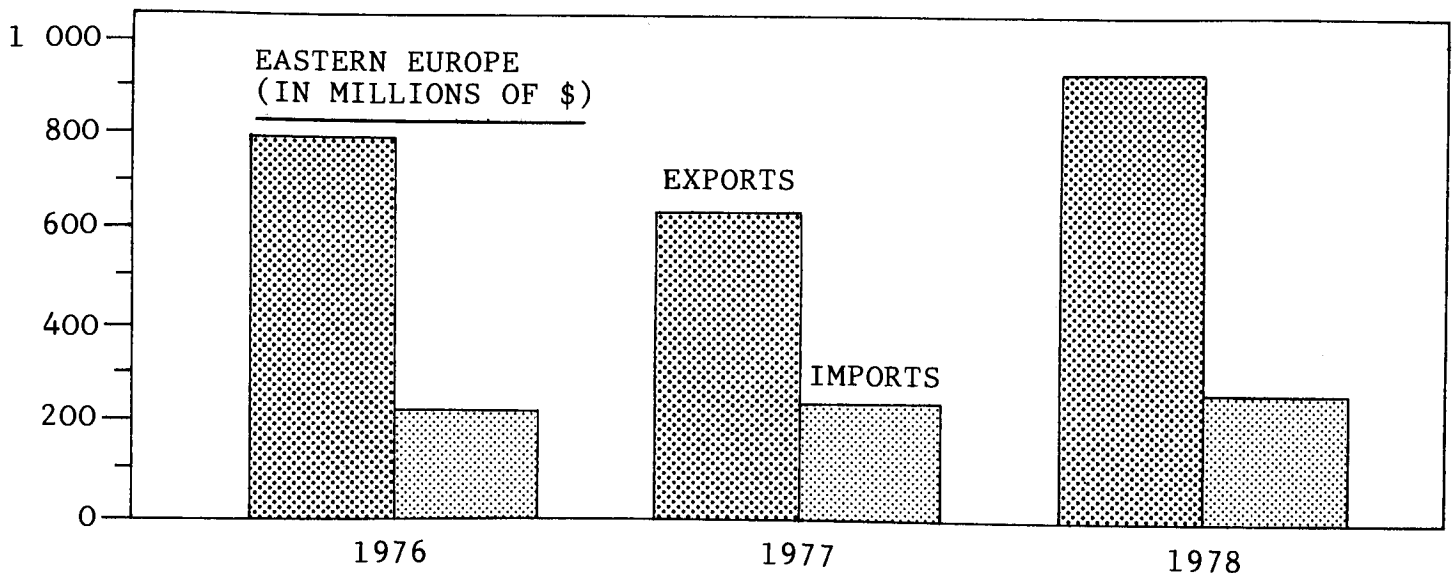
The second meeting of the Canada/U.S.S.R. Mixed Commission took place in Ottawa in October, 1978. A long-term program of cooperation was concluded and a protocol was signed extending the term of the current line of credit to the Soviet Union to the end of 1979.

Annual trade consultations were held with Bulgaria, Hungary, Poland and Romania. For the first time, such talks also took place with Czechoslovakia.

An amendment to the grains agreement with Poland increased the maximum purchase of Canadian grains by that country to 3.1 million tons. The three-year agreement ends December 31, 1979. Negotiations began on a new agreement, providing for annual deliveries of up to 1.2 million tons of grain.

A Canadian consulting firm was awarded a contract for the construction of a \$300 million papermill in Czechoslovakia. The turnkey project is being financed jointly by the Export Development Corporation and Canadian commercial banks.

Canada sold a CANDU 600 mwe nuclear steam supply system to Romania. Also during the year, the Export Development Corporation and a consortium of Canadian banks agreed to provide Romania with \$1 billion in financing for the purchase of four reactors. Romania intends to build 16 reactors over the next 20 years.



Western Europe

Canadian exports to Western Europe rose by 3.2 per cent to \$5.5 billion in 1978 while imports increased by 26.5 per cent to \$5.6 billion. Britain continued to be Canada's largest market in this region, accounting for 37 per cent of total exports. Industrial materials and agricultural products were the major exports. Finished goods made up only 12 per cent of the total.

The European Economic Community is the world's largest trading entity and Canada's second-largest trading partner. During the year, sales to the Community were \$4.8 billion while imports totalled \$4.6 billion.

A major objective of the department is to create and maintain a favourable environment for Canadian business in this region, especially in view of the multilateral trade negotiations, nearing completion as the period under review came to a close. Departmental activities can be divided into three broad areas:

1) Development of a Framework for Cooperation

A number of working groups for Canadian and EEC businessmen and officials have been created to study possibilities for industrial cooperation in specific sectors, as provided for under the Canada/EEC Framework Agreement for Commercial and Economic Cooperation. Opportunities for industrial cooperation were also discussed on a bilateral basis with a number of Western European countries. Preparations were made for a number of businessmen's workshops on Canadian and EEC policies affecting business. The first of these workshops, on EEC competition policy, was held in Ottawa in November.

2) Safeguard and Improve Access

The department identified opportunities in Western Europe which are expected to develop as the result of MTN negotiations. Discussions were held with the EEC on the alleged dumping of chemical wood pulp by Canada and on accelerated anti-dumping procedures on steel in the EEC. In addition, several access matters were raised

with the EEC and individual countries. Included were problems faced by Canadian producers of cheese, malt, flour, turkey hatching eggs, hybrid seed corn, grain screenings, seed potatoes and feeder calves. Subsidies to EEC producers or restrictive measures under the Common Agricultural Policy have restrained Canadian exports of these goods.

3) Promote Exports

Canadian goods and services were displayed in 19 Western European trade fairs during the year and a number of incoming and outgoing missions were arranged. About 35 per cent of the department's fairs and missions budget was spent in this area.

Canada held semi-annual consultations on bilateral and multilateral trade and economic matters with the EEC Commission in September and March in Ottawa and Brussels. As well, the Canada/France Working Group on Industry and Agriculture met in Ottawa in January.

In conjunction with the Industry and Commerce Development group, this section facilitated meetings between Canadian and West European businessmen.

Officials of utilities and nuclear plants and/or component purchasers in the European Community visited Canada in May, 1978, to obtain first-hand knowledge of Canadian capability to meet European requirements and the Canadian nuclear power program.

In June, 1978, representatives of 17 European Community aerospace companies visited Canada. Approximately 100 individual meetings were arranged with 22 Canadian firms.

Also in June, 11 Canadian businessmen representing several sectors of Canadian industry, including machinery and consulting, visited Finland.

A group of 14 Canadian computer industry representatives visited the European Community in September, 1978. It is estimated that over 15 distributorships will result from the mission and over \$10 million in increased export business is fore-

cast for the three-year period following the mission.

Six Canadian businessmen visited Sweden in October, 1978. Over 40 individual appointments were held with Swedish companies in addition to group meetings held with Swedish Government officials.

Thirteen representatives of the consulting, contracting and manufacturing sectors visited Italy in January, 1979.

Pacific, Asia and Africa

Canada's trade and economic relations with Japan continued to improve. Exports rose to \$3.1 billion and imports totalled \$2.3 billion.

The Minister of Industry, Trade and Commerce visited Japan in August, 1978. He met with Japanese ministers and senior officials in government and industry. The Minister highlighted sectors offering increased trade and economic cooperation. He focused on the role of Western Canada in trade with Japan and stressed Canadian priorities at the MTN.

