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Government
of Canada

Gouvernement
du Canada

Industry, Trade
and Commerce

Industrie
et Commerce

ANNUAL REPORT

1980 ~ 1981

Canada

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 the activities during the period April 1, 1980 to March 31, 1981.

Respectfully submitted


Robert Johnstone
Deputy Minister

OTTAWA

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

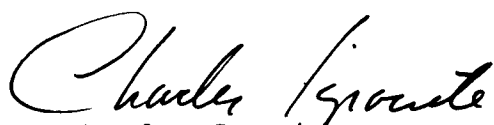
May it please your Excellency:

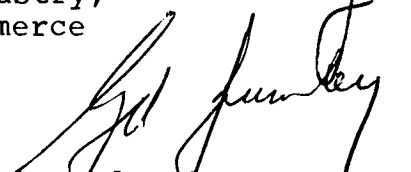
I have the honour to submit to your Excellency the annual report for the Department of Industry, Trade and Commerce covering the period April 1, 1980 to March 31, 1981.

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


Charles Lapointe
Minister of State
for Small Business and Tourism


Edward C. Lumley
Minister of State
for Trade

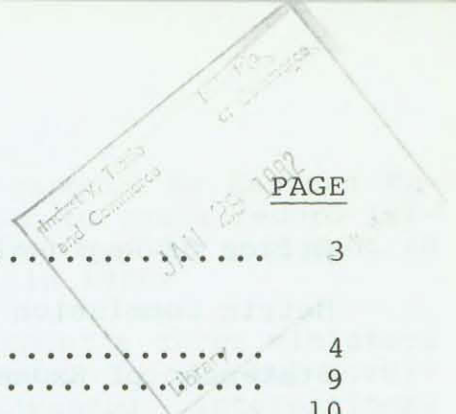
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HIGHLIGHTS

The Department of Industry, Trade and Commerce, 1980-81 in brief:

* More than 300 Canadian business people took part in 44 IT&C sponsored trade missions to 42 countries; 931 companies participated in 66 trade exhibits; and information booths were set up at 32 trade fairs.

* A Canadian Export Strategy for the 1980s was developed.

* International tourism receipts of \$3.3 billion made the industry one of Canada's top six earners of foreign exchange. Yet, Canada's travel deficit increased to \$1.138 billion from \$1.068 billion in 1979.

* 121,347 enquiries were processed and 6,336 visitors received by the department's 10 Business Information Centres.

* 49 projects, generating sales of \$840 million, were completed under the Defence Industry Productivity Program (DIPP) in 1980-81. In addition, 92 new projects were contracted and total program expenditures were \$94.9 million.

* 151 firms received adjustment assistance loan guarantees valued at \$231 million through the Enterprise Development Program. EDP provided 142 manufacturing firms with \$111.5 million in loan insurance, and authorized \$98.2 million towards the cost of 549 innovation and product development projects.

* 17,825 loans, valued at \$460,485,029, were made to small businesses under the Small Businesses Loans Act.

* Canadian exports to Eastern Europe continued to reach record levels, increasing by 56.7 per cent to \$2.1 billion in 1980.

* The department's three ministers promoted Canadian goods and services and advanced international trade during visits to the United States, China, India, Hong Kong, Japan, Australia, New Zealand, Mexico, Paraguay, Argentina, Peru, Chile, Ecuador and the five ASEAN countries.

* Canada achieved a record \$7.8 billion surplus in merchandise trade in 1980. Canadian exports were \$76.2 billion and imports were \$68.4 billion.

FINANCE

Programs

Enterprise Development Program

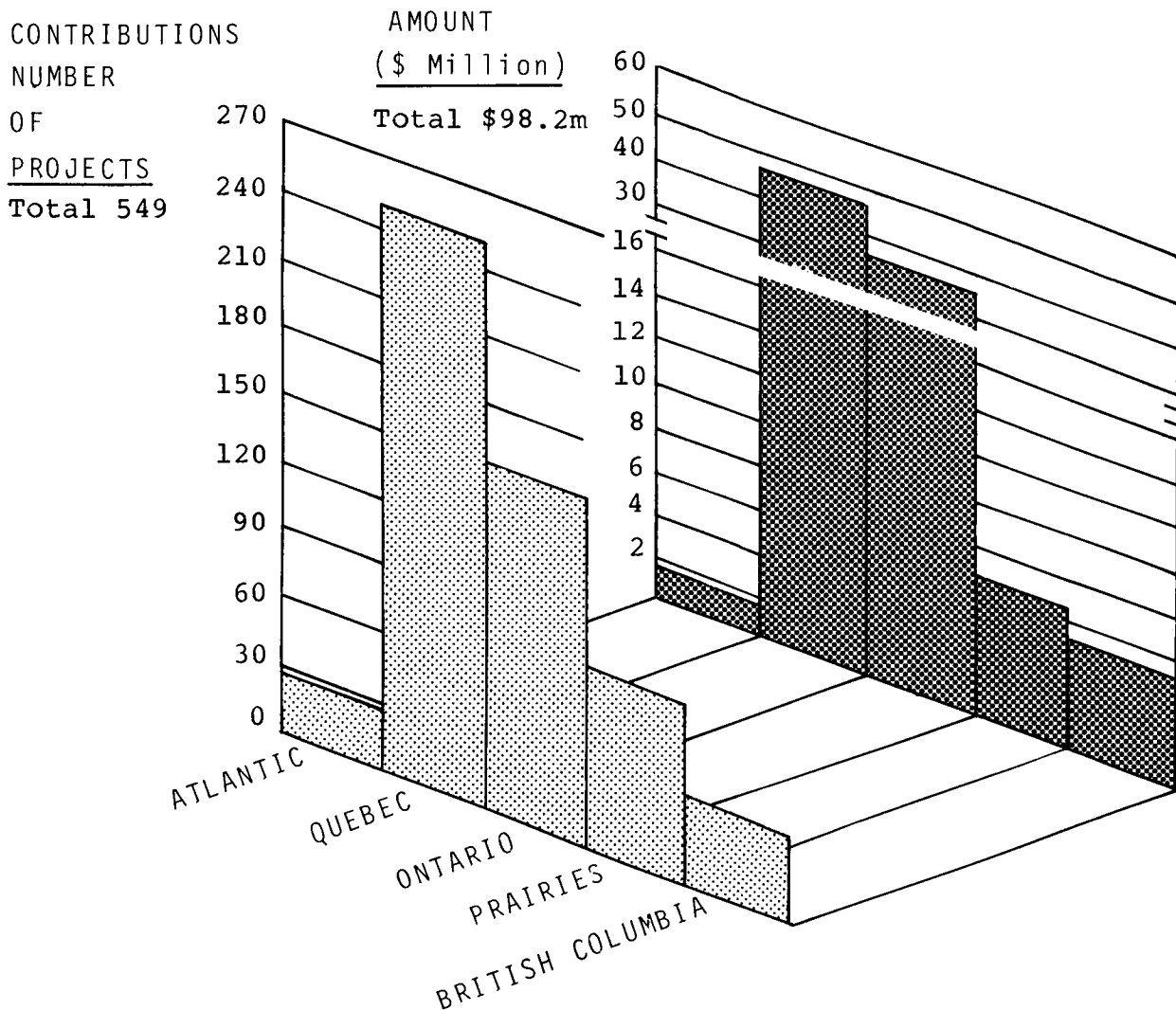
The Enterprise Development Program (EDP) provides assistance to manufacturing and processing firms to improve their viability and international competitiveness.

During 1980-81, 151 adjustment assistance loan guarantees valued at \$231 million were authorized. In addition, \$98.2 million in contributions were authorized towards the cost of 549 innovation and product development projects in such indus-

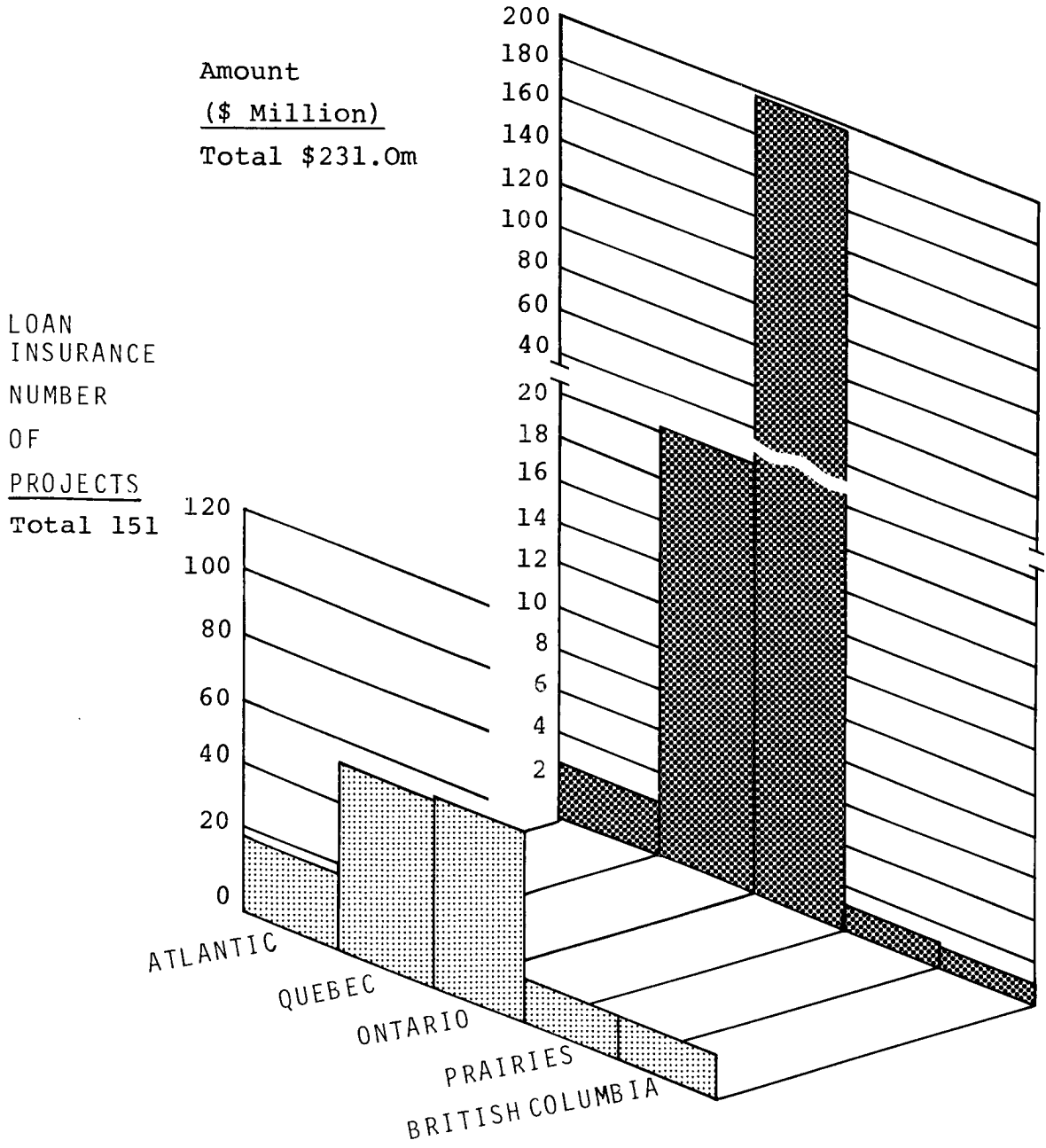
tries as machinery electronics, chemicals, ship components, automotive vehicles, building components and textiles.

Under the program, insurance of \$111.5 million was authorized for 142 loans made by private lenders to manufacturing firms. Because of the EDP loan insurance, it is estimated that approximately 4,700 jobs will be created or maintained during the next five years. Similarly, forecasts for the 549 projects receiving innovation assistance during the year are for sales of \$3 billion during the next five years and 8,700 jobs being created or maintained.

Expenditures Under the Enterprise Development Program, by Region 1980-81



Adjustment Assistance Loan Guarantees, by Region, 1980-81



Export Market Development Program

During the year, 3,412 applications were received for the Program for Export Market Development (PEMD). Approximately \$15 million was approved and \$9.04 million was paid out. This compares to the previous year when 3,397 applications were received, \$20.1 million was approved and \$9 million was paid out.

Companies reported export sales of \$400 million as a result of the program, bringing to \$4.6 billion the amount of exports generated

with PEMD assistance since the program was started in 1971.

PEMD helps develop and increase the export of Canadian goods and services by sharing with the business community the financial risks of entering new foreign markets. The program's eight sections cover specific project bidding, market identification, participation in trade fairs, incoming buyers, formation of export consortium, sustained export market development, export markets for agriculture, fisheries and food products and contributions to non-profit organizations.