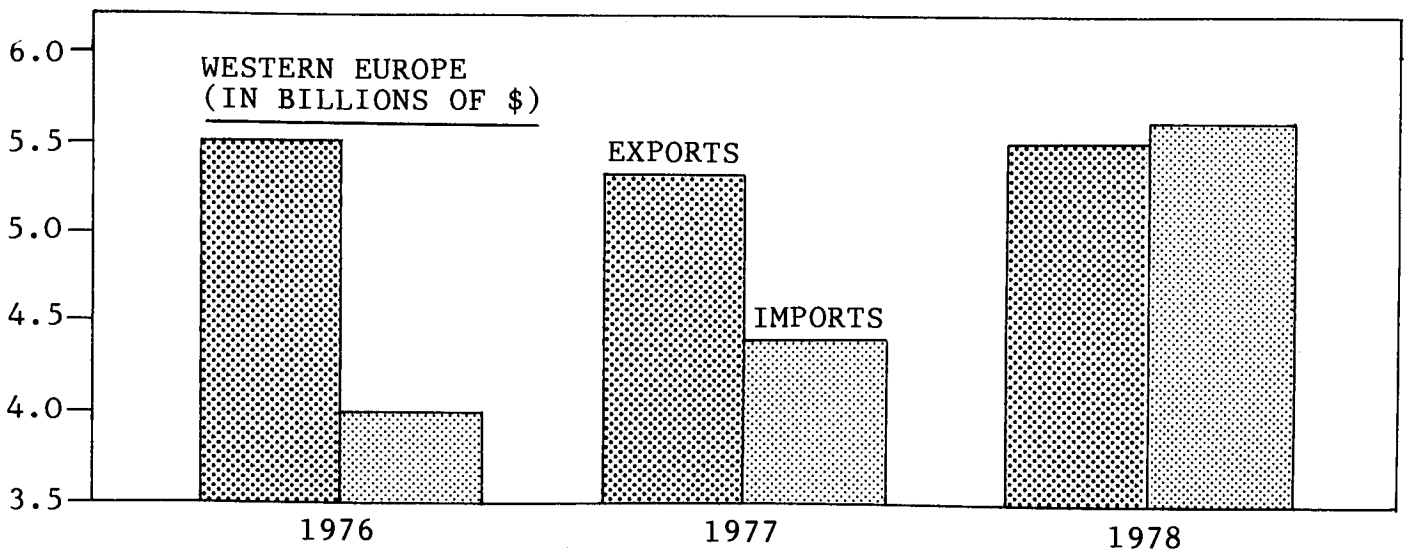
The second meeting of the Canada/Japan Joint Economic Committee was held in Tokyo in March. The committee reviewed overall trade and economic relations. Sub-groups discussed energy and mineral resources, secondary manufacturing and trade, forestry and agriculture.

Trade with Australia and New Zealand continued to rise. Two-way trade has reached almost \$1 billion. Talks were held with Australian and New Zealand officials on commodity trade, the MTN, market access for products and the future of preferential trade treaties.

Canadian trade with China reached record levels in 1978. Exports were valued at \$503 million while imports reached \$95 million. China is now Canada's largest wheat market and an important customer for non-ferrous metals, forestry products and fertilizers. Long-term supply arrangements have been concluded with China for some of these products. Sales of finished goods to China have also increased. Examples include 1978 sales of heavy mining trucks and STOL aircraft.

There are major opportunities for Canada in China's modernization plan. Canadian industry has submitted development proposals for agricultural mechanization and resource development in the ferrous, non-ferrous, forestry and petroleum sectors. Proposals were also submitted for infrastructure upgrading on power generation, communications and transportation.

Canada and China exchanged missions on pulp and paper, non-ferrous metals, telecommunications, petroleum production equipment and seeds. Canada participated at the Peking Agricultural Machinery Exhibition in October.



Bilateral discussions were initiated on an economic cooperation agreement with China. Such an agreement will work toward closer cooperation in a number of specified sectors that are outside traditional trade areas.

The Minister of Industry, Trade and Commerce led a mission of senior businessmen to China, Indonesia and the Philippines in January. The Minister stressed the importance of strengthening trade and economic relations with China. He expressed interest in continuing to be a long-term supplier of wheat and industrial materials. Discussions were also held on Canada's ability to construct turnkey plants.

The Minister met with ministers and government leaders in Indonesia and the Philippines. They discussed opportunities for Canadian firms in electric power, airports, telecommunications, transportation, oil and gas, forestry, construction and mining.

The Minister signed the Canada-Indonesia Double Taxation Agreement.

In August, 1978, the Minister led a group of senior Canadian businessmen to Korea. They met with the Korean President and Prime Minister and visited major Korean private corporations which trade with Canada.

Canadian exports to Korea underwent dramatic growth in 1978 rising by \$100 million to \$216 million. Two-way trade was in balance for the first time in the first quarter of 1979.

Canadian efforts brought about equalization of the Korean tariff on rapeseed meal with its competitive products.

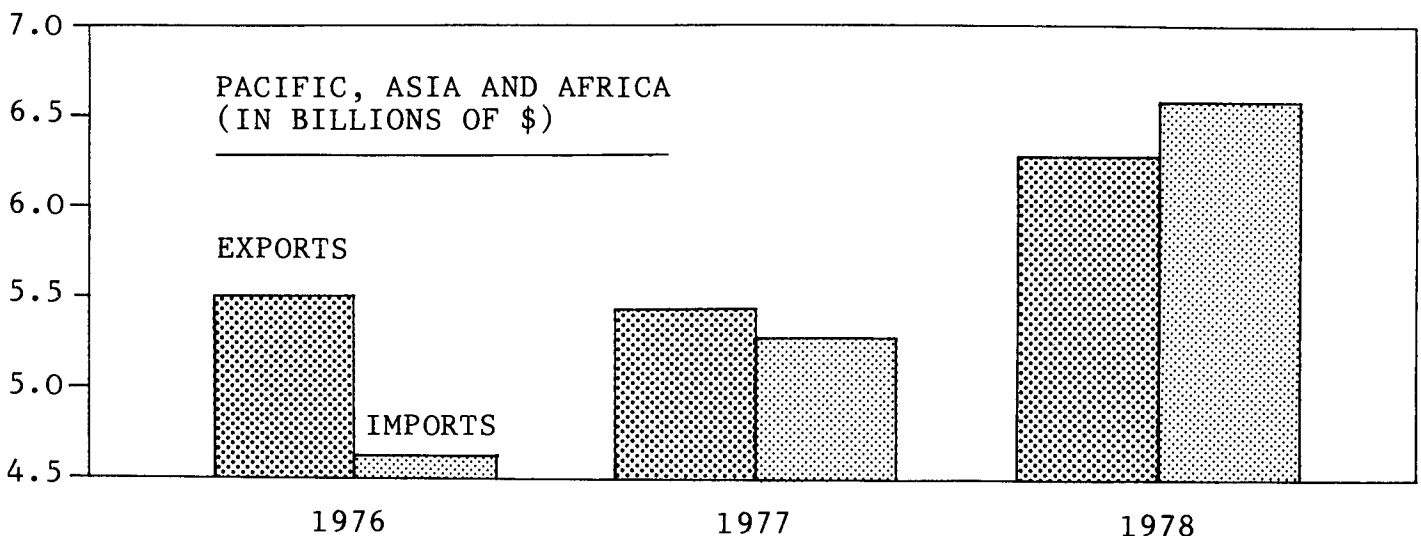
India's improved economic situation has allowed for increases in imports. Canadian government officials visited there in April to determine market opportunities. The Indian Minister of State for Commerce visited Canada and Canada's Minister of State for Small Business led a businessmen's mission to India in January.

Exports to Africa totalled \$725 million in 1978. Algeria continued to be the largest single market as Canadian sales reached approximately \$160 million. A Joint Economic Committee was established with Algeria.

Negotiations were completed for an Economic and Technical Cooperation Agreement with Nigeria. It provides for the establishment of a Joint Economic Committee.

The department participated at trade fairs in Algeria and Senegal. Trade missions, some at the ministerial level, were sponsored from African countries. The department was involved in the preparation of several provincial trade missions to Africa.

Export opportunities in the Middle East were outlined at seminars for Canadian business and industry. Trade associations, provincial governments and the department participated in the seminars. "Focus on OPEC" was part of Enterprise '78.



A new trade commissioner office was opened in Kuwait in April.

The Saudi Arabian Minister of Communications visited Canada to explore Canadian telecommunications developments.

The department participated in the Teheran and Bagdad International Trade Fairs and the construction industry fair at "Arabuild" in Bahrain.

Western Hemisphere

United States

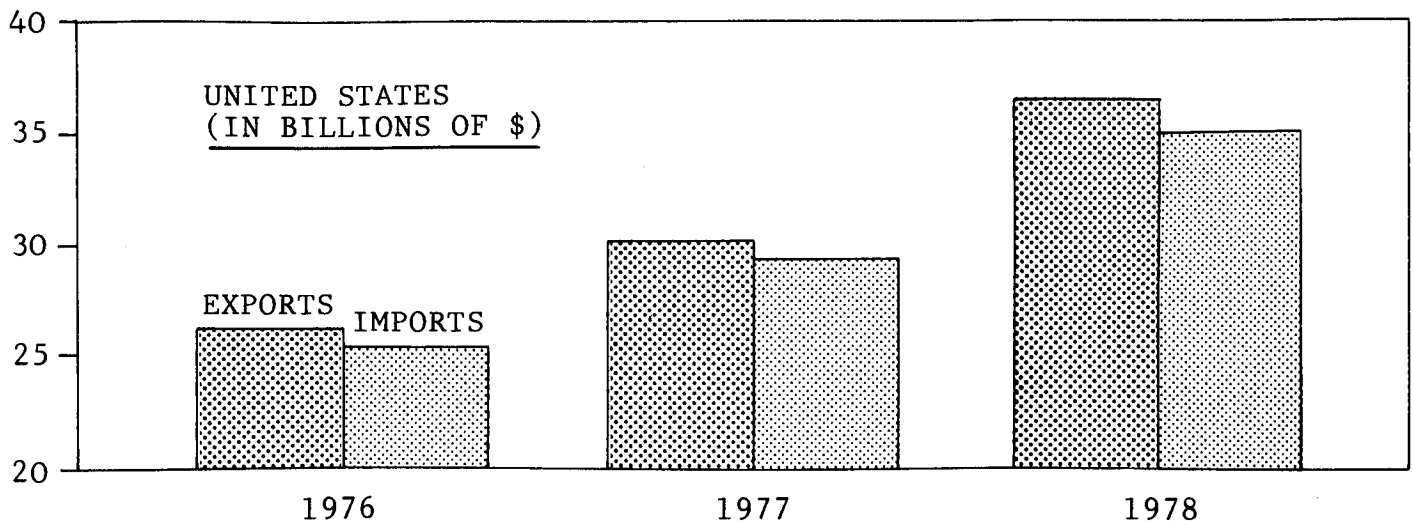
Two-way trade between Canada and the United States reached a record \$72 billion in 1978. Exports were \$37 billion while imports totalled \$35 billion. The balance of payments deficit on current accounts was \$4.768 billion, of which tourism accounted for about \$1 billion.

Bilateral trade relations remained positive, although U.S. protectionism was once again a major issue. Sharply increased import duties were imposed on steel industrial fasteners, excluding products covered by the Automotive Products Trade Agreement. Import protection was proposed

for U.S. imports of zinc, copper, sugar, methyl alcohol, steel wire nails, cement, sodium acetate and steel wire coat hangers. Talks were held on the 1979 Buy American Act, and on a highly restrictive Buy American Clause in the Surface Transportation Assistance Act. New Buy American initiatives by state legislatures were also discussed. Discussions were held on the U.S. countervail action against Canadian exporters of groundfish and optic liquid level sensors. A countervail petition was also lodged in the United States against Canadian exports of frozen potatoes.

Discussions continued on U.S. tax laws relating to attendance by U.S. citizens at conventions outside the United States. Several conventions have been cancelled in Canada because of these laws.

The bureau and the Trade Commissioner Service participated in a number of seminars and workshops designed to expand Canadian exports to the United States. The seminars were organized by several groups, including: Canadian Manufacturers' Association, Canadian Export Association, provincial governments and the Federal Ministry of Small Business.



Latin America

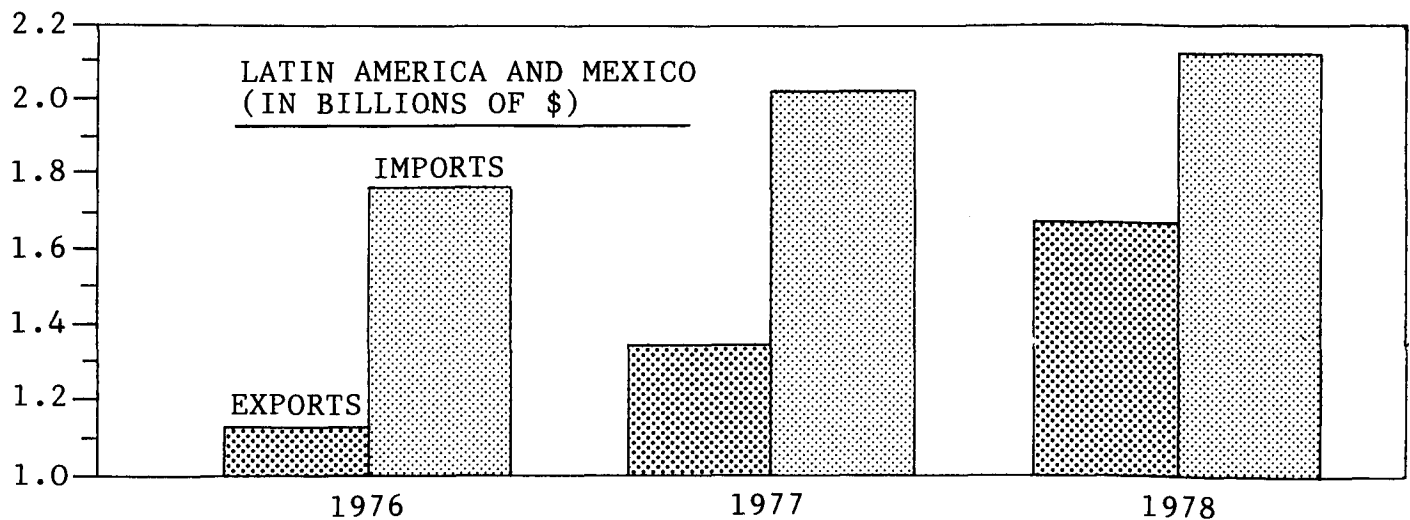
Canadian exports to Latin America rose dramatically last year to \$1.7 billion, an increase of 25 per cent over 1977, and accounted for nearly five per cent of Canada's total exports.

The largest markets were Venezuela, Brazil and Mexico. These three countries imported 55.3 per cent of Canada's total exports to Latin America in 1978. Argentina and Chile are also rapidly becoming important trading partners.

Commercial and industrial relations were expanded with Latin American countries in 1978. An Industrial Cooperation Agreement was initialled with Mexico. Agreement in principle was reached with Brazil to begin an industrial cooperation program.

Several Latin countries, including Mexico, Argentina and Chile, announced plans during the year to liberalize their trade policies and negotiations are proceeding with Mexico on its amended intention to accede to the GATT.

The Canada-Latin America Association and the Brazil-Canada Chamber of Commerce continued to make important contributions to Canada's developing relations with Latin America. CALA activities included a meeting of the Canada-Mexico Businessmen's Committee on Industrial Cooperation, the establishment of a Canada-Chile Businessmen's Committee, a mission to Ecuador and Columbia and a meeting of the Canada-Columbia Businessmen's Committee in Bogota



Caribbean and Central America

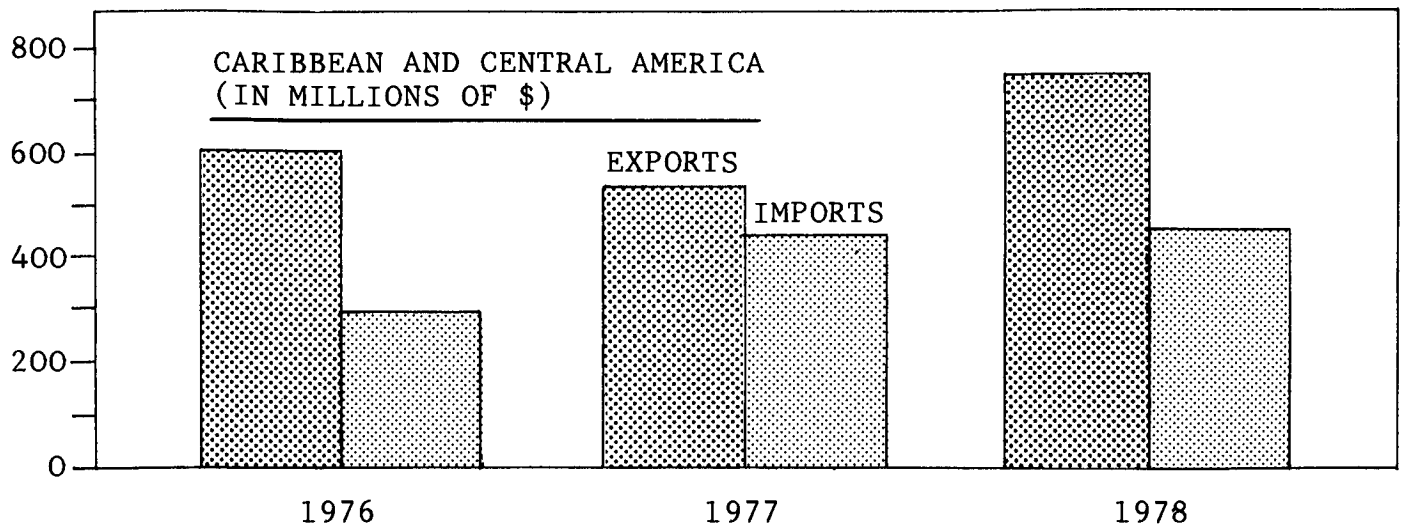
Canadian exports to the Caribbean and Central America rose to \$752 million largely because of increased sales to Bermuda, Cuba, Trinidad and Tobago, Puerto Rico and Barbados.