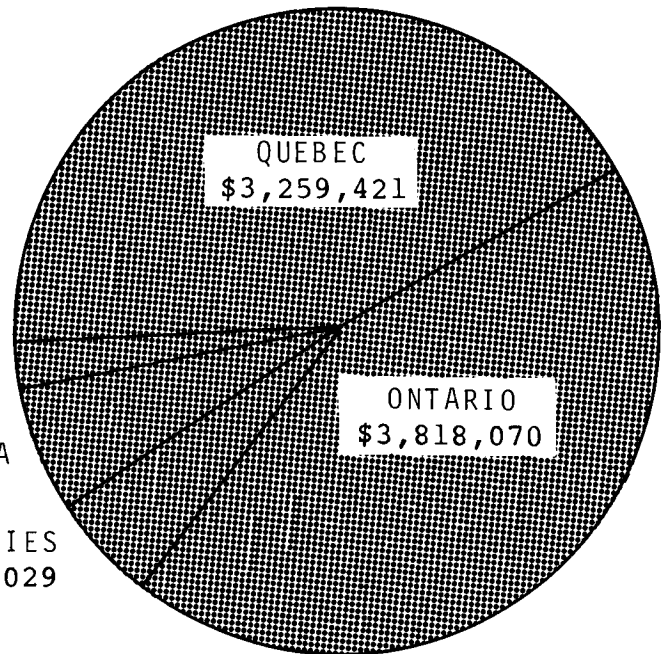
EXPENDITURES UNDER THE PROGRAM FOR EXPORT MARKET DEVELOPMENT FISCAL YEAR 1980-81

TOTAL \$9,044,032

ATLANTIC
\$428,201

BRITISH COLUMBIA
\$790,311

PRAIRIES
\$748,029

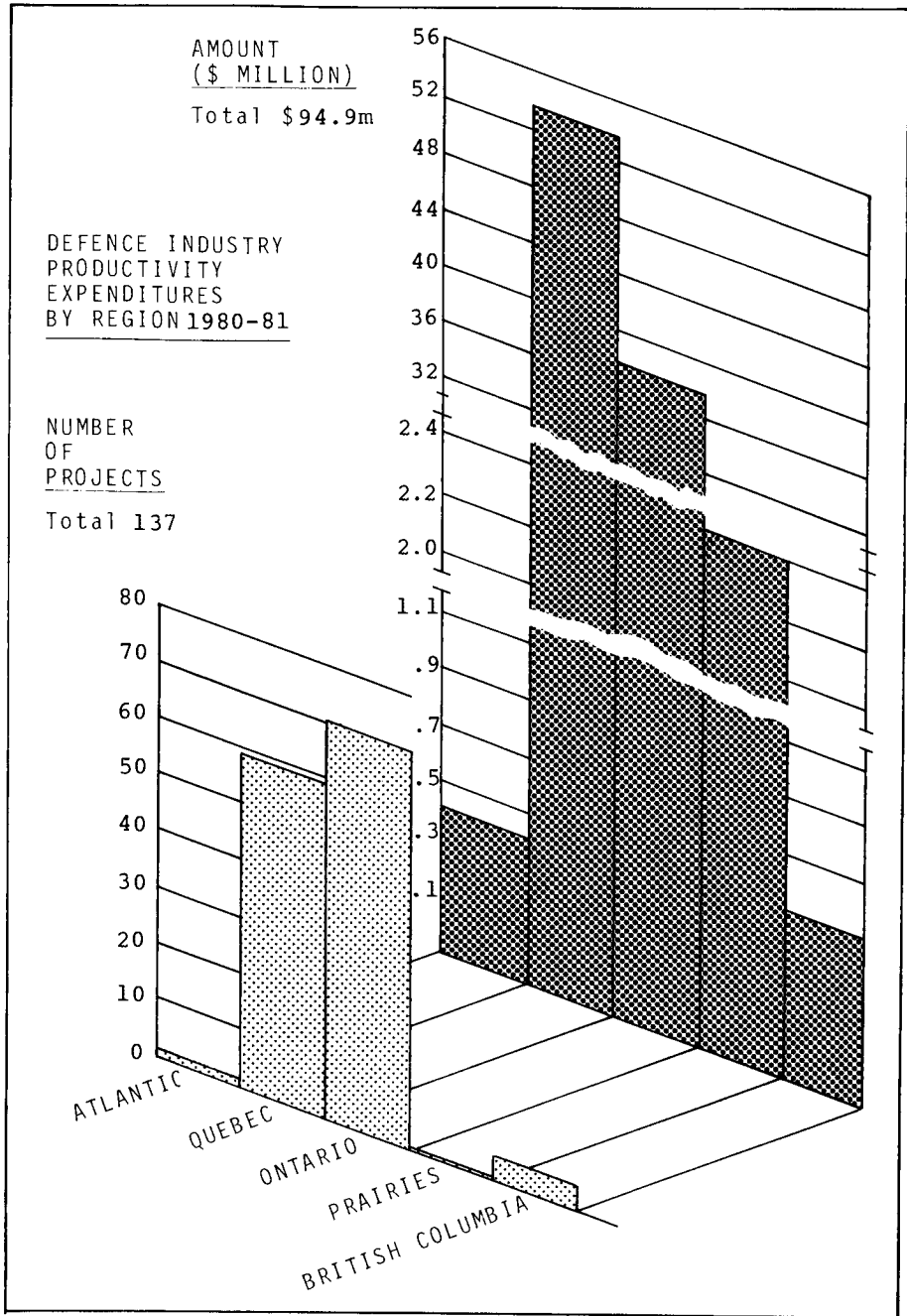


Defence Industry Productivity Program

A total of 49 projects, generating sales of \$840 million, were completed under the Defence Industry Productivity Program (DIPP) in 1980-81. In addition, 92 new projects were contracted and total program expenditures were \$94.9 million. Sixty-five per cent of the sales generated under the

program were in the defence export market, while 35 per cent were in related civilian exports.

DIPP helps develop and sustain the technological capability of the Canadian defence and related civilian industries. The program operates under international agreements for defence development and product sharing.



Industry Energy Research and Development Program

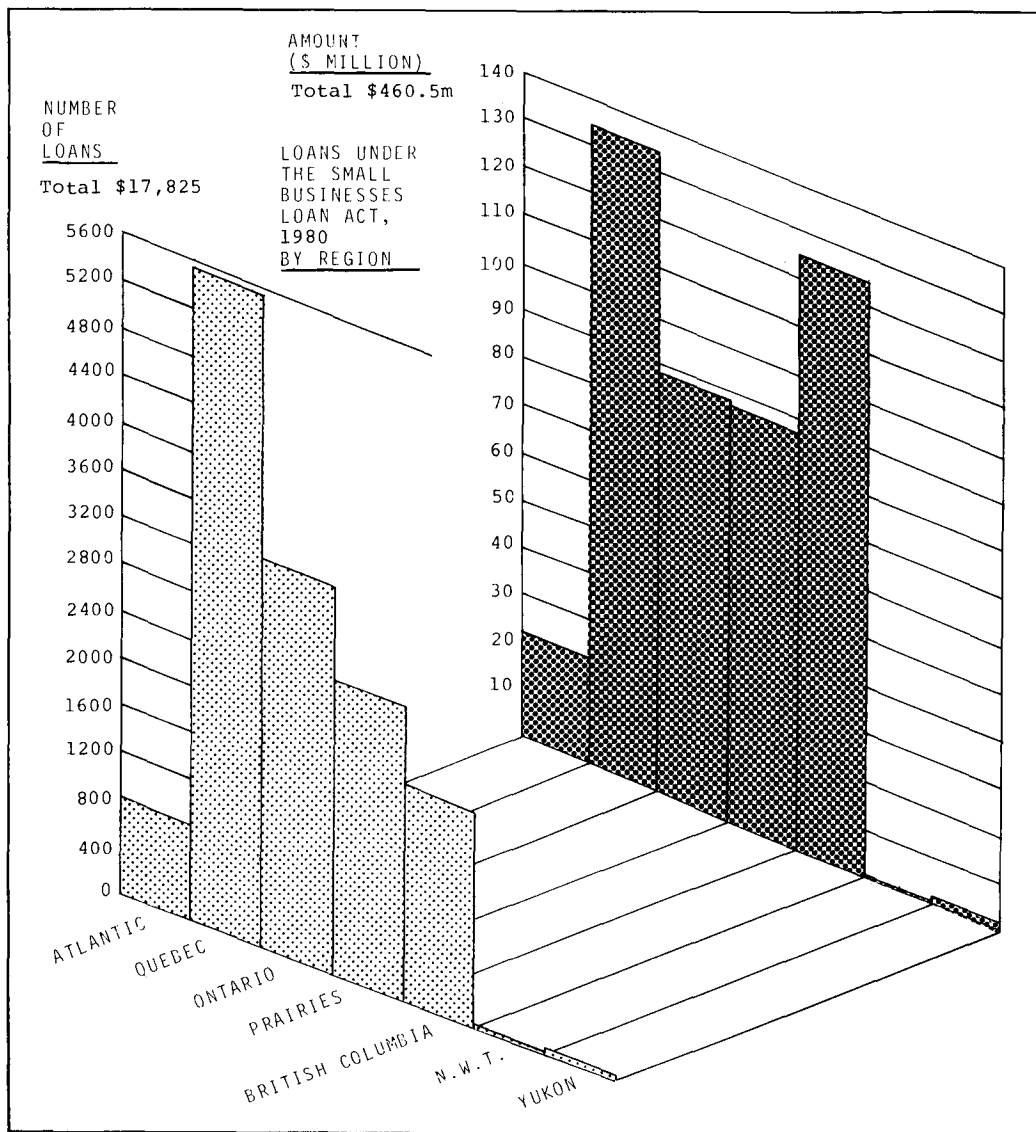
The Industry Energy Research and Development Program (IERD) assists Canadian industry with research and development of new and improved processes and equipment to reduce industrial energy consumption. The program also helps promote and market this technology.

Since its inception, 15 projects requiring total funding of \$3,074,500 have been approved. Of this amount, \$1,211,143 comprises actual expenditures to date and \$1,862,900 comprises commitments made to fiscal year 1983-84. In 1980-81, expenditures under the program were \$579,301.

Small Businesses Loans Act

During the year, 17,847 loans for \$461,488,477 were made under the Small Businesses Loans Act (SBLA), compared to 11,825 loans for \$284,852,265 during 1979-80.

The program encourages lenders in the private sector to make term loans available to small Canadian businesses for a wide variety of capital improvements. The loans, guaranteed by the federal government, bear maximum interest rates of bank prime plus one per cent. The maximum term is 10 years.



Productivity Improvement/Interfirm Comparisons

The Productivity Improvement Service, formed to assist Canadian industry in improving its competitiveness, undertook a variety of industry sector interfirm comparisons during the year, including portable appliances, aluminium windows and doors, wooden furniture, paint, coated fabrics, carpets and hosiery, steel fabricators and mechanical contractors.

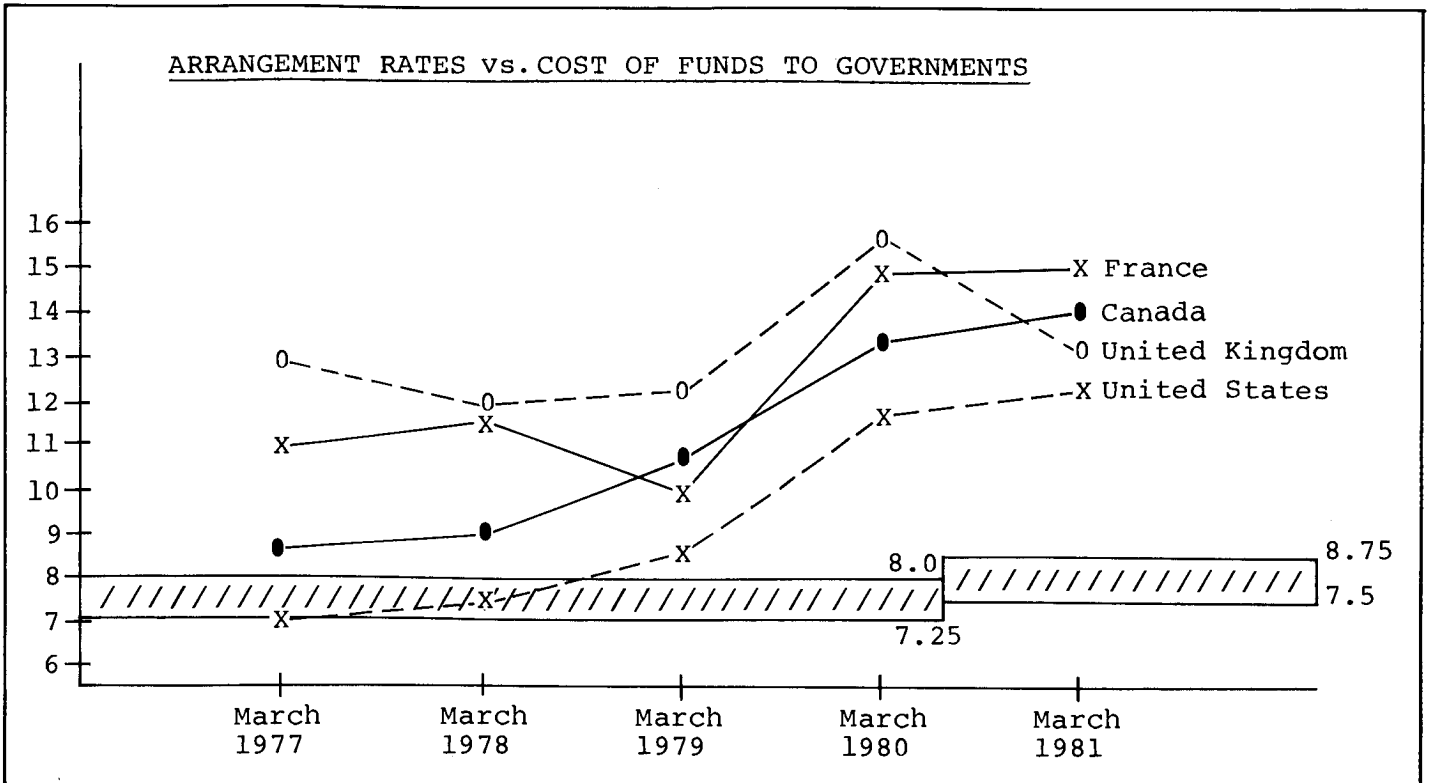
Some 200 firms participated in the course of the year, bringing the number of different firms that have benefited from the program to 700.