Exports to the Commonwealth Caribbean increased by 35 per cent to \$207 million while sales to the non-Commonwealth Caribbean increased to \$438 million from \$316 million. Exports to Central America increased by 24 per cent to \$108 million.

In January, Canada and the Caribbean Common Market signed a new trade and economic cooperation agreement.

A high level departmental trade mission visited Costa Rica, Guatemala, Honduras, El Salvador and Panama. Discussions were held on trade and economic relations.

Canadian firms are working on the rehabilitation of a major railway line, road construction and on a number of engineering feasibility studies in Costa Rica. Canadian expertise is being used to renovate several airports in Cuba, including Havana Airport. A number of firms are working on the construction of an iron and steel mill in Trinidad.



INDUSTRY AND COMMERCE DEVELOPMENT

The nine Industry Sector Branches within ITC are focal points for the development of industrial policies and the provision of analysis and perspective on industrial sectors throughout the federal government.

During the year under review, the ISB's achieved a greatly improved rapport with business and labour through formal meetings established in the Consultative Task Force process.

Through this enhanced rapport, the ISB's can be expected to continue to play a larger role in the development and formulation of policy and programs impacting on Canadian industrial performance and employment creation.

This new thrust was undertaken in addition to the normal ongoing activities of the ISB's which along with Consultative Task Force activities are detailed in the following pages.

Consultative Task Forces

In February, 1978, Canada's First Ministers directed that a process of consultations begin with the private sector on measures to improve the performance of the manufacturing, construction and tourism industries.

As a result, 23 industry sector task forces were created. In all, a total of more than 500 persons were involved, including executives from 305 firms, representatives from 27 unions and academics from 18 universities. Provincial governments also participated. The Federal Government provided support and technical services but was not a member of the task forces.

The main responsibilities of the task forces were to review sector profiles prepared by ITC; identify impediments and opportunities for the industries studied; and make recommendations for government action.

The industries involved were: aerospace, automotive, cement and concrete, commercial printing, construction, electrical, electronics, fertilizer, food and beverage, footwear, forest products, processed fruit and vegetables, furniture, primary iron and steel, machinery, non-ferrous metals, ocean, petro-chemical, plastics processing, shipbuilding and repair, textile and clothing, tourism and urban transportation.

Reports issued by these task forces contained a total of over 800 recommendations

An Overview Committee was created in July, 1978, with a mandate to: "work directly from the task force reports and attachments to identify and make recommendations about factors and policies that cut across sector lines...on broad economic policy and on issues important generally to manufacturing and tourism".

This committee was composed of representatives from industry, members of the executive of the Canadian Labour Congress, an academic and a chairman from the private sector. The committee completed its work in October, 1978, making 46 recommendations in nine policy areas. This report was submitted to the federal and provincial Ministers of Industry for discussion at the First Minister's Conference held at the end of 1978.

The Federal Government reacted to the Task Force Reports with an initial response, released in November, 1978. This document summarized federal initiatives for industrial growth and listed new actions taken to meet many of the concerns raised by the task forces.

In February, 1979, a document entitled Action for Industrial Growth: Continuing the Dialogue was published by ITC, addressing the recommendations of the Overview Committee. As the fiscal year drew to a close, the department began publishing detailed responses to each of the 23 Task Force Reports.

Textile and Consumer Products

Textiles Industry

Continued import quotas, negotiated with input from the branch, helped increase employment by 4 000 during the year as the domestic market for Canadian textiles was stronger.

Although this domestic demand curtailed some export drives the carpet sector achieved outstanding results with overseas sales. With assistance from the branch, the industry aggressively pursued markets in Britain and Scandinavia to reduce reliance on Australia - the prime export market. As a result, sales of almost \$5 million were achieved, more than doubling the total of the previous year.

The branch brought together eight carpet manufacturers to exhibit at the World Trade Mart in Tokyo. Canadian participation was sponsored in the Caribbean Textile Show in Barbados and Trinidad, enabling Canada to maintain its \$12 million share of that market.

Clothing Industry

Import quotas and realignment of the Canadian currency directly bolstered the industry, permitting it to recover 2 900 of the jobs lost in the previous year when employment dropped by 8 900.

Initial planning for extension of the productivity program, established for the Manitoba apparel industry in 1977, was carried out. The program involves the branch, industry associations and the provincial department of commerce and development. Firms using the program have reported significant improvements in their manufacturing efficiencies. Discussions were also held with industry, provincial representatives and ITC to develop similar programs for Ontario and Quebec.

The branch provided assistance to industry for participation in important trade shows. As a result:

- \$3.5 million in business was generated by 12 Canadian sports-related clothing

manufacturers at the International Sports Equipment Fair (ISPO) in Munich;

- cloth outerwear was included in the Leather Canada Show in Montreal and 200 American buyers made purchases totalling \$2 million;

- on-site sales totalled about \$200 000 as nine firms showing fine suits, sweaters and coats made Canada's first appearance at the Cologne Men's Fashion Week;

- ten manufacturers' representatives were appointed and negotiations opened with some 40 more;

- sales of \$1 million were generated by four manufacturers who made up the first exhibit of Canadian furs in Japan.

Footwear and Tanning Industries

The branch was part of the consultative process that produced global import quotas that increased production, employment, plant utilization and orders in the Canadian leather and vinyl footwear industry.

For the third straight year there was an increase in exports of footwear. The 24 per cent increase over 1977 pushed total footwear exports to \$40 million.

The branch worked on Canadian participation in major footwear trade shows in Europe and the U.S. to make industry more aware of the potential of international sales.

Participation in shows at Munich and Duesseldorf produced on-site sales of \$500 000 and projected sales of \$2 million.

Fashion Office

The Designer Development Committee helped place 85 fashion design students from Manitoba and Ontario in industry work situations under the Summer Job Corps Program.

The office provided support to the Fashion Designers Association of Canada in its spring and fall trend show presentations.

"Canada Fashion Mode", a magazine designed to increase awareness of Canada's fashion capability, will be distributed to fashion industry representatives abroad by the Trade Commissioner Service.

Commercial Printing Industry

A directory of graphic arts courses in Canada was prepared for students and career counsellors.

The branch encouraged exporting through presentations at the annual meetings of trade associations in Toronto.

Agriculture, Fisheries and Food Products

The branch continued to work closely with industry over the past 12 months to develop both Canadian productivity and market accessibility.

A new program has been incorporated into the Program for Export Market Development (PEMD) to provide financial assistance for export market development in the agriculture, fisheries and food products industries. This program replaces the Agricultural and Food Products Market Development Assistance Program and the Grains and Oilseed Marketing Incentives Program.

Because China plans increased forage production and rangeland improvement, the department conducted a technical seed mission to that country so that markets for early maturing soybean and hybrid corn seed could be determined. Canadian varieties sent for testing after the 1972 Peking Fair have performed well and further exchanges of seed samples took place after the trade mission.

Discussions were initiated with the department concerning possible establishment of a new association for the dehydrated alfalfa industry. Such an association would be concerned with technical research, grade standards, transportation rates and market promotion.

The department took part in annual negotiations between the Ontario Flue-cured Tobacco Board and Britain's tobacco manufacturing industry.

An ITC-sponsored trade mission to Algeria, Egypt, Iraq, Jordan, Syria and Tunisia identified new market opportunities for Canadian leaf tobacco. Later in the year, Iraqi tobacco officials visited Canada and the first sale to Iraq of Canadian flue-cured tobacco was negotiated. The sale was worth approximately \$2.2 million.

The department continued to provide financial support to the Canadian seed potato export agency. The branch organized a visit to Canada for officials from China and Greece to study the potato industry. Arrangements were also made for New Brunswick producers to meet importers in Argentina, Uruguay and Western Europe.

The department studied imports of cut flowers and dried flowers to help the industry identify opportunities for import replacement and reviewed U.S. imports to determine Canadian export opportunities to that country.

Sales meetings and in-store promotions to encourage exports of Canadian processed foods and beverages were organized in many major United States cities, including Minneapolis, Cleveland, Seattle, Buffalo, Philadelphia and Chicago. Canada's largest market for these products is the U.S. Similar promotions were held in Japan and Japanese buyers' trips to Canada were sponsored by ITC.

As a result of contacts made by the department Canadian firms obtained contracts to supply pork to South Korea.

Departmental exhibits were responsible for promotion of Canadian dairy cattle, beef cattle, swine, semen and fertilized ova at the Palermo Show in Argentina, the Porto Alegre Livestock Show in Brazil, the Royal Highland Show in Scotland and the Salon de l'Agriculture in France.

A mission from the People's Republic of China was arranged by the department to promote the sale of Canadian breeding

stock, especially beef cattle. Canadian swine and swine semen producers were taken to Thailand, Malaysia, Singapore and the Philippines to study export potential in these markets.

Government and industry representatives visited South America in January to determine export opportunities for Canadian milk powder.

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

Fisheries sales and marketing promotions were organized by the department in the U.S. and overseas markets.

Chemicals Branch

The branch, with other federal and provincial government departments and industry, completed its study of the health care products sector. The study, representing the first detailed survey ever done of about 500 companies in the medical devices industry, will serve to identify market opportunities.

A number of related background studies were done on:

- the structure of the world pharmaceutical industry;
- industrial incentives offered by other countries;
- future markets and manufacturing opportunities for health care products in Canada.

A report on this industry, along with some of the background studies, will be published in the new year.

The branch also participated in short-term product studies such as:

a) a study to determine sulphuric acid markets required because sulphur emission reduction devices needed for environmental protection produce large quantities of sulphur;

b) a study of the distribution and tagging of explosives was carried out so that sources of the products can be more easily identified;

c) an ongoing study of the competitive position of the Canadian petrochemical industry relative to foreign producers.

Electrical and Electronics

Electrical

In cooperation with electric utility companies, the department studied domestic acceptability of Canadian-made electrical generation and transmission equipment. The study has helped major equipment manufacturers identify opportunities. It has also provided information for development of industrial policies.

Avionics

This sector received much financial assistance from the Defence Industry Productivity Program for development of high technology products and the modernization of the Canadian defence production base.

Sales and equipment in avionics and defence electronics improved during the year and exports accounted for almost 85 per cent of total production.

Canada captured 50 per cent of the world flight simulator market and a Canadian company was selected as the second source for a guidance system for the U.S. Tomahawk cruise missile. This contract alone could produce sales of \$1 billion and create 1 700 high-technology jobs in Canada over the next 15 years.

Computers and Microelectronics

Canadian computer industry sales increased during the year. The Enterprise Development Program was extended to include computer software projects.

Control Data Canada Ltd. exported 35 Cyber 170 main frame computers to 19 countries.

These computers were developed with financial assistance from the department.

Telecommunications

The Canadian telecommunications industry continued to receive departmental financial assistance to improve technical and product competitiveness in domestic and international markets. Areas receiving such support included voice and data switching, signal processing, mobile radio and rural communications.

ITC, along with other federal government departments, participated at the International Satellite Communications Seminar in Peru. The Hermes Direct Broadcast Satellite was demonstrated to improve South American awareness of Canadian capability.

The demonstration included coloured programs from Canada via the Hermex satellite to portable three and four-foot antennas on the roof of the Conference Centre in Lima.

Machinery

The Machinery Program, designed to promote growth and productivity improvement in the machinery industry, continued to be a major activity for the branch. The program, while providing tariff protection to manufacturers and encouraging increased Canadian content in machinery production, allows machinery users a duty remission on imported capital equipment not available from Canadian sources.

During the year more than 30 000 applications were received covering \$210 million in these duty remissions. The applications covered purchases of advanced capital equipment, parts for further manufacture and complete manufacturing systems.

The division continued to help Canadian firms tool up for import replacement. Machinery production is expected to increase \$60 million in 1979-80 as a result of 50 Canadian firms, including producers of broadcast seed spreaders and power

brake system assembly and testing machines, establishing production facilities through ITC assistance.

Advice and assistance was provided to industry and industry associations to carry out 17 development projects that could generate up to 700 new jobs and \$45 to \$50 million in production over the next two years.

The branch continued to pursue export markets by sponsoring Canadian machinery producers' exhibits in nine trade fairs. It mounted five trade missions and supported more than 150 machinery companies seeking export opportunities through PEMD.

Export contracts valued at more than \$200 million were won by Canadian machinery builders with assistance from the branch.

The department involved 13 companies in a multi-sector industrial mission to Sweden, Finland, and Italy and demonstrated Canadian machinery capability at seminars in Norway, on environmental equipment, and in France on farm machinery. These activities were geared to improving Canadian opportunities in joint ventures to third countries.

A task force, established at industry's request in April, 1978, to examine export marketing of CANDU reactors, received financial and administrative support from the department. The task force of engineering consultants and representatives of construction companies and manufacturing firms recommended creation of an advisory committee which will provide industry with the opportunity to participate in promotion of CANDU exports.

Resource Industries

Primary Wood Products

Among departmental activities in this sector, the branch:

- sponsored a visit to Canada by Italian lumber importers and agents;

- organized five lumber seminars in the United States for Canadian plywood suppliers and U.S. wholesalers;
- undertook an assessment of the plywood industry in the southern United States;
- completed a study of the lumber industry in Scandinavia;
- took part in the work of international organizations concerned with primary wood products, including the United Nations' Integrated Program for Commodities (tropical timber);
- began work on a profile of the exterior wood-based panel products industry; and
- organized two meetings of the federal-provincial Forest Industries Development Committee.

Manufactured Wood Products

Fiscal year 1978-79 was an active period for the Manufactured Wood Products Division. It was involved in a number of industry and intergovernmental consultative committees; a sector profile of the Canadian Millwork Industry was published; and consultations continued with Japan and European countries on industrial cooperation.

Canadian millwork products were shown at the Impact '78 show in Louisville, Kentucky. The division also participated in the Batibouw show in Brussels as part of a major timber-frame promotional program in Europe.

Under departmental auspices, an industrialized building and components mission travelled to Japan while groups from The Netherlands, Belgium and Japan visited Canada to study timber frame housing.

ITC officials conducted market reconnaissance in Western Europe for kitchen cabinets; in the Middle East and North Africa for manufactured housing and in Latin America for wood products in general.

Pulp and Paper

A National Development policy for the Forest Industries was announced in February as a result of recommendations by the Forest Products Industry Consultative Task Force organized by ITC.

The Pulp and Paper division continued to study the problems faced by certain sub-sectors of the industry, such as fine papers and paper converting, created by multilateral trade negotiations. Among other work in this area, a detailed discussion paper was prepared on manufacturing costs and productivity in the fine papers industry.

The division was active in the development of international standards for packaging, national standards for wood-based cellulose insulation and international standards for paper packaging used to transport hazardous materials.

Under departmental auspices, senior Chinese government officials visited Canadian pulp and paper mills, research centres and head offices during the year. Canadian businessmen and officials were invited to make a return visit.

Pulp and paper executives travelled with ITC officials to South America to identify long-term prospects for Canadian pulp and paper products sales in Latin countries. This mission visited Chile, Argentina, Brazil and Venezuela.

A considerable effort was made throughout the year to promote international industrial cooperation through membership in international committees. These included the Canada/EEC Ad Hoc Forest Products Working Group; the Canada/Japan Joint Economic Committee; Canada/China Joint Trade Committee; the Canada/U.S.S.R Working Group on the Forest Products Industries; and the Canada/Cuba Joint Committee.

The division directed a great deal of attention to the need to reduce production costs in order to regain international competitiveness. An example of the work

in this area was the publication of an overall review of the forest products industries, including information on costs in other countries.

Iron and Steel

Eight steel forging and casting companies received a total of \$379 250 under departmental programs during the year to develop new product lines and improve their efficiency. As well, this division began a study of the forging industry to complement two others into the ferrous foundry industry.

Departmental officials were involved in discussions which led to the establishment of a special steel committee within the OECD. This is an important development because the committee will provide a forum for talks on impediments to international trade in steel. It is expected the committee will encourage a reduction of non-tariff barriers to steel trade and facilitate the ratification of GATT commitments in some countries.

Canada and the Commission for the European Communities signed a steel research agreement during the year, to study ways and means of improving blast-furnace efficiency.