Financial Policy and Liaison

The branch studied financial institutions, markets and instruments involved in achieving departmental objectives. It advised the department on Crown corporations and other financial institutions, as well as on trends and activities in the financial sector.

During the year, considerable attention was directed to the financing of small and medium-sized businesses. Financial Policy and Liaison was the focal point for studies on the competitiveness of Canadian export financing, and represented the department in a series of international meetings on this subject.

Much activity focussed on negotiating changes within the OECD Arrangement on Officially Supported Export Credits. Also known as the Consensus, this involves established minimum interest rates that no longer reflect market conditions and have resulted in increasing levels of subsidization in export financing. International negotiations continued on reducing the level of official subsidy. The table illustrates the difference between the Arrangement rates and the cost of funds to various governments, as determined by yields of long-term government bonds.



Small Business

The Office for the Reduction of Paperburden closed down as scheduled in the "sunset legislation". It submitted further recommendations to Cabinet and turned some functions over to the Advocacy Office of the Small Business Secretariat.

The Advocacy Office, which maintains contact with the small business community, identified and monitored the major issues affecting small businesses and recommended policy changes.

The secretariat held meetings with associations such as the Canadian Federation of Independent Business, the Canadian Manufacturers Association, l'Association des Commissaires industriels du Québec, the Canadian Organization of Small Business, Chambers of Commerce, the Retail Council and others. Visitors were received from provincial governments and various countries such as Australia, Finland, the U.K. and Zimbabwe.

The Advocacy Office developed procedures for dealing satisfactorily with "last resort appeals" and information requests.

During the year, the Small Business Secretariat was involved in the development of national policies and programs which affect small businesses. For example, it helped bring about new tax measures and revisions which increased the maximum amount of loan guarantees under the Small Business Loans Act to \$100,000. The Small Business Development Bond was enacted February 26, 1981, retroactive to December 11, 1979. A further tax measure geared to help small businesses

makes salaries paid to a spouse by an unincorporated business tax-deductible.

Although the October, 1980, federal budget called for a nine per cent sales tax on advertising flyers and catalogues distributed as newspaper inserts, small community newspapers and independent printers lobbied successfully for changes. Now this tax is levied only if more than half the issues in the preceding three months contained more than 75 per cent advertising.

In cooperation with the "Groupe Contact" of Les Escoumins, Québec, the secretariat funded a study to determine how private intermediaries can help small business. The study evaluates the operations of the Groupe Contact over three years.

The secretariat continued its program of statistical research on small business, with work on unincorporated businesses, exports by small businesses and women owner/managers. As part of this, a contract was awarded to Queen's University to interview some 200 women business owners.

Links with the international small business community were developed through such mechanisms as the International Council for Small Business (ICSB) and the International Symposium for Small Business (ISSB). A group of government officials and small business owners attended the 1980 International Symposium for Small Business (ISSB) in Australia and the ICSB meeting in Vancouver. The secretariat participated in the deliberations of the OECD Ad Hoc Group on Innovation in Small and Medium Firms which will complete its work in May, 1981.

Arrangements progressed toward the 1981 International Symposium for Small Business to be held in Canada's capital, Ottawa, October 19 - 22. The symposium, to be opened by the Governor General and chaired by the Honourable Charles Lapointe, Minister of State for Small Business and Tourism, will have some 800 delegates from 66 countries. The theme of the Symposium is "Interaction" and ways will be examined which will provide small business growth and development through better interaction between small business, financial institutions, large enterprises, educational institutions, venture capital groups, labour, governments and others.

Financial Management & Services

Import Analysis Service

The Import Analysis Directorate continued to carry out import analysis based on access to detailed customs documents provided under special provisions of the Trade and Commerce Act. These analyses detail imports by size, type and end use and help industry, the provinces and ITC to identify specific development opportunities.

The reports provide data which enable industry, particularly the small and medium sized enterprises, to avoid establishing their own market research groups. Government departments use these data to help assess the effects of tariff policies and quotas and to negotiate new trading arrangements and support for industrial development initiatives of ITC and DREE.

A review of these reports indicated that over the past five years these studies have developed 5,585 new jobs in manufacturing with potential for 2,110 more jobs. This means that for every federal employee in the program, 350 jobs have been developed.

Business Opportunities Sourcing System

B.O.S.S., the joint federal-provincial program which helps identify Canadian companies as sources of supply, continued to expand its data base during 1980-81. Under the program, the provincial governments generally gather the information and the federal government enters it and maintains the file.

Information from the file is kept by the provincial governments, the federal Department of Industry, Trade and Commerce in Ottawa, its regional offices across Canada and its trade commissioner posts around the globe.

Canadian companies, governments and foreign organizations use the Business Opportunities Sourcing System to locate suppliers in Canada. For example, multi-national firms committed to offset arrangements on Canadian government contracts can use B.O.S.S. to help purchase a wide variety of products. Users also find B.O.S.S. helpful in investigation of new markets and to produce specialized directories.

Participation in B.O.S.S. is voluntary and without charge.

Corporate Systems

A computerized Import Commodity Analysis System was developed to identify for industry whether selected imported goods can be sourced competitively in Canada.

The department's International Trade Data Base System was expanded to process 15 requests a week -- up from five a week previously -- for trade data analyses, particularly in relation to Canada's trade position compared to other countries. No additional personnel was required to achieve this expanded service.

In addition, new computerized systems are being developed to improve the quality of information available in such areas as the Machinery Program, Aerospace Program, Package Tours and Tourism Resources. These new systems will be in operation during 1981-82.

The department spent \$4.2 million in 1980-81, up from \$3.6 million in 1979-80, to purchase data processing goods and services from the private sector. This is in line with government policy that electronic data processing services be purchased from the private sector except where it is in the public interest, or is more economical, to provide them internally.

Administrative Services

Administrative Services Branch continued to upgrade its communications capabilities and to implement general technological improvements throughout the branch.

This included:

- expansion of word processing centres throughout the department;
- introduction of a computerized reservations service and ticket

printing in Travel Arrangements;

- preparation and briefing sessions concerning the Access to Information and Privacy Act;
- a start on design of an automated records management system which should be completed during 1981-82;
- expansion of the micrographics;
- refinement of the correspondence control system implemented in the Minister's office and demonstration of it to other federal and provincial government departments and agencies;
- design of an electronic routing system for telegram messages.

Program Evaluation

The policy established by the department in 1978 to do comprehensive program evaluations of all its activities at least once every three to five years continued to be implemented in 1980-81.

Evaluations of the impact and effectiveness of three of the department's larger programs -- the Defence Industry Productivity Program (DIPP), the Program for Export Market Development (PEMD) and the Promotional Projects Program (PPP) -- were completed with results indicating measurable benefits having accrued from the assistance provided. Evaluation studies were initiated in two other areas of departmental activity -- the Small Businesses Loans Act (SBLA) and the Trade Commissioner Service (TCS).

In addition, the Program Evaluation Branch was involved in the preparation of evaluation plans and frameworks for a number of new departmental initiatives, as well as the existing Enterprise Development Program (EDP).

TRADE COMMISSIONER SERVICE & INTERNATIONAL MARKETING

Office of Overseas Projects

The Office of Overseas Projects, which helps Canadian companies seek contracts for capital projects abroad, concentrated its efforts on fully integrated projects in developing countries, OPEC countries, Eastern Europe and selected projects in developed countries. Projects valued at more than \$50 billion were identified, many of these in sectors where Canada has particular expertise and experience, including resource development, transportation and communications.

The office encouraged Canadian companies to form consortia to meet international competition, and provided assistance and advice in assembling competitive financing proposals.

The office, in conjunction with the Export Development Corporation and the Canadian International Development Agency, structured parallel financing arrangements which resulted in business being awarded to Canadian companies. Examples include the Bukit Asam project in Indonesia, where more than \$200 million worth of Canadian goods and services are being sold, and Phase III of the Mexico City Metro project, which has generated sales of more than \$150 million in Canadian goods and services.

The office's Cost Recoverable Technical Assistance (CRTA) program has resulted in Canada negotiating two airports and a prison complex valued at approximately \$300 million with the Government of Trinidad and Tobago.

Promotional Projects

More than \$8 million was spent during 1980-81 as the Promotional Projects Program promoted the sale of Canadian goods and services in international markets.

The program helped 931 companies take part in 66 trade exhibits. In addition, information booths were set up at 32 trade fairs. On-site Canadian sales from these initiatives were estimated at \$78 million while follow-up sales should reach \$655 million.

Approximately 320 Canadian business people participated in 44 ITC - sponsored trade missions to 42 countries. As well, 1,480 foreign businesspeople, government officials, buyers and trade delegates from 43 countries were brought to Canada.

International Marketing Policy Group

During 1980-81, the International Marketing Policy Group prepared a Canadian Export Strategy for the 1980's. The strategy established a policy direction for export marketing activities and included a detailed program of two to three year export market development plans for countries with high market potential for Canada.

The first such plan, which focused on Mexico, was discussed with representatives of provincial governments and the private sector. Further plans targeting on Latin America, the Pacific and Europe were under preparation at year-end.

Studies in export education, market intelligence, potential overseas capital project opportunities and export freedom were initiated. Work was begun in support of the new Export Trade Development Board.

Trade Commissioner Service & Canadian Regional Offices

The Trade Commissioner Service and Canadian Regional Offices operated 11 regional offices in Canada and 91 trade posts in 67 countries during 1980-81.

The 10 Business Information Centres, which are sources of information on business assistance programs of the federal and provincial governments, received 121,347 enquiries and 6,336 visitors during 1980-81.

The regional offices provided ready access to the department's trade and industrial development programs and served as a focal point for the department's relations with provincial governments.

The foreign posts impacted on trade relations, trade policy and export development. They identified export opportunities and helped Canadian firms make use of this information. These offices processed approximately 120,000 enquiries during the year, and assisted more than 26,000 visitors.

Defence Programs

The Defence Programs Branch coordinated industrial cooperation agreements with Canada's allies in the research, development and production of defence equipment. Meetings were held with Britain, the Federal Republic of Germany, Italy, the Netherlands, Norway and the United States. Increased emphasis was placed on the Canada/United States Defence Development and Defence Production Sharing Arrangements.

Defence cooperative efforts and programs identified as a result of those meetings related to high technology equipment and sub-assemblies in electronics, avionics, aerospace and land vehicles.

In addition, defence trade programs were developed with a number of friendly, non-NATO countries including Cameroon, Egypt, India, Indonesia, Malaysia, Morocco and South Korea.

Canadian defence export contracts amounted to \$855.2 million, while Canadian imports of defence equipment totalled \$533.5 million.

U.S.A. Market Development Bureau

The U.S.A. Market Development Bureau was formed in June, 1980, to continue the activities of Export Canada '79 and to act as a focal point for the department's marketing efforts in the United States.

The importance of Canada-U.S. trade was underlined by the record value of \$95.2 billion it reached in 1980. This comprised Canadian exports to the U.S. of \$46.8 billion and imports of \$48.4 billion. Canada's trade deficit was therefore \$1.6 billion.

One of the bureau's most important activities during the year was to increase the awareness of key private and public sector decision makers in the U.S. of Canada's role as the United States's most important trading partner and its potential as a source of high technology manufactured goods, as well as encouraging trade with and investment in Canada. To this end, the bureau organized a number of events, bringing together senior businesspeople and government officials from Canada and the U.S. These included seminars in Baltimore and Philadelphia, and conferences in Dallas, Minneapolis, St. Louis and Milwaukee.

The bureau also sponsored a number of regional trade promotion events to assist small and medium-sized Canadian companies to increase their penetration of the U.S. market. These included:

- an incoming furniture specifiers mission from Columbus, Ohio, organized in cooperation with the industry, the industry association and the Government of Québec, which produced direct sales of \$1 million and anticipated sales of between \$2 and \$10 million;
- gift/craft shows in New York and Boston, organized in cooperation with the respective provincial governments, which introduced 102 companies from the Atlantic provinces, Québec and Ontario to agents and buyers from the U.S.;
- an information booth at a building materials exhibition in Boston, in cooperation with the Ontario, Québec and Atlantic provincial governments, which verified the potential of the New England market for Canadian building products;
- an incoming mission of civic officials from Cleveland, Columbus and Pittsburgh to examine Canadian capability to provide building materials for urban renewal projects;
- participation by 25 Canadian companies in the Portland Solo Food Fair which confirmed a significant market for Canadian food products.

During the year, the bureau sponsored educational workshops to prepare exporters to penetrate the U.S. market for the first time or expand their sales activity there.

Besides these projects, the bureau coordinated visits by the Minister of State for Trade to Boston and Philadelphia where he met with senior businesspeople and public officials; helped in the selection of Canadian companies for other departmentally-sponsored trade events; ruled on applications for assistance under the Program for Export Market Development; and began work on development of a program to enable Canadian exporters to take advantage of new opportunities for selling to various levels of the U.S. government.