A new "Directory of Canadian Steel Fabricators" was completed during the period. This publication was produced by ITC in cooperation with the Canadian Institute of Steel Construction and the Canadian Sheet Steel Building Institute.

Non-Ferrous Metals

Departmental assistance was arranged for the development of new technologies, including a less polluting process for the recovery of nickel from ores and research into a cobalt rare earth powder for use in magnets.

A Canadian delegation, led by this division, attended meetings of the International Lead Zinc Study Group to discuss

the worldwide oversupply of zinc. Officials also participated in UNCTAD copper study group meetings and assisted in the development of an industry position for the proposed international discussion group on nickel.

Under departmental auspices, a mission of nine Canadian non-ferrous metals producers visited China. This led directly to preliminary engineering studies which could result in a large mineral-extraction contract for Canadian companies. A group of Chinese gold mining experts visited Canada.

The department arranged a series of consultations between the users and suppliers of molybdenum, which was in short supply throughout the year. The division also took part in interdepartmental discussions designed to find alternative sources of supply for the production of steel pipe. It was also necessary to arrange meetings between producers and consumers of cobalt which was also in short supply.

With departmental assistance, the Canadian copper and zinc industries made successful representations to the U.S. International Trade Commission opposing U.S. restrictions on imports of copper and zinc metal.

The division worked closely with private industry, provincial governments and Ontario Hydro on plans for the development of a Canadian zirconium facility.

Industrial Minerals

This division was heavily involved during the year in market development work for Canadian coal. For example, a major thermal coal mission was arranged for visits to Japan and Korea. As well, the division completed a coking coal market survey in Japan, Korea, India and Pakistan.

Assisted by survey work carried out by the division over the past few years, the coal industry began to diversify its markets during the fiscal year. In 1978, a record level of 13.6 million tonnes of coal, valued at \$690 million, were exported to

18 countries. New contracts were signed by Canadian firms for deliveries to Mexico, Brazil, Sweden, Romania, Italy, the Federal Republic of Germany, South Korea and India.

Under departmental auspices, Canadian asbestos mining officials investigated asbestos mining and milling capabilities in the Soviet Union. Both sides expressed interest in purchasing trial quantities of the other's equipment.

The division was involved in a number of meetings held on asbestos under the Canada/European Economic Community Industrial Cooperation Agreement. Discussions at these meetings centred on ways and means of providing better protection for employees against asbestos hazards.

Construction and Consulting Services

The branch provided secretariat services to major industry-government advisory groups.

Among these was the Construction Industry Development Council, which comprises representatives of business, labour and government. This council provides advice to the minister on matters concerning construction. The group held 30 meetings during the year.

The Advisory Committee on Industrial Benefits from Natural Resource Development, organized three years ago to increase the use of Canadian equipment and services in domestic resource development projects, continued to draw its secretariat strength from the branch.

A major projects task force, established in November to examine opportunities for Canadian technological and industrial input on major domestic projects, also obtained its secretariat services from the construction and consulting services section.

Three seminars relating to construction productivity were organized by the branch during the year. The seminars covered:

Construction productivity, Canadian content and capability and surveying and mapping.

Seven outgoing industrial cooperation/market development trade missions were organized by the branch during the year and two similar missions were brought to Canada. This work was part of the ongoing export development emphasis.

Transportation Industries

Ocean Industries

Trade promotion efforts by the department on behalf of ocean industries increased dramatically during the fiscal year, with a consequent increase in sales.

With departmental assistance, Canadian firms participated in the Offshore Technology Conferences in Houston and London; the Latin American Oil Show in Rio de Janeiro and the Offshore Stavanger in Norway. Eleven Canadian companies exhibited at the Canada Trade Centre in Tokyo. Missions from Japan, Brazil and Indonesia toured Canada under departmental auspices.

The division worked throughout the year developing proposals for the co-funding of technological development by industry and government in this sector.

Air Industries

Specialists within this division continuously monitor and evaluate the technical and financial aspects of government-assisted research by public and private air industry firms. An example is Canadair's CL 227, a remotely controlled military surveillance drone helicopter. The department assisted in the development of this device with an original contribution of more than \$300 000 through the Defence Industry Productivity Program. Other examples are assistance to SPAR Aerospace for the development and manufacture of a remote manipulator system for the U.S. space shuttle program and Pratt and Whitney for the development of small gas turbine engines.

The Challenger business jet, developed by Canadair, was successfully test flown in November. One hundred and twenty-five orders, valued at \$600 million, have so far been received for this aircraft. Original private sector funding of \$128 million for the development of the Challenger was guaranteed by ITC.

The last of 65 CL 215 water bombers, manufactured by Canadair, were sold during the period under review. The CL 215 has been purchased by seven countries where they are used for forest-fire suppression, search and rescue and utility transport. The branch was involved during the year in a number of studies concerning a proposal to manufacture an additional 45 of these aircraft.

A great deal of work was required to prepare for Canada's participation in the Paris Air Show in the spring of 1979. The division liaised with 26 companies travelling to the show, arranged space and provided a wide variety of support staff to ensure a successful representation. Departmental expenditures totalled approximately \$400 000.

Automotive Parts

Canadian automotive parts manufacturers exhibited their goods and services at a number of United States shows with departmental assistance. These included the Automotive Parts and Accessories Association Trade Show in Chicago; the Southern Automotive Show in Dallas, the New England Automotive Show in Boston and the combined Pacific Automotive Show/International Automotive Service Industry Show in Las Vegas.

More than 100 buyers and agents from the United States, Central and South America and Europe attended the first Canadian International Automotive Show in Toronto. The only automotive parts trade show held in Canada, it is jointly sponsored by this department and by the provincial government of Ontario.

ITC activities in this area are a major effort to improve automotive parts trade

with the United States. While exports to the United States rose 22 per cent to \$4.7 billion during the year, imports rose by 17 per cent to \$8.2 billion, leaving a deficit of approximately \$3.5 billion.

In a continuing effort to increase exports, the division organized missions by Canadian manufacturers to Switzerland, Britain, Singapore, Korea, Australia, the Middle East, France and South America.

At the same time, the department coordinated the exhibition of Canadian products in other countries, such as the World Trade Mart in Tokyo and at the Automechanika show in the Federal Republic of Germany.

A major activity was the negotiation of Expanded Automotive Components Remission Orders. The first of these, the Volkswagen Remission Order, was approved in August while negotiations proceeded on others. Under the Volkswagen order, purchases of Canadian automotive components are expected to rise from \$30 million to \$60 million a year.

Automotive Products

Although the deficit in automotive trade with the United States decreased substantially in 1978, it is still a matter of vital concern to Canada. Discussions between ITC and the major vehicle and parts manufacturers continued throughout the year.

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During the year, a commissioner was appointed to inquire into the automotive industry and make recommendations on how to improve Canada's performance. This study, and work by the consultative task force on the automotive industry, are expected to result in several initiatives by the department.

The trade deficit in automotive products with countries other than the United States increased, largely due to the increased demand for smaller, more fuel-efficient cars imported from third countries.

During the year, Cabinet approval was obtained for the department to enter into discussions with third country vehicle manufacturers for an expanded remission program which will provide incentives for foreign firms to purchase additional parts in Canada.

Urban Transportation

Meetings were held with U.S. officials throughout the year to discuss implications of the "Buy America" regulation of the Surface Transportation Assistance Act, which came into force during 1978.

This regulation requires that imported transit vehicles have a U.S. content of 50 per cent and that final assembly take place in the United States. While Canadian manufacturing companies can meet these requirements at the present time, the department is concerned that the regulation may lead in the future to a transfer of more assembly work and employment to the United States.

The United States continued to be Canada's major market for transit vehicles and equipment. Sales of urban transit vehicles reached \$160 million during the year, with about half of this amount coming from export markets, principally the United States.

The division constantly analyzes and monitors possible markets for Canadian products. It notes there is an increasing demand for Canadian expertise and technology in transportation planning, traffic management and transit control systems. Major advances in these areas are being achieved by the Urban Transportation Development Corporation, such as linear induction propulsion systems and steerable axle trucks.

A major activity of the Urban Transportation Division during the year was in analyzing and responding to the consultative task force report mentioned earlier in this paper.

Ships and Components

A federal study for the construction of new ships was continued at a level of 20 per cent in order to meet higher levels of governmental assistance provided to foreign competitors. Subsidies will be maintained at the 20 per cent level for applications received up to December 31, 1979.

Transportation Services

Surface

During the year, the branch continued to focus on direct traffic assistance to shippers. Among its accomplishments were:

- establishment of a routing from Ontario to California for beer and mineral water exports that reduced transportation costs by \$1 000 per trailer. This enabled a Canadian firm to compete with European suppliers.
- intervention on behalf of a Maritimes cement company that resulted in a 38 per cent reduction in transportation and wharfage costs on bulk movements. This enabled the company to compete for a \$7.5 million export order.

Marine

The branch studied the economic impact of UNCTAD decisions on availability and costs of marine transport services for Canadian exporters. The study related to the ratification of the U.S. Code of Conduct for Linear Conference and the need for a Canadian deep-sea merchant marine.

The branch also:

- examined the proposed withholding tax on Canadian payments to non-resident shipowners;

- worked on the U.N. "Hamburg" Convention on the Carriage of Goods by Sea;
- monitored containerized cargo diversion through U.S. ports;
- assessed trade problems created by shipping and port strikes;
- evaluated industrial implications of increased Seaway tolls.

Air

The branch worked toward development of an intergovernmental policy on Dash-7 STOL services between Toronto, Ottawa and Montreal. It also assessed establishment of similar services for British Columbia, Central Canada and the Maritimes.

The branch prepared studies on:

- Air Canada's acquisition of Nordair;
- restructuring of regional air carriers in Eastern Canada;
- the roles of CP Air and Air Canada;
- relaxation of domestic charter regulations and reduction of domestic air fares.

It helped negotiate a new air services agreement with Britain and was among Canada's representatives in discussions on relocation of Canada-London services from Heathrow to Gatwick.

Physical Distribution

The branch was instrumental in establishment of the Canadian Standards Association Committee on Materials Handling and Distribution and development of domestic and international physical distribution standards for improvement of materials handling and transportation productivity.

It also played a leading role in development of Canadian policies on revisions to the International Organization for Standardization's distribution policies,

UNCTAD container standards and EEC programs to simplify international trade documentation.

Grains Marketing Office

Canadian wheat production reached 21.2 million tonnes in 1978, up six per cent from 1977. Coarse grain production was about 20.3 million tonnes, nine per cent below the previous year. Oilseed production, at 4.6 million tonnes, was 44 per cent above 1977.

Exports of the six major grains (wheat, rapeseed, barley, flaxseed, oats, rye) amounted to 19.0 million tonnes. Wheat and flour accounted for 13.1 million tonnes, barley 3.5 million tonnes and the major oilseeds 2.2 million tonnes.

The Grains and Oilseeds Marketing Incentives Program (GOMI) ended March 31, 1979. The program was established to encourage market development through market identification and promotion, product and process development and Canadian capability assistance. At its conclusion, GOMI had received 108 applications. There were 78 projects approved, valued at \$12.1 million, and assistance amounted to \$6.7 million.

Producers will receive more than \$150 million from the Prairie Grain Advance Payments Act, a 27 per cent increase over the previous year, reflecting reduced grain delivery opportunities. Interest costs, borne by the government, totalled \$5.2 million, 50 per cent above 1977-78, reflecting the increase in advances and higher interest rates.

Payments under the Two-Price Wheat Act were \$43.8 million, a 66 per cent increase over the previous year. The \$3.25 per bushel fixed minimum for Canadian consumers was changed in December, 1978, with elimination of government subsidy payments, to allow it to fluctuate from \$4 to \$5 a bushel.

The Protein, Oil, Starch Pilot Plant, an industry/government corporation opened in

Saskatoon in July, 1977, now has 26 members, including the federal and two provincial governments and industry. The plant has started 37 projects for 20 clients in the processing of grains and oilseeds. The federal government contributed \$4.5 million in capital costs.

The Canadian International Grains Institute, jointly sponsored by ITC and the Canadian Wheat Board, brought 280 people from 17 countries to attend grain technology courses. The Institute also organized a similar course in Cuba.

Department-sponsored oilseed trade missions visited Canada from Morocco, Hungary, Japan, South Korea and Cuba. Technical seminars, also sponsored by the department, were held in Mexico and Japan on the use of rapeseed oil and meal.

The department provided the Rapeseed Association of Canada with \$350 000 for the Rapeseed Utilization Assistance Program, which provides assistance for research and development in rapeseed use.

Distribution Services

The Distribution Services Branch was created in response to the growing importance of the distributive trade industries in Canada.

The Wholesale and Retail section was organized and staffed during the year under review and began work on sector profile documents for general merchandising, food distribution and drug distribution.

A considerable amount of work was done on the development of a computerized data base which will assist the department in developing policies for this sector of the economy. This activity involved a great deal of consultation with the industry, and in particular the Retail Merchants Association, Federation of Retail Grocers, Grocery Distributors Institute, Retail Council of Canada, Canadian Textile Importers Association, Canadian Pharmaceutical Association and the Canadian Direct Mail and Marketing Association.

The branch developed a survey of trading houses which will be used in creating a directory of trading houses in the coming year.

In the course of developing closer liaison with Canadian franchisers, the branch held two seminars: How to Franchise in the United States, and How to Franchise Your Business.

Toward the end of the fiscal year, the branch published a bibliography: Franchising - An Information Source, for distribution to the industry.

CANADIAN GOVERNMENT OFFICE OF TOURISM

Although Canada's tourism deficit increased from \$1.6 billion in 1977 to \$1.7 billion in 1978, signs of improvement were evident during the year as more than 13.5 million people visited in Canada for one night or longer. Increased attention by government and industry and realignment of the Canadian dollar contributed. Other factors were:

- a record 1.5 million offshore visitors;
- more than 12 million American visitors, sharply reducing the declining trend of the past several years;
- less travel by Canadians outside of Canada (1.6 per cent fewer visited the United States and only 1.8 per cent more visited other countries).

Marketing

CGOT maintained 27 market development and promotional offices in Canada, the United States, Britain, France, Germany, The Netherlands, Mexico, Australia and Japan.

Major advertising campaigns in the United States promoted spring/summer and fall/winter vacations. Seminars were sponsored for the travel trade, direct-response advertisements were placed and mailings to special interest groups were used.

The "Canada: So Much to Go For" program, begun in January, 1978, to encourage Canadians to travel within Canada, offered 54 competitively-priced package tours in a cooperative venture that involved CGOT and four industry "partners". Success of the program was such that new partners were added and the number of tours offered in 1979 increased to 83.

Partners in the program are Air Canada, CP Air, VIA Rail Canada, Pacific Western Airlines/Transair, Québecair/Hospitalité Tours.

Vacation Canada advertisements were placed in Canadian periodicals reaching almost 73 per cent of all Canadians. A campaign in 175 ethnic publications invited new Canadians to see Canada and encouraged their friends and relatives abroad to visit here.

Rendez-vous Canada, an international tourism marketplace sponsored by CGOT in co-operation with the tourism industry, had sales estimated at \$38 million in 1978.

As part of an attitude/awareness program using the theme "Tourism is important to all of us" and the slogan "Reach Out a Friendly Hand", CGOT launched a national tourism awareness campaign involving regional, territorial and provincial governments and the tourism industry.

Representatives of the Japanese travel industry visited four Canadian cities to help the Canadian tourist industry understand and compete for the Japanese travel market. Almost 128 000 Japanese visited Canada during 1978, 31 per cent more than in 1977.

CGOT coordinated "Canada Street" at the American Society of Travel Agents' 48th World Travel Congress in Mexico. The Canadian display featured seven provinces, the territories and industry.

CGOT also:

- sent out more than 10 million pieces of travel literature and 53 000 photographs;
- distributed more than 21 000 film prints and 600 video cassettes representing 120 titles to television and film audiences in six countries;
- sponsored more than 110 promotional seminars in Canada, the U.S. and overseas;
- sponsored 400 media representatives on Canadian tours;
- prepared 100 travel features for Canada and U.S. publications.

Policy Planning and Industry Relations

The Tourism Industry Consultative Task Force, with the assistance of CGOT, studied the problems of the tourism industry in Canada. Its report to the government contained 132 recommendations.

Three federal-provincial tourism conferences were held in 1978-79.