INTERNATIONAL TRADE RELATIONS

Office of General Relations

The successful conclusion of the Multilateral Trade Negotiations (MTN) in 1979 and their effective implementation during the past fiscal year mark a significant step toward liberalization of international trade. In addition to scheduled tariff cuts, the Agreements on Government Procurement and on Customs Valuation also came into force. Canada's implementation of the latter was deferred until January 1, 1985, so that the necessary changes can be made to domestic laws.

General Trade Policy

Canadian trade policies and reactions to major developments in international policy and practice were coordinated. This involved participation in trade activities of the GATT, OECD, UNCTAD and other international organizations. Activity included implementation of MTN results, north-south relations and federal-provincial trade policy consultations.

Canada participated in international policy discussions at both the general and specific levels. General issues included export financing, transportation, east-west commercial relations, competition policy and transfer of technology. Discussions were held on problems and developments in such sectors as motor vehicles, steel, ocean industries, urban mass transit equipment, energy and minerals.

Commodity Trade Policy

Canada participated in negotiating conferences to conclude new international agreements for tin, cocoa and jute, as well as in a series of preparatory meetings on tea, tung-

sten, tropical timber and hard fibres. Canada's participation in the existing international agreements on sugar, tin, cocoa and coffee fulfilled and protected Canada's consumer interests.

Agricultural concessions resulting from the MTN were implemented and the 1971 International Wheat Agreement was extended.

Office of Special Import Policy

Negotiation of restraint arrangements with major low-cost suppliers of textiles and clothing to the Canadian market continued in 1980. Currently there are 17 bilateral arrangements in effect which are due to expire at the end of 1981 (Singapore expires in June, 1982). In June, 1980, the Textile and Clothing Board made recommendations to the Minister concerning possible courses of action for the post-1981 period.

A National Chicken Marketing Agency was established and restrictions were imposed on imports of chicken. On October 1, 1980, a quota negotiated with the United States in 1979 was extended to cover breaded and battered chicken products.

In July, 1980, the quota on imports of injurious non-rubber footwear was extended for one year to allow the Anti-dumping Tribunal to determine whether these products would continue or threaten to injure the Canadian industry. The Tribunal submitted its report in February, 1981.

In keeping with the Government's decision to monitor grain sales to the Soviet Union, General Export Permit No. EX 2 was amended, requiring individual permits for exports of corn and rye to all countries on the Area Control List.

Cocoa beans and products were removed from the Import Control List following the expiry of the International Cocoa Agreement.

Iran was placed on the Area Control List and all shipments to Iran were controlled after the U.S. Embassy hostage incident in Tehran. Iran was removed from the list following the release of the Americans.

Specialty steel products were removed from the Export Control List.

European Bureau

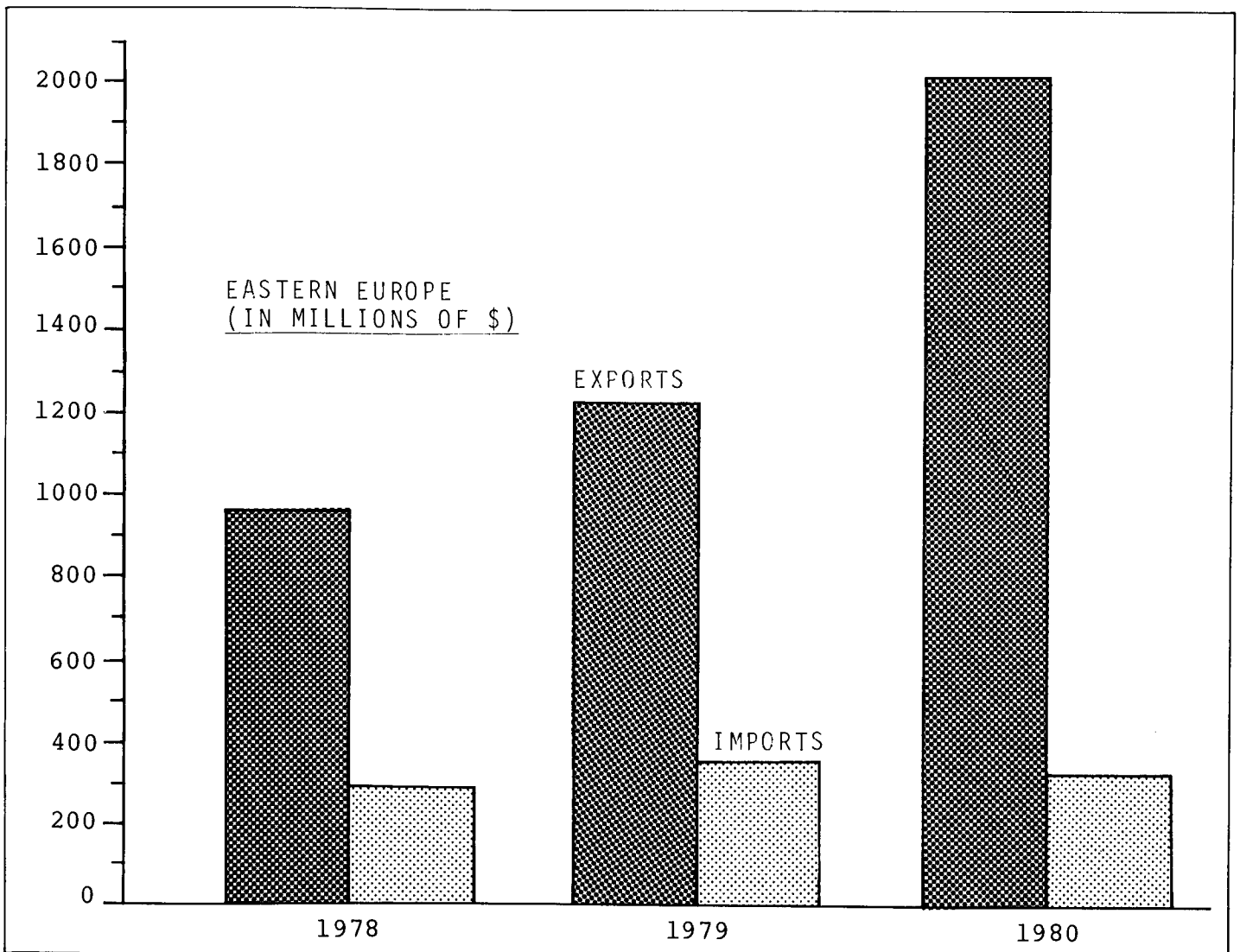
Eastern Europe

Canadian exports to Eastern Europe increased 56.7 per cent in 1980 to a record \$2.1 billion. Imports

fell moderately -- \$306 million from \$327 million -- leaving Canada with a trade surplus of \$1.8 billion.

Grain sales to Poland and the Soviet Union again dominated the activity as food, feed, beverages and tobacco generated 53.7 per cent of the total. The U.S.S.R. continued to be Canada's major trading partner in the region, absorbing 72.2 per cent of Canada's sales. Trade relations with the Soviet Union were, however, affected by the decision to limit political and economic relations as a result of the U.S.S.R. invasion of Afghanistan.

Bilateral trade consultations were held with Poland, Romania and Hungary.



The department sponsored information booths at trade fairs in Czechoslovakia, Poland, Yugoslavia, Hungary and the German Democratic Republic.

Trade missions to Canada included visits by the Romanian Secretary of State for Trade and the Hungarian Secretary of State for Heavy Industry.

Western Europe

Canadian exports to Western Europe rose 33.4 per cent to \$11 billion in 1980 and imports increased only 2.6 per cent to \$7 billion. Britain continued to be Canada's largest European market, accounting for 33.9 per cent of all exports to that region.

The European Economic Community (EEC), the world's largest trading entity and Canada's second-largest trading partner, absorbed \$9.4 billion of Canadian exports in 1980.

Canadian trade with other Western European countries continued to grow as exports rose from \$1.1 billion in 1979 to \$1.6 billion in

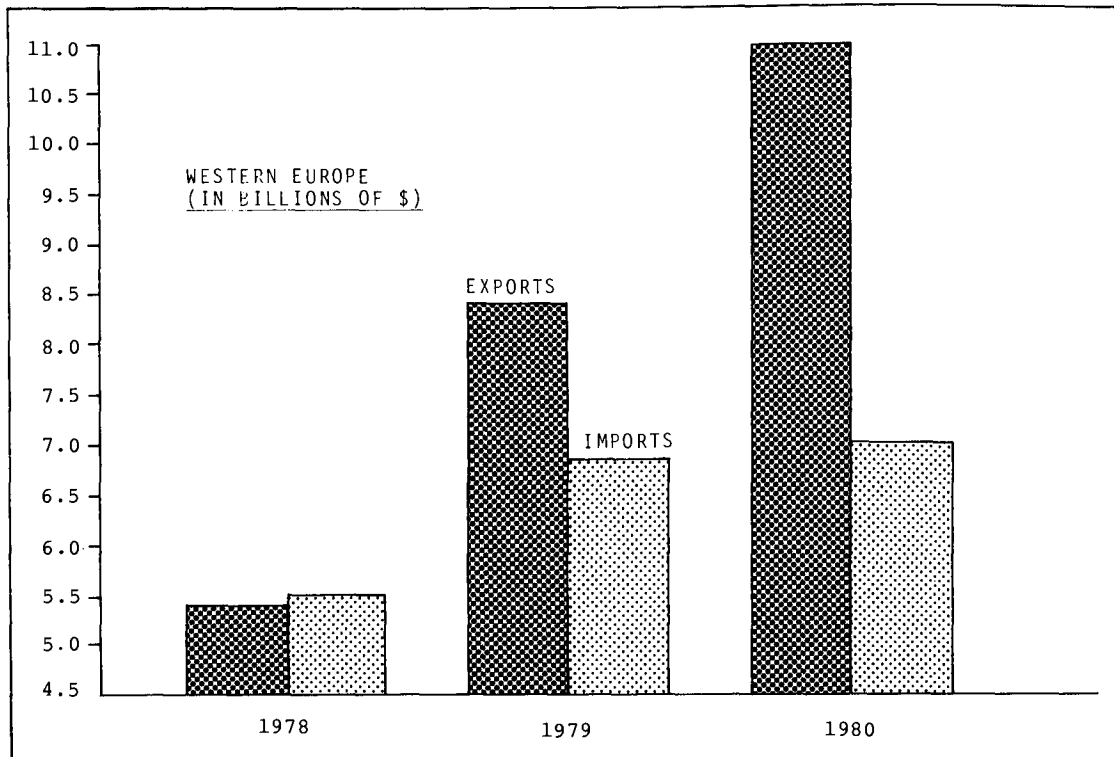
1980. Imports rose from \$1.2 billion to \$1.5 billion.

The department's initiatives toward development and maintenance of Canadian business links with the region concentrated in three broad areas: economic cooperation, market access and export promotion.

A range of economic cooperation activities continued under the Framework Agreement with the European Economic Community. Working groups of businesspeople and officials from Canada and the EEC explored possibilities for cooperation in specific industrial sectors, such as aerospace, peri-informatics and telecommunications.

Industrial cooperation activity continued between Canadian scientists and their counterparts from Sweden, Norway and Finland.

Market access discussions took place with the EEC on problems facing such specific Canadian exports as seed potatoes, newsprint, pork, timothy seed and steel products. Several matters affecting access of Canadian exports were raised with



the EEC and with individual countries concerning such products as cheese, high quality beef, feeder calves, synthetic textiles, seal-skins and fish.

Canada participated in 35 trade fairs in the area during the year and nine incoming and outgoing trade missions were arranged. This work represented some 36 per cent of the department's total promotional projects budget.

Meetings were held with the EEC, separate members of the EEC and other countries. Semi-annual consultations with the EEC Commission in Brussels and Ottawa and the Canada/U.K. Continuing Committee were held again. The Canada/France Economic Committee met in Paris and economic consultation was also held with the Federal Republic of Germany.

Bureau of Asian and Pacific Affairs

Asia

Led by sales to China, Korea, India, Indonesia and Singapore, Canadian exports to Asia reached \$3.1 billion in 1980, a 50 per cent increase over 1979. Imports from the region increased five per cent to \$2.2 billion.

China continued to be Canada's largest market in Asia, representing sales of \$866 million. Korea, with purchases of \$504 million, was second followed by India with \$348 million. The main exports continued to be grains, metals, forest products and fertilizers. However, exports of manufactured products increased, notably to Korea and the ASEAN countries.

The Minister of State for Trade visited China, India, Hong Kong and the five ASEAN countries during the year. While there, he co-chaired the Seventh Meeting of the Canada/China Joint Trade Committee in

China with the Chinese Minister of Foreign Trade.

Canada was host to prominent officials from Asia, including the Vice Premier of China, the Indonesian Minister of State for Research and Technology, the Philippine's Deputy Minister of Energy and Singapore's Minister of Communications.

The bureau helped organize a Canada/Korea Business Council, bringing together businesspeople from both countries to improve understanding, foster closer relationships and increase trade. The Council's first meeting is to be held in Korea in September, 1981.

Pacific

Canadian exports to the Pacific showed a marked increase to \$5.2 billion in 1980-81 as compared to \$4.7 billion in 1979-80. This 11 per cent increase was overshadowed by imports which went up by 25 per cent to \$3.5 billion. However, a significant trade surplus remained in Canada's favour.

Increased automobile sales were largely responsible for the rise in imports from Japan. However, Japan remained Canada's largest market in the region and second only to the United States on the global scene.