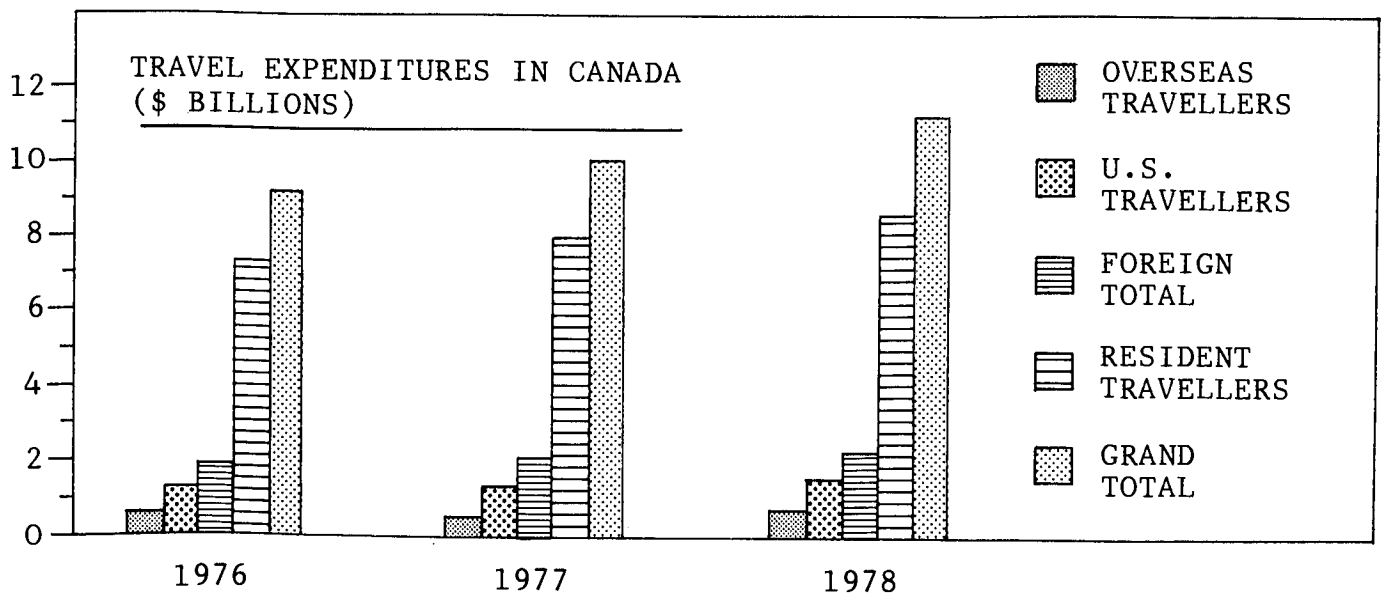
The National Advisory Committee on Accommodation, Food and Beverage Services met in Edmonton and Winnipeg during the year to discuss the need for better staff training and awareness in the industry.

More than \$750 000, received from the Federal Labour Intensive Projects and the

Summer Job Corps Program, was used to provide employment in tourism-related projects in cooperation with the provinces and territories.

A brief on advance booking charters for domestic air travel was submitted to the Air Transport Committee of the Canadian Transport Commission. An industry manual, "Planning Seasonal Tourist Accommodation", and a directory of tourism-related courses offered through Canadian schools and institutions, were published.

Tourism Development sub-agreements were signed with Manitoba and British Columbia similar to agreements signed earlier with Newfoundland, Nova Scotia, New Brunswick and Quebec.



ADMINISTRATION AND PERSONNEL

Financial Management

A new computer system, designed to provide greater managerial control on information and finance, was established in the Financial Services Branch. The system integrates funds available and those committed, provides budget, cheque and cash control, financial reporting and general ledger maintenance.

Professional and Administrative Services

A centralized Records Management Program was implemented in 1978-79. Ninety-four cubic metres of records were processed during the year, 48 m³ were received in the departmental storage area and 56 m³ were sent to the Public Archives Records Centre.

The problem of handling the large volume of correspondence and typing at ITC was eased during the year with the introduction of word processing units on three floors of the Ottawa headquarters. This equipment was also installed in all ITC regional offices.

Computerized systems were developed to improve the quality of information available within the department. These include: the Import/Export Permit Control System, the Departmental Financial Management System, and the Fisheries Marketing Information System covering fishery catch and trade statistics.

A new EDP Standards and Guidelines Manual has been prepared to ensure the efficient and cost effective development of EDP systems.

The department spent \$4 million in 1978-79 to purchase EDP services from the private sector. This practice, which cost \$2.7 million in 1977-78, is followed when purchase is less expensive.

Personnel

An internal review of all senior executive and equivalent positions was completed by the Senior Management Committee. The personnel management information system was improved for accuracy and a new data system activated for the Trade Commissioner Service.

Departmental issues were discussed at meetings of the Labour-Management Committee and a wide range of counselling services was provided.

Human Resources formulated, approved and implemented a personnel management plan; brought ITC trainees in through the MBA/MPA recruitment program; provided information forecasting to management and started equal opportunity programs.

In Operations, about 1 600 staffing and 1 400 classification actions were completed; several branches and units were reorganized and new staffing procedures were put into place. The pay system was decentralized by DSS to regional pay offices.

A departmental Coordinating Committee approved the department's official languages program and its objectives. The bilingual bonus plan and identification of linguistic profiles of bilingual positions were implemented.

METRIC COMMISSION CANADA

Thirty-nine per cent of Canada's metric conversion program was completed at the end of the fiscal year. The planning and scheduling of more than 80 sectors is complete and implementation has begun. A total of 20 sectors has completed 75 per cent or more of their planned activities.

Metric Commission Canada now has held 50 meetings since the program began in 1972. The Interdepartmental Committee for Metric Conversion, which coordinates federal government conversion activities, has met 18 times.

The provinces and territories are carrying out their own conversion programs through legislation and regulatory action. Information centres are operating in nine of the 12 provincial and territorial capitals on a cost-sharing basis. The Intergovernmental Metric Conversion Committee has met 20 times.

INDUSTRY, TRADE AND COMMERCE
Statement of Expenditures for the Fiscal Year 1978-79

<u>Trade Industrial Program</u>		\$ (000)
Operating Expenditures		
- Salary and superannuation	70 343	
- Other	<u>39 999</u>	110 342
Grants and Contributions		
- Enterprise Development Program	24 180	
- Defence Industry Productivity Program	52 200	
- Program for Export Market development	8 815	
- Capital subsidies for the construction of commercial and fishing vessels	59 190	
- Metric Conversion	800	
- Small Business Intern Program	1 737	
- Small Business Loans - Losses	1 389	
- Payment of EDP Insurance Losses	1 227	
- Federal Labour Intensive Program	5 147	
- Miscellaneous	<u>4 364</u>	159 049
Loans and Investments		
- Loans to de Havilland Aircraft	4 741	
- Loans under the Enterprise Development Program	5 300	
- Loan to assist Defence Manufacturers with defence plant modernization	6 000	
- Loans under the footwear and tanning industries adjustment program	(355)	
- Loans to Canadair for the financing of water bombers	<u>70</u>	15 756
		<u>285 147</u>
<u>Tourism Program</u>		
Operating Expenditures		
- Salary and superannuation	7 574	
- Other	<u>19 960</u>	27 534
Grants and Contributions		
- Miscellaneous		859
		<u>28 393</u>
<u>Grains Program</u>		
Operating Expenditures		
- Salary and superannuation	1 183	
- Other	<u>600</u>	1 783
Grants and Contributions		
- Credit Wheat Sales	11 409	
- Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	2 200	
- Payment to the Canadian Wheat Board for the purchase of covered grain hopper cars	838	
- Prairie Grain Advance Payment Act	5 193	
- Two Price Wheat	43 826	
- Western Grain Stabilization Program	53 157	
- Payments to Canadian Wheat Producers	405	
- Payments to CNR and CPR for rehabilitating box cars	2 911	
- Assistance to Canadian rapeseed processing industry	3 839	
- Miscellaneous	<u>4 888</u>	128 666
		<u>130 449</u>
Total Department		<u>443 989</u>

INDUSTRY, TRADE AND COMMERCE

Statement of Revenues
for the Year Ended March 31, 1979

	\$ (000)
Return on Investments	
Interest on loans to Export Development Corporation	92 892
Interest on loans to Federal Business Development Bank	60 128
Interest on loans to assist manufacturers of automotive products	640
Interest on loans to assist the pharmaceutical industry	34
Interest on loans to assist the footwear and tanning industries	38
Interest on loans under the Enterprise Development Program	559
Sundry	442
Miscellaneous Revenue	4 143
Refunds of Previous Year's Expenditures	6 447

INDUSTRY CANADA/INDUSTRIE CANADA



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