The late Prime Minister of Japan, Mr. Ohira visited Ottawa in May, 1980, and Canada's Minister of Industry, Trade and Commerce visited Japan to meet government leaders. His visit was returned in January, 1981, by Japan's Minister of International Trade and Industry.

The Canada/Japan Joint Economic Committee held its third meeting in Banff and the two governments agreed to create a Working Group on Resource Processing. The first meeting took place in Tokyo in March.

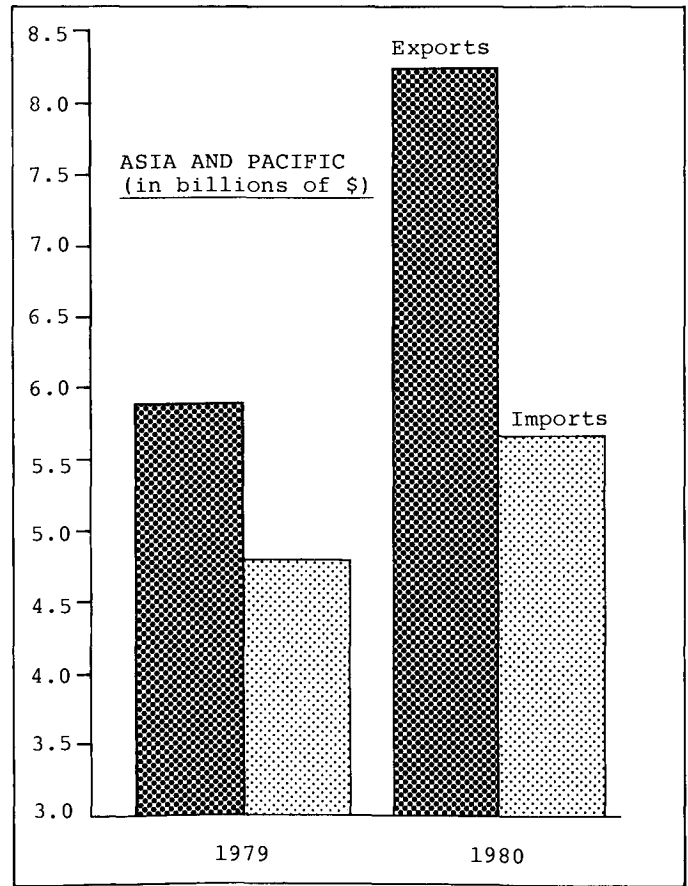
The Canadian Trade Centre in Tokyo mounted 10 shows during the year. The 81 Canadian companies which participated represented a wide range of manufacturing and high technology capabilities. Sales from the exhibits were estimated at \$20 million.

Australia continued to be Canada's fourth largest market for finished products. During the year, its Canadian purchases of manufactured goods represented one third of total imports from Canada.

In 1980, Canada-New Zealand two-way trade exceeded \$250 million. Canadian companies have recently undertaken projects in the forestry, hydro-electric and petrochemical sectors. Significant project opportunities still remain for Canadian exporters.

The Minister of State for Trade headed a delegation of 32 Canadian businesspeople to Australia and New Zealand to confirm Canadian interest in developing closer commercial ties through joint ventures and investment flows. During the mission, the Minister signed double taxation agreements with both countries and extended an Export Development Corporation revolving line of credit to the Australian Industry Development Corporation.

A November Pacific Rim Opportunities Conference, held in Vancouver under the sponsorship of the Minister of State for Trade, attracted 250 private sector leaders as well as representatives of the federal and provincial governments. The conference dealt with Canada's trade and business links with the Pacific Rim.



Bureau of African and Middle Eastern Affairs

Africa

Canadian exports to Africa reached almost \$1.3 billion in 1980, up 46 per cent from 1979. Exports to Africa now account for 16 per cent of non-U.S. destined Canadian exports, and continue to grow at a greater rate than exports to all other markets. Algeria represented the largest market, absorbing \$393 million in Canadian exports. Imports were \$529 million.

The first meeting of the Algeria/Canada Joint Economic Commission was held in Ottawa in March, 1981.

In 1980-81, the Prime Minister promoted trade during visits to Egypt, Nigeria and Senegal. The Minister of State for Trade led a mission to Egypt in February, 1981, and the Minister of State for Small Business and Tourism visited Cameroon and Gabon with a group of businesspeople in June, 1980.

A large number of missions from African countries, led by Ministers or senior officials, visited Canada for trade discussions with government and industry. Of particular importance were visits by the Algerian Minister of Trade in March, 1981, the Zimbabwean Minister of Planning in January, 1980, and a 30-member delegation of the Nigerian Chamber of Commerce in August, 1980.

The department participated in international trade fairs in Algeria, Morocco and Senegal in 1980-81.

Commercial Divisions were opened in the Canadian Embassies in Yaounde (Cameroon) and Salisbury (Zimbabwe) in August, 1980.

The Middle East

Significant expansion in trade promotion activity by the department, in cooperation with private industry, provincial governments and trade associations, resulted in exports to the Middle East of \$1.35 billion in 1980-81, a major increase over the previous year.

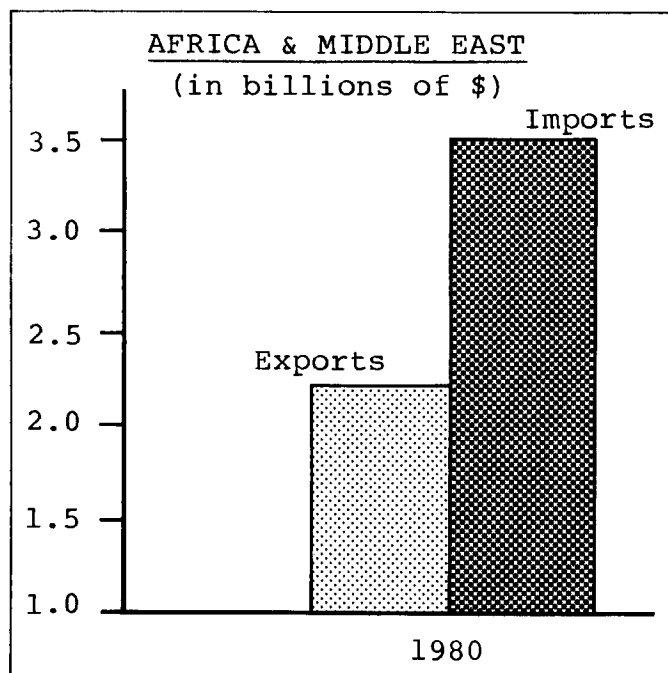
The largest market for Canadian exports in the region was Saudi Arabia (\$580 million), followed by Iraq (\$295 million). Overall imports rose to \$3 billion, principally in oil.

The third meeting of the Canada/Saudi Arabia Joint Trade and Economic Committee was held in Ottawa in June, 1980. Discussions on trade and economic relations between the two countries were highlighted by the October visit to Canada of Prince Nawaf of Saudi Arabia, and the Prime Minister's trip to Saudi Arabia and Yemen in November.

The department opened the Canadian Pavillion at the Baghdad International Fair despite the outbreak of war between Iran and Iraq. As a result, major contracts were secured for automobiles, telecommunications equipment and pipe.

Canadian export opportunities to Iran were seriously affected by the Canadian embargo on exports to that country.

The department worked with the Department of Agriculture and provincial governments in launching a series of successful marketing missions throughout the Middle East.



Western Hemisphere Bureau

United States

Two-way trade between Canada and the United States totalled an estimated \$95.2 billion in 1980. Bilateral trade in the first quarter of 1981 continued to set record levels in value terms.

In 1980, exports were \$46.8 billion and imports were \$48.4 billion. The balance of payments deficit on current account was \$8.25 billion, compared with \$7.64 billion in 1979.

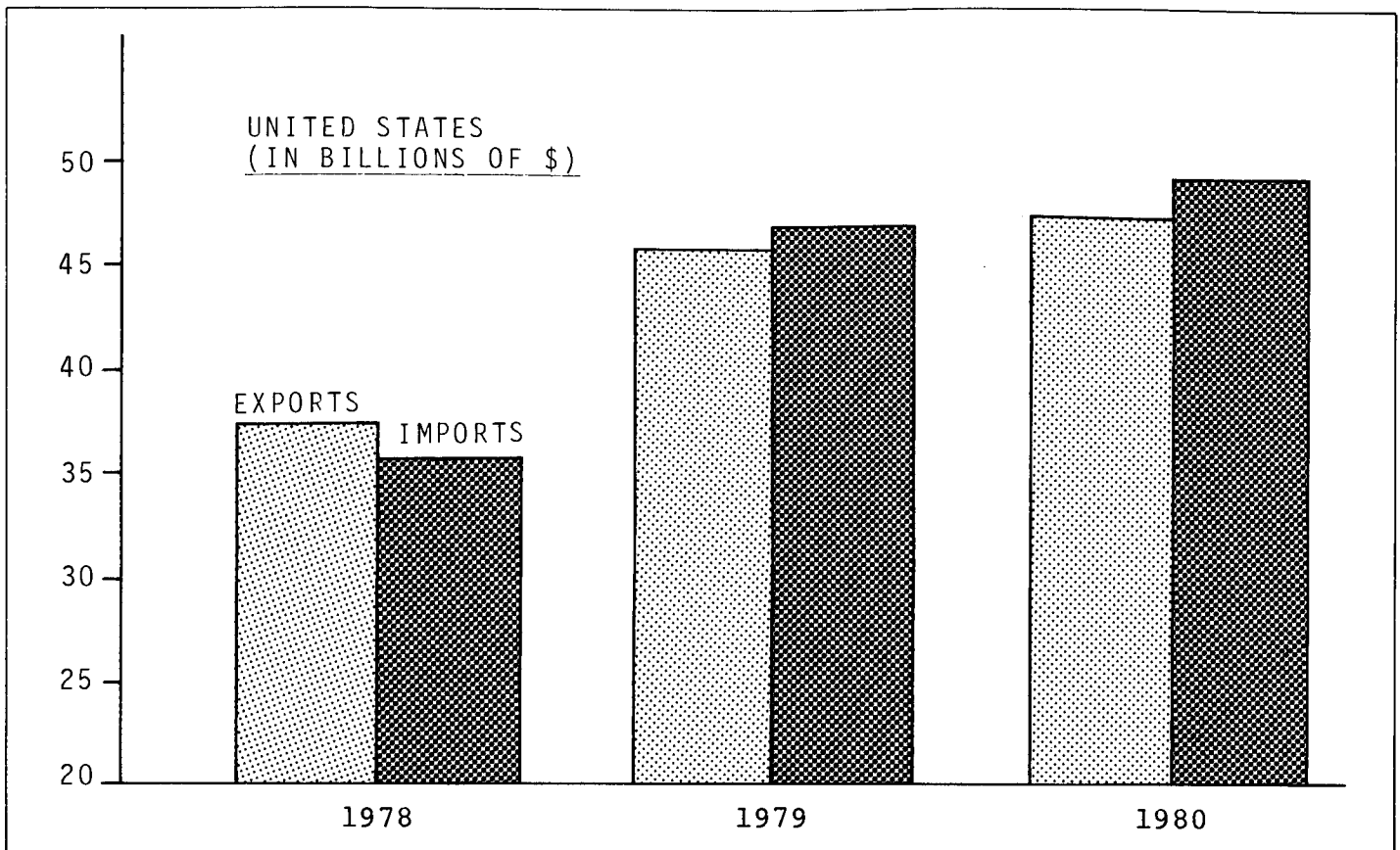
On January 1, 1981, the second of eight annual reductions in customs duties on most U.S. tariff items -- as negotiated in the GATT Tokyo Round -- were implemented and the new GATT Code on Government Procurement came into effect.

During the year, the U.S. granted Canada an exemption on tax laws

covering attendance by American citizens at conventions outside of the U.S. This is expected to have a positive effect on the Canadian convention industry.

New or expanded "Buy American" legislation at both the federal and state levels continued to seriously concern Canadian exporters, particularly in the steel and steel products sector. This sector was also affected by the re-introduction of "trigger prices" for imports of carbon steels and inclusion of specialty steel imports on a monitoring system. Both measures are related to possible initiation of anti-dumping investigations.

The U.S. Division continued to provide Canadian exporters with information and assistance on U.S. marketing. Tariff classification rulings were obtained from U.S. Customs and advice provided on labelling, food and drug and other non-tariff regulations.



Latin America and the Caribbean

A surge of growth and development in the South America, Central America and Caribbean areas led to expanded Canadian business and activity in this region.

With major markets in Brazil, Venezuela, Mexico and Cuba, exports reached \$3.8 billion -- 32 per cent more than the total in 1979. Some 40 per cent of the sales in the region were of fully manufactured goods.

In the past year, Canadian embassies in the region handled 4,700 visits by businesspeople, which was 18 per cent of all such visits to Canada's posts abroad. In addition, the offices responded to more than 22,000 enquiries from Canadian businesspeople.

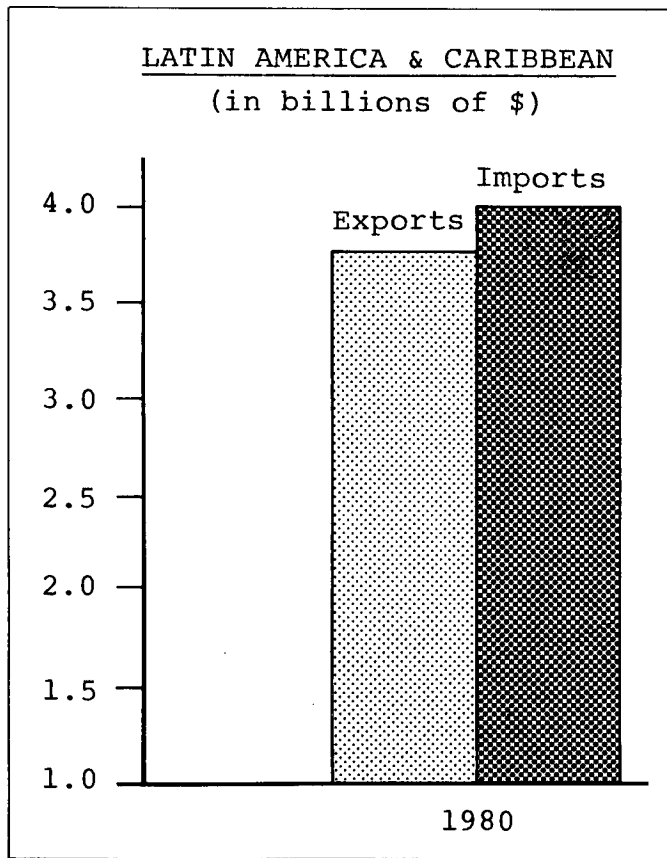
The department sponsored 27 trade missions, brought in nine groups of buyers and participated in eight trade fairs. Among these projects were: trade missions led by the Minister of State for Trade to Mexico, Paraguay, Argentina, Peru, Chile and Ecuador; visits to Canada by Trade and Economic Ministers from Mexico, Peru, Ecuador, Argentina, Cuba, Costa Rica, Nicaragua, Panama, Honduras and Guyana; the Latin America Oil Show, Rio de Janeiro; the Venezuela Solo Medical Show, Caracas; and incoming missions from Brazil, Trinidad and Tobago and Argentina to the Calgary Oil Show.

The department, together with EDC, provided marketing and financial support which helped Canadian companies obtain major contracts for projects which should yield more than \$1 billion in Canadian exports over the next few years. These contracts cover a wide range of goods and services in such fields as transportation, urban develop-

ment, power, mining, forestry, pulp and paper, communications and education.

During the year, there was considerable trade relations activity with a view to improving the environment for trade. Examples of these initiatives are: the signing of a Commercial Economic and Industrial Cooperation Agreement with Argentina; signing of an Industrial and Energy Cooperation Agreement and an Agriculture Commodity Purchase Agreement with Mexico; participation in the Canada/CARICOM Ad Hoc Working Group on Industrial Cooperation meeting in Barbados; participation in the Joint Ministerial Economic Committee Meeting in Mexico; a meeting of the Canada/Cuba Joint Committee on Economic Trade Relations in Ottawa; and participation in the Canada/CARICOM Joint Trade and Economic Committee in Jamaica.

The department continued to support the activities of the Canadian Association-Latin America and the Caribbean (CALA) and the Brazil/Canada Chamber of Commerce. This included: CALA VIII, Toronto, when the Minister of State for Trade met with Ministers from Costa Rica, Honduras, Guyana, Panama and Nicaragua; a meeting between CALA and the Caribbean Association of Industry and Commerce in Jamaica; a co-sponsored symposium on Canada's Nuclear Power Technology in Mexico City; CALA/Cuba Roundtable discussions in Toronto and Montreal on business opportunities in Cuba; and the CALA-sponsored Bilateral Businessmen's Committees with Mexico and Chile.



INDUSTRY AND COMMERCE DEVELOPMENT

Agriculture, Fisheries and Food Products

Agriculture Products

Incoming technical seed potato missions were sponsored from Venezuela, Brazil and Tunisia to support the export marketing efforts of Canadian seed potato shippers and Potatoes Canada, the Canadian seed potato export agency. Departmental personnel also participated in a mission led by the Premier of New Brunswick to promote Canadian seed potatoes in Brazil.

Two official Chinese delegations concerned with livestock production and rangeland improvement visited Canada to familiarize themselves with seed stock and technology available. China is a market for forage seed as well as beef cattle breeding stock and semen. Departmental personnel accompanied the Chinese missions.

A tour was organized for a delegation from the Japan Feed Council to meet Canadian feed grains, oilseeds and dehydrated alfalfa producers, processors and exporters and to visit research, storage and export shipping facilities.

Departmental personnel helped to organize Canadian participation in Les Florales Internationales de Montréal.

A world pulses market survey was published and distributed to the Canadian pulse crop industry. A Canadian display featuring pulse crops was organized in the Algiers Trade Fair.

During the year, buyers were sponsored from several countries, including Romania (forage and oilseeds) and Venezuela (pulse crops and popcorn).

Two additional working papers, on Agricultural Export Assistance Programs and Breeding Swine and Semen, were completed for the Export Trade Promotion Committee. Meetings were held with provincial government officials on these studies and action plans were prepared.

Livestock, Meat and Dairy Products

Promotion of cattle, swine, semen and embryos continued throughout the year. Exhibits were held in the Salon International de l'Agriculture, Paris, the Royal Highland Show, Edinburgh, and the Royal Easter Show, Sydney. Special exhibits were undertaken in the Porto Algere Show, Brazil, the Palermo Show, Buenos Aires, and OMEK (Hungarian Agriculture Exposition) in Budapest.

Trade missions were brought to Canada from the United Kingdom, Korea, the People's Republic of China, Bulgaria and Malaysia. The Malaysian mission was devoted solely to swine and swine production as a follow-up to the previous year's swine mission to South East Asia.

The department has encouraged increased Canadian participation in tendering for high quality beef for Japan. It has also sought improved access to the high quality beef quota of the EEC.

As a result of departmental efforts, the industry made major sales of pork to Europe. Sluic-gate pricing levels presented problems in the EEC and sales were curtailed for the last half of the year.

The department sponsored an incoming Italian pork buyers mission. A pork mission to Panama, Venezuela and the Dominican Republic demonstrated the potential for sales in these markets.

Canadian raw furs were promoted by participation in international fur fairs in Frankfurt, New York and Madrid.

Grocery Products

A trade mission visited the Middle East in December, 1980, to survey the food market potential in Saudi Arabia, United Arab Emirates, Kuwait and Egypt. In March, 1981, a study mission to the Far East and Australia exposed opportunities for Canadian processed fruit and vegetable products. An industrial co-operation mission, composed of a branch official and executives from seven companies, visited France to exchange information and discuss licensing arrangements.

Following the successful participation of Canadian companies at the Salon Internationale de l'Alimentation (S.I.A.L.) food show in Paris, November 17 - 22, 1980, recruitment for ANUGA '81, to be held in Cologne, the Federal Republic of Germany, October, 1981, produced 32 companies. Other companies are on a waiting list.

During the year several promotions were held in the United States, including solo food and beverage fairs in San Francisco, Buffalo, Cleveland, Minneapolis and Portland, and retail in-store promotions in Cleveland and Minneapolis. There was also participation in the Washington State Food Dealer's Convention and the Canadian Seafood, Food and Beverage Expo.

The branch was represented at all the meetings concerning International Commodity Agreements (cocoa, sugar and coffee). The International Cocoa Agreement of 1975 lapsed and a new agreement was reached, but not ratified, in October, 1980.

Fisheries & Fish Products

The department helped finance the North Atlantic Seafood Association's promotion of groundfish consumption in North America.

Thirty-two companies from Canada, including 21 fishing companies, participated at the S.I.A.L. food show in Paris. Onsite sales were more than \$7 million. Potential resulting sales for the following year were estimated at \$150 million.

Programs

Financial assistance was provided for a large number of sector-specific initiatives under the various sections of the Program for Export Market Development (PEMD). These ranged from market identification, trade fair and incoming buyer projects to more specialized activities available under PEMD "R", a section of the program established specifically to address the specialized export constraints and opportunities facing the agricultural, fisheries and food products sector. Activities under PEMD "R" covered: a training program for foreign buyers of Canadian agricultural products; assistance for the certification of Canadian seed varieties in overseas markets; and bid preparation for a large scale Chinese agricultural project.

Industrial development needs of the sector have been pursued under the Enterprise Development Program (EDP). Approved projects have ranged from the development of a process for the production of single cell protein from waste cellulosic material to the expansion of a fish processing plant with a unique North American product capability.

The branch also assisted non-departmental programs, including the New Crop Development Fund and the Unsolicited Proposals Program.

Chemicals

The chemicals and related products sector covered by the branch was responsible for shipments of \$17 billion in 1980, and employed 150,000 persons in more than 3,000 establishments. The sector is in a position to overcome its traditional trade deficit position, with current export and import levels close to \$5 billion each. This represents a dramatic reversal of a trend toward larger deficits in chemical trade during the last decade.

Health Care Products

Arrangements were completed for a manufacturing opportunity show on medical equipment and suppliers to be held in Winnipeg in April, 1981, as part of a major federal-provincial initiative to secure a greater share of the domestic market. In 1980, domestic production from the sector supplied about 25 per cent of the \$1.2 billion domestic market.

During the year, the branch organized participation in the International Medical Salon in Algiers and Medica 80 in Duesseldorf. As well, the branch sponsored incoming buyers from Venezuela and senior executives of an American hospital management firm. Both groups visited Canadian companies to assess domestic manufacturing capabilities.

Coincident with Medica 80, an industrial cooperation mission of 11 companies and the Canadian

Association of Manufacturers of Medical Devices visited German government agencies and interested firms concerning possible joint ventures, technology transfer and licensing agreements.

In March, 1981, a mission was mounted to four south-east Asian countries in support of export activity of the Canadian biological industry. Discussions were held to establish Canadian capability to participate in joint ventures and licensing arrangements for vaccine concentrate manufacturing facilities.

The branch also considered various policy options which addressed issues raised in the Health Care Products study published the previous year.

Plastics & Chemical Specialties

Exports in the plastics processing industry increased by almost 15 per cent in 1980 as compared to the previous year.

The branch participated on a number of committees of the Society of the Plastics Industry of Canada (SPIC), addressing issues such as improved management information, industry competitiveness and export promotion.

A study on the feasibility of establishing a Plastics Institute was completed in 1980, and an industry group is now preparing a proposal which outlines options for forming such an institute.

In cooperation with SPIC, an export seminar entitled "The U.S. Market" was arranged for plastics processors. In addition, the department sponsored selected buyers from the

U.S. to attend the annual plastics show in Toronto and to meet with domestic plastics processors interested in exporting. A selling mission in March, 1981, introduced eight Canadian processors without previous export experience to the Philadelphia regional market.

In November, 1980, the branch led an industrial cooperation mission to Italy and the Federal Republic of Germany. This included attendance at Plast 80 in Milan, which acquainted Canadian plastics processors with the latest European technology for plastic building components.

Work was advanced on a study of the pesticides industry in Canada, with completion of the report expected in the next fiscal year.

Industrial Chemicals

A major focus during the year concerned a review of the petrochemical sector and of the federal government's petrochemical policy. A survey of the supply-demand outlook for major components of the petrochemical industry was also conducted.

The branch participated in meetings of the Canada/Japan Joint Economic Committee (J.E.C.) to discuss petrochemicals and represented Canada at the assembly of the International Rubber Study Group in Kuala Lumpur, Malaysia.

In anticipation of government measures addressed to the acid rain problem, the branch initiated work on how industry can use the additional quantities of SO₂ expected to become available.

The branch continued its development of computer simulation techniques to measure the impact of po-

licy proposals on the industry's international competitiveness.

Electrical and Electronics

Policy & Strategy Development

An electrical industry strategy paper, "Towards the Electrical Economy", was released and consultations were held with provincial and private industry representatives. Work was begun on an electronics industry strategy paper to be released next year.

The "Office of the Future" concept received attention through the \$12 million Office Communications System project of ITC and the Department of Communications (DOC). Further development of the major projects and microelectronics support elements of the Special Electronics Fund was undertaken.

Microelectronics & Instrumentation

Under the \$30 million major projects section of the Special Electronics Fund, activity continued on the \$21 million project with Mitel Corporation. A new allocation was made for a \$7 million project with Sentrol Systems Inc. Activity continued in the implementation of the \$20 million Microelectronics Support Program and initial applications from industry were received and evaluated. Selection of universities for regional microelectronics centres of excellence was also pursued.

The sector profile of the instrumentation industry was distributed to approximately 300 companies. The profile consisted of studies on industrial process control, building automation, medical electronics, scientific and laboratory instruments, test and measuring equipment, remote sensing and mea-

suring equipment, remote sensing and environmental instrumentation and geological, geophysical and geotechnical apparatus.

Information Processing & Technology

The department concentrated its efforts in providing product development and export market development funds to small firms and in using government procurement as a means of obtaining product mandates from multinationals.

Market promotion activities included participation in several European trade fairs and a computer technology mission to the Far East.

A detailed report on the computer industry was prepared and several measures are being explored to reverse the negative trends in the trade deficit.

Consumer Products

The Television Duty Remission Program, administered by the department and instrumental in a successful restructuring and diversification of the industry, ends December 31, 1981. A new remission and tariff program for the next five years is being formulated in consultation with the industry.

Telecommunications

Telidon was promoted aggressively in international markets, where strong competition from the U.K. (Prestel system) and France (Antiope system) is being experienced.

Canada remained active in the space market in 1980-81, with firms pursuing contracts in Australia, Brazil, the Middle East, Europe, the U.S. and elsewhere. A full review of the Government's involvement in these activities was undertaken during the year by an interdepartmental task force.

During the year, DIPP provided support to telecommunications product development in space and related terrestrial communications, while EDP projects supported various developments in digital microwave, satellite TDMA, mobile radio telephone systems and digital broadcast studio switches. The Telecommunications Division provided marketing support to firms engaged in major telecommunications export projects in Australia, Peru, Mexico, Central America and the Middle East.

Avionics and Defence Electronics

Projects for development of high technology production and modernization of production facilities were supported by the reopened and expanded DIP program. Total DIPP spending was \$46.5 million, of which \$31.7 million was for the Cruise Missile Project. This was a major support project for second source production of inertial navigation units for the U.S. Cruise Missile program. The potential benefits to Canada are very large, and the project results to date have verified original expectations.

Ten companies participated in the Military Electronics Defence Expo in Wiesbaden, the Federal Republic of Germany in October, 1980. Government, procurement, military and industry representatives from over 70 countries took part. The Canadian stand was supported by the Defence Programs Branch with the assistance of the Electrical and Electronics Branch.

Increases in industrial benefits and procurement review activities continued during 1980-81, and are expected to grow dramatically in the future. The division was involved in 38 Procurement Review Committees and four major Crown projects. These were the CP-140 Aurora, CF-18 Hornet, the Canadian

Patrol Frigate and the Radar Modernization Program.

Textiles and Consumer Products

Textiles

Significant gains in production were achieved by many textile sub-sectors during 1980. The industry benefitted from the level of the Canadian dollar and restraints on selected import products. However, recessionary conditions did affect double-knit fabrics, velour produced on single-knit machines, woollen fabrics, man-made lining fabrics, glove fabrics, corduroy fabrics, footwear and upholstery fabrics and carpets.

New capital expenditures in 1980 amounted to \$162.9 million, compared to \$127.5 million the previous year. Expenditures for modernization represented 89 per cent of total investments.

The staff of the Textiles Division participated extensively in the development of a sector policy and assistance program for the textile and clothing industries in the 1980s.

Imports decreased by five per cent in 1980 as compared to 1979. Canadian export activity remained strong throughout the year, as exports reached \$423 million, an increase of 26.4 per cent. Canadian textile shows abroad have contributed to the success of the industry in Europe, Japan and Central America.

Clothing

Domestic shipments of clothing products increased 4.7 per cent in dollar value during 1980, but in real terms output declined. Imports shared the downtrend, dropping 2.3 per cent in dollar terms and more than 15 per cent in units.

Exports increased by 21.2 per cent in comparison with 1979, to \$230.2 million.

During the year, the division developed a sector policy to encourage the industry to continue to modernize, restructure and improve efficiency in response to external and domestic economic forces.

The department provided 13 companies with guaranteed loan assistance totalling \$3,552,500. In addition, approval was given for grants of \$63,255 for two productivity feasibility studies, and of \$231,619 for seven innovation projects.

With financial support from the department, Canadian apparel was displayed at eight promotional trade shows. The highlights were:

- on-site sales of \$5.5 million of fur garments in New York City;
- active sportswear sales of \$2.81 million in Munich and Las Vegas;
- ITC involvement brought 208 buyers to the Canadian Outerwear Fashion Fair in Winnipeg, generating on-site sales of \$1.8 million;
- similar support brought 130 buyers from the U.S., the U.K. and Europe to the Children's Apparel Manufacturer's Association Show, producing on-site sales of \$1.1 million.

The department extended its financial support of the productivity program in Manitoba for three years. Similar programs are being developed in Ontario and Québec.

Fashion Office

The department applied the Canada Employment and Immigration Commission's Summer Youth Employment Pro-

gram to provide 78 students of fashion design with practical work experience in the summer months. This provided training and employment opportunities to the students, and introduced 65 clothing manufacturers to the talent becoming available in Canada.

The Fashion Design Assistance Program again supported a showcase of Canadian designer fashion for men, women and children. The Trend Show was extended to Winnipeg in conjunction with the Canadian Outerwear Fashion Fair.

The third issue of the magazine "Canadian Fashion-Mode", supported by the department, was distributed outside Canada, producing direct contact with manufacturers and visits by overseas buyers.

Footwear and Leather

The value of shipments in the footwear industry increased by eight per cent in 1980 to \$712 million as compared to 1979. However, output declined 11 per cent from 47.8 million pairs in 1979 to 42.3 million pairs in 1980. Per capita consumption declined from 3.26 pairs to 3.19 pairs.

The industry's exports increased eight per cent from \$61 million to \$66 million in 1980. The volume of exports rose three per cent to 4.2 million pairs as the industry, with branch assistance, continued its drive to obtain additional business abroad. Ice skates and other specialty footwear were the most popular lines.

The dramatic surge in leather prices experienced in 1979 abated in early 1980, and the leather price index eventually fell 21 per cent from its 1979 peak. As a result, the wholesale price index increased by only nine per cent in

1980 over 1979, compared to an increase of 18 per cent in 1979 over 1978.

The global quota on leather and vinyl footwear imports was extended on November 30, 1981, while the Anti-Dumping Tribunal investigated the situation. The Tribunal report, issued in February, 1981, concluded that while the Canadian industry's ability to compete with imports from developed and state trading countries is adequate, it will be seriously injured in the absence of special measures of protection from imports from low wage countries such as Taiwan, Hong Kong, Brazil, South Korea and India.

The Footwear and Tanning Industries Adjustment Program, introduced in 1974 to assist the industry to increase its competitiveness, expired on March 31, 1981. During the term of the program, 59 cases were approved for operational audit assistance grants and 35 cases were supported by grants for restructuring and consulting. Grants approved under the program totalled \$3.7 million, and 14 loans totalling more than \$15.5 million were approved. The program is being reviewed by the department.

The Footwear and Leather Institute of Canada, which operates with departmental support, is being strengthened by new membership and by the enlarged scope of services offered to the industry.

Furniture

The department continued to emphasize the development of export markets as a means of improving the furniture industry's performance.

The business furniture sector held six shows in U.S. cities and sponsored two incoming missions of

U.S.-based architectural specifiers, environmental space planners and interior designers.

Twelve residential furniture manufacturers are exhibiting at the Southern Furniture Market in North Carolina. At the same time, the rapid growth in imports of furniture experienced in recent years has subsided to less than five per cent per year.

Total furniture shipments exceeded \$2 billion in 1980, a 10 per cent increase over the previous year. Assistance provided under the Enterprise Development Program has enabled many firms to undertake restructuring and productivity improvement projects.

Musical Instruments

Nine manufacturers of musical instruments, accessories and related sound equipment participated for the first time with the department at Musikmesse, an international trade fair in Frankfurt, West Germany. On-site sales amounted to \$790,000 and follow-up business is expected to exceed \$4 million.

Leisure Industries

The leisure industries sector continued to enjoy good market conditions during 1980, with shipments reaching an estimated \$7.5 billion, an increase of close to 20 per cent over 1979. Exports increased by 27 per cent to almost \$450 million. Shipments to the U.S., the largest export market, grew by about 25 per cent while exports to the EEC increased by more than 40 per cent.

Major departmental activities included the organization of an export seminar tailored to the needs of jewellery producers; participation in 10 international trade fairs and solo shows in the U.S.,

the U.K., France, the Federal Republic of Germany, Italy, Australia and Japan; and the organization of three incoming buyers missions.

Transportation Industries

Aerospace directorate

The directorate sponsored major new ventures such as the DASH-8 turbo-prop commuter aircraft, the PT-7 engine, a further phase of advanced development with the Augmentor Wing Program and enlargement of the Computer Aided Design/Computer Aided Manufacturing capability.

Monitoring activities continued for established projects such as the Challenger, the DASH-7, engineered products and military reconnaissance drone systems.

Negotiations continued under GATT to expand the freedom from duties afforded aircraft and engine parts in overseas markets under the terms of the Agreement on Trade in Civil Aircraft.

Management and audit intensified of established industrial benefit packages (offsets) negotiated as part of major contracts. These included the CP-140 Aurora LRPA, the NATO AWACS and the CF-18 NFA.

The directorate maintained responsibility for Crown-owned Canadair and de Havilland.

The aerospace sector expanded during the year, with sales at record levels and employment at a decade-high. The industry is predominantly export-oriented and made major contributions to Canada's balance of trade in manufactured goods.

Ships & Components

The value of the shipbuilding order book reached a record high in 1980,

with deliveries scheduled to 1984, although the orders are not evenly distributed. On applications received after July 1, 1980, construction subsidies under the Shipbuilding Industry Assistance Program reverted to nine per cent, as the temporary rate of 20 per cent was not extended.

Ship repairs and conversions, valued at \$207 million, were 14 per cent higher than in 1979. Foreign vessel repairs accounted for 19 per cent of the total, reflecting improvement in the industry's competitive position. The department continued to assist in the upgrading of dry docks and other facilities.

Automotive

General

The automotive industry in Canada is predominantly oriented to supplying the U.S. market. There was a marked increase in U.S. consumer preference for offshore vehicles, primarily Japanese, resulting in a significant reduction in automotive production in Canada compared with the previous period.

While the domestic market declined in 1980-81 as compared to the previous year, the penetration of imports into Canada did not. In fact, imports showed a marked increase in the percentage of the Canadian market they controlled.

The department continued to work with vehicle manufacturers to induce incremental investment and additional sourcing in Canada.

Parts

The trend to the world car and to worldwide sourcing of components has required the Canadian parts industry to become more prominent

in world markets. The department took an active role by organizing missions to various countries and by sponsoring exhibitions. In addition, substantial effort was devoted to the Japanese market to encourage both purchases from and investment in Canada. The department also worked closely with vehicle manufacturers to increase Canadian sourcing of auto parts.

A major study was initiated to obtain a better understanding of the size of the Canadian after-market and of the relevant issues.

The department worked closely with all parts manufacturers to increase R&D, investment and production.

Ocean Industries

The requirement for Canadian ocean industry companies to export in order to secure adequate markets was reflected in national stands at the Offshore Technology Exhibit at Houston, at Europec and at the Canada Trade Centre in Japan. A mission to Australia confirmed market potential in that area.

Strong interest continued in ocean technology development and improved equipment performance in offshore exploration and surveying. A number of development proposals submitted by companies are being analyzed to determine if cost-shared support can be offered by the department.

The division worked very closely with the recently established Canadian Ocean Industries Association.

Exploration for oil and gas in the Beaufort Sea and offshore Atlantic regions continued to yield positive results, reinforcing the expectation that activity in the ocean industries sector which supplies the necessary equipment and services will continue its rapid growth.

Rail

The Railway Systems Division assisted industry in the development of new technology and equipment to improve railway efficiency and productivity. Shared-cost research and development projects supported under the Enterprise Development Program include:

- the development of a high-speed ballast regulator by Bert Pyke Ltd. The prototype unit is currently undergoing field testing on CN track and series production will commence in the fall.
- the development by Canron Inc. of a high-speed tamper capable of increasing tamping productivity by a factor of four. The prototype is currently undergoing field testing. It is anticipated that this new equipment will have annual sales of approximately \$2 million.
- the development by Bert Pyke Ltd. of an 18-ton hydraulic crane for railway use. This unit satisfies a domestic requirement and replaces imports. Four units have been sold to date.
- the development of an advanced technology diesel electric freight locomotive by the Rail and Diesel Products Division of Bombardier Inc. This locomotive, specifically designed for the Canadian environment, will be capable of performing 40 per cent more work than currently available locomotives. The Enterprise Development Program will contribute 50 per cent of the \$54 million project cost.

The department maintained its membership in the Pan American Railway Congress Association (PARCA) and

supported the creation of the Canadian Railway and Transit Manufacturers Association (CRTMA). The Association has since established industry positions regarding tariffs, R&D requirements and the domestic market.

Office of Service Industries

Construction & Consulting Services

The Construction Division continued to direct its efforts towards furthering productivity and improving international marketing of the construction and renewable energy industries.

Highlights included:

- preparation of guidelines for implementing procurement review of federal government construction projects. This program seeks maximum participation for Canadian firms in these projects.
- completion of a preliminary profile on the organization and activities of Canadian real estate developers in Canada and the U.S.
- providing a departmental focal point for activities concerning renewable energy systems, including representation on several interdepartmental committees. The division assisted in the organization of the International Symposium of Solar Energy Utilization and participated in the annual meetings of the Solar Energy Society of Canada Inc. and the Canadian Solar Industries Association. A "Blueprint for Solar Energy Exports" involving selected markets in the Caribbean and the U.S. was completed in cooperation with the Solar Industries Association.

- investigation of market opportunities in Zimbabwe and organization of a construction/mining/engineering mission to that country in September. The industry and government of Zimbabwe responded with missions to Canada in November, 1980, and January, 1981.

- investigation of market opportunities for prefabricated building manufacturers to provide relief to earthquake victims in Algeria and Italy. These efforts resulted in \$100 million of exports.

- support of the ongoing export efforts of Canadian contractors in developing countries, resulting in some \$300 million in overseas contracts.

- establishment of the Canadian Construction Management Development Institute to provide a national focus for coordination of construction management training and development by determining common industry needs, promoting the benefits derived from improved management capability and developing appropriate national accreditation programs.

The Consulting Services Division promoted Canadian consultants in the international market. Domestic issues affecting the industry were also addressed.

The division participated in the annual meetings of several associations, including the Association of Consulting Engineers of Canada, the Royal Architectural Institute of Canada (RAIC) and the first annual meeting of the Association of Architects in Private Practice in Québec. During the year, five meetings of the Association of Consulting Engineers/the Department of Industry, Trade and Commerce Liaison Committee were held, implementing a broad program of work, including the commissioning of an up-

date of the 1979 study of consulting engineering in Canada.

The division assisted in the formation of liaison committees with the RAIC and the Canadian Consulting Agrologist's Association. In cooperation with the Department of Fisheries and Oceans (DFO) and the Canadian Hydrographic Service, the division helped industry form the Canadian Association of Hydrographic and Ocean Surveying Industries (CAHOSI).

A number of meetings of the Computer Aided Design (CAD) Review Committee were held. The committee's report includes a series of recommendations regarding the future of the Public Works Canada-Computer Aided Design Centre and CAD development in Canada.

A consultative committee on the Canadian consulting engineering industry was established by the Minister of Industry, Trade and Commerce. The committee is comprised of 15 senior executives from industry and observers from each of the provinces. It will review the current status of the industry, assess its potential in Canada's economy and the constraints it might face in realizing this potential, and report to the Minister on possible future courses of action.

The Minister of State for Trade chaired a conference in Ottawa to discuss the potential for exports of Canadian manufactured goods arising from overseas contracts obtained by Canadian consulting engineers.

The division participated in an incoming Belgian engineering mission to discuss third country cooperation; a fact finding mission to Latin America to explore market opportunities for consulting engineers and aerial surveyors; and a fact finding mission to ASEAN

countries to explore market opportunities for consulting firms.

During the year, the division had a heavy commitment to exports through sourcing requests and PEMD. Seventy international consulting contract successes, some of which received PEMD assistance, were reported.

The Advisory Committee on Industrial Benefits from Natural Resource Development held several meetings during the year, with operational staff drawn from the Capital Projects Division. There has been a significant increase in domestic involvement in the supply of equipment and services to Canadian resource development projects.

The division also provided the secretariat for the Major Projects Task Force established in 1978. This Task Force consists of some 35 representatives from the business community and an equal number from labour. Most of the provincial governments have appointed an observer. The Task Force's work has been virtually completed, and its final report will be submitted in June, 1981.

The Capital Projects Division was responsible for implementing the department's strategy for obtaining the greatest benefits for Canadian industry from domestic projects. Discussions were held with resource development firms sponsoring major projects to ensure that these projects provide Canadian-based industry with opportunities to participate and contribute to the development of independent, ongoing firms in the manufacturing and service industry.

Distribution Services

The Wholesale and Retail Division continued to develop data on the structure and performance of the distributive trades.

Productivity was identified as an area of considerable interest and a new approach and methodology was developed to solve deficiencies in the existing measurement system.

Data deficiencies were identified as a problem and several studies were conducted to collect information. The division assisted associations to run their surveys, with the department obtaining access to the resulting data.

Two studies were put in place to examine expansion of export activity. One pursued exporting by wholesalers to wholesalers, while the second focused on buying groups exporting to buying groups.

An assessment of the level of management expertise possessed by the sector was obtained, together with departmental programs designed to cope with this problem in other sectors.

The division provided liaison with the cooperative movement in Canada and extensive consultation took place with this segment of the trade sector.

A sector profile on the distributive trades was completed and will be used as the working document for the Consultative Committee on the Distributive Trades in 1981-82.

The division ensured that the role of the distributive trades is taken into account in the government policy formulation process. This involved the proposed legislation for the transportation of dangerous goods, proposed changes to the excise tax act, the textile and clothing review and policy formulation process and the Anti-dumping Tribunal review of footwear.

Merchandising Services

Considerable interest was focused on the trading house sector during

the year, with the formation of the Parliamentary Committee on a National Trading Corporation.

The division's research indicated the need to increase awareness of the advantages of using trading houses for export. Accordingly, a Directory of Canadian Trading Houses was developed for use by manufacturers and the department; a series of articles was published on the trading house concept; the first in a series of seminars on "How to Use a Trading House" was co-sponsored with the Canadian Manufacturers' Association; and the first trade mission for trading houses only was organized for March, 1981.

A trade mission to Trinidad, Colombia, Ecuador and Peru resulted in a number of immediate contracts for Canadian products. The six trading houses have submitted tenders on large contracts, and further export efforts are planned.

The division completed a study of the automotive aftermarket to be incorporated into the study currently underway in the Transportation Industries Branch.

The division also continued its seminar program on franchising. Seminars on how to successfully develop franchise systems and how to buy a franchise were held in several cities in conjunction with provincial governments, Boards of Trade/Chambers of Commerce, Le Conseil Québécois du Commerce de Détail and the Association of Canadian Franchisors.

More than 3,000 franchise information kits were distributed in 1980-81.

The statistical study of franchising being done by Statistics Canada entered its final stages during the year. Preliminary re-

sults indicate annual Canadian sales in excess of \$15 billion for franchise systems, and strong upward growth trends. More than 500 franchise systems operate upwards of 21,000 business units in Canada.

A trade mission of nine Canadian franchise firms went to Japan in February, 1981, and met with 300 Japanese businesspeople at the Canada Trade Centre in Tokyo. The nine firms included a tool manufacturer/distributor, a dairy/convenience store system and a roller skating rink franchise system. Negotiations with interested Japanese firms are now underway in an effort to add to the three Canadian franchise systems now operating in Japan.

A consulting/planning system for establishing buying groups was developed by the division.

Maritime Transport Services

The branch participated in the UNCTAD Committee on Shipping, concerning UNCTAD initiatives affecting Canadian trade which include the imposition of cargo sharing in bulk and liner trades, phasing out of flags of convenience and the modernization of marine insurance contracts. Other issues included arctic shipping, merchant marine policy, bilateral shipping relations, cost recovery, shipping legislation, regulation of shipping conferences and requirements for transport infrastructures.

The branch consulted with individual shippers, shipping companies and industry associations in contributing to policy deliberations from the point of view of transport users. Assistance was provided to such transport service industries as the marine insurance industry and to Canadian shipping companies establishing services to Latin America.

Air Transportation Services

The branch continued to represent business travellers', shippers' and the tourism industry's interests in air policy issues. These included STOL services between Montreal, Ottawa and Toronto; domestic air carrier policy; Canada/U.K. and Canada/U.S. air services negotiations; competition policy; and energy policies affecting air services.

The C.T.C. review of regulations governing the use of corporate aircraft was monitored in anticipation of further activity.

The branch's study on the potential for a Canada-Colombia/Venezuela air service was distributed to the two international carriers for review. Contributions were made to the review of the International Civil Aviation Policy.

During the year, assistance was provided to livestock shippers in an attempt to resolve problems in shipping livestock by air. Trade by air statistics were developed and new business opportunities for Canadian carriers were identified.

Traffic Services

Canadian manufacturers and government departments were advised on the shipment of a wide range of commodities to domestic and international markets. Information was provided on the availability of highway, rail and ocean transport services, transport routings and distribution cost factors.

Transportation costs and services from points in Canada to Europe, the U.S. and South America were analyzed to assist lumber shippers and other manufacturers to assess export markets.

The branch helped form Canadian acts covering the transportation of

dangerous goods and the implementation of the Container Safety Convention. It is also involved in the current assessment of whether Canada should become a party to the Multimodal Transport Convention. Other transport policy issues included Canadian and U.S. implementation of the GATT customs valuation code and Crow's Nest rates.

The branch promoted distribution productivity through its work on the Economic Commission for Europe's (ECE) Automation of Trade Documentation, and was responsible for establishing an industry consensus on a pallet size standard to simplify Canada's physical distribution system and transport packaging.

COSTPRO

The Canadian Organization for the Simplification of Trade Procedures (Costpro) is a non-profit corporation which endeavours to facilitate trade through simplifying procedures and documentation. The Costpro Secretariat is a division of the Transportation Services Branch.

During the year, Costpro:

- produced voluntary standards for devices to perform documentation electronically and to communicate trade data electronically;
- developed a standard plastic overlay technique which will make the Canadian Trade Document Alignment System available to businesses of all sizes at a low cost;
- presented briefs for regulatory reform, the simplification of import procedures, trade facilitation at the ECE meetings and a study of administrative barriers on transportation;
- provided special services to its members to help them develop their trade documentation systems.

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 machinery production, allows duty remissions to machinery users in various industries on imported capital equipment not available from Canadian production.

During the year, the program received 36,000 applications covering \$4.3 billion in imports. Remission of duty was granted on equipment not available from Canadian producers, resulting in savings of \$325 million for Canadian industry.

Assistance pertaining to new manufacturing capabilities, installations of integrated production lines and automotive export orders contributed to additional Canadian production of \$1 billion and an estimated 14,300 jobs.

The program assisted 39 companies to begin production on 32 new products to replace imports. This represents \$110 million in production and close to 1,100 new jobs. New equipment includes industrial cleaning machines, metalworking machines, pulp and paper processing machines and food processing equipment.

The branch maintained detailed information on the production capabilities of more than 1,800 Canadian machinery producers to ensure that they were afforded the duty protection provided.

During the year, branch activities included:

- assessment of 15 new projects under the Enterprise Development Program (EDP) and 19 new proposals for R & D under the Unsolicited Proposals of the DSS Procurement System;

- initial review of 78 new enquiries under departmental programs and assistance to regional offices on more than 60 EDP projects;

- advisory services to the Interdepartmental Committee on the Defence Industry Productivity Program (DIPP) and the Shipbuilding Industry Performance Improvement Assistance Program (SIPIAP) involving the technical assessment of 100 projects;

During the year, the branch undertook a variety of industrial development initiatives aimed at increasing the range and volume of machinery manufactured in Canada. These included:

- approval and implementation of a duty remission program for front end wheel loaders resulting in a projected \$160 million increase in production. Direct new employment is projected at 800, with new employment in auxiliary manufacturing industries expected to be 400.

- assistance for the establishment of licensing agreements with foreign manufacturers of products such as heat treatment furnaces, turbo drills, stick delimiters, injection moulding machines, thermal drive boilers and pump jacks.

- involvement in activities relating to the design and manufacture of pulp and paper equipment, power generation equipment, environmental equipment and pumps.

- continuing assistance to the automotive industry on Canadian sourcing capability resulting in the installation of \$75 to \$100 million in Canadian equipment.

- initiatives toward rationalization and specialization arrangements for the production of gas turbines, grinding mills, compactors, industrial drills, vault security systems, batch washers, hardware and oil field treatment equipment.

- assessments of production opportunities on such products as brake lathes, tire changers, seed spreaders, heating equipment and plumbing equipment.

Canadian machinery continued to achieve major gains in the export market and to demonstrate significant potential for future export sales. The highlights of the branch's efforts in export development during the year included:

- approval of 72 applications under the Program for Export Market Development (PEMD), with potential business estimated at \$600 million;

- participation in eight international trade fairs and organization of nine trade missions. Potential sales from these activities amount to more than \$350 million.

Technology

During the year, grants were awarded to eight Industrial Research Institutes (IRI) and Centres of Advanced Technology (CAT) to encourage these organizations to undertake research and development projects and provide technological services to industry. Seven IRI's and three CAT's established under the program are now self-sustaining.

Agreements were signed with the University of Waterloo and with É-

cole Polytechnique de Montréal to provide funds for the establishment and operation of Industrial Innovation Centres. The Centres will evaluate inventions, assist in the development and commercialization of new products and in the establishment of new technology-based companies.

Two industrial Research Associations (IRA) -- the Sulphur Development Institute of Canada and the Centre for Research and Development in Masonry -- continued to receive support. Two other organizations -- the Canadian Gas Research Institute and the Welding Institute of Canada -- are now financially self-sustaining on industrial contract income.

Assistance continued for four Centres of International Business Studies at Canadian universities and the Management Advisory Institutes at the University of Alberta and Laval University. Negotiations continued with the three Prairie provinces to establish a Centre for International Business Studies in that region.

Ten awards were made under the Technological Innovation Studies Program during the year: nine to universities and one to an independent researcher. More than 4,000 copies of reports published under this program were distributed. They covered such subjects as the international transfer of technology to Canada and the employment implications of the introduction of Computer Aided Design and Computer Aided Manufacturing (CAD/CAM) systems.

Work was completed on consolidation into one program of various assistance programs administered by the department. It will be called the Institutional Assistance Program.

An active program was maintained during the year to increase the use of CAD/CAM in Canadian industry. The CAD/CAM Technology Advancement Council, formed by the department in 1978, issued a major report on the subject entitled "Strategy for Survival". Some 1,300 copies of this report were distributed across Canada. Intra and interdepartmental committees were established to review the report and to develop recommendations for further government action to promote the adoption of this technology.

Increased attention was devoted to creating an awareness of national and international activities and developments in the area of biotechnology and genetic engineering. Arrangements were made for visits by a West German delegation to Canadian companies involved in this technology, and meetings were held to discuss possible Canada/Federal Republic of Germany cooperative technology development projects under the framework of the existing Science and Technology Exchange Agreement.

Contributions were made to the development of a five-year Space Program for Canada and the completion of a Space Marketing Study. A briefing on Canada's Space Program was provided for industry in December, 1980, and monitoring of activities under the Canada/European Space Agency Cooperative Agreement continued.

Work to enlarge and expand the scope of the Industrial Energy Research and Development Program (IERD) was initiated and will be completed early in the new year.

Work continued on the implementation of the GATT Agreement on Technical Barriers to Trade, which Canada signed in 1979. A draft directive was prepared outlining procedures and practices to be followed by federal departments and agen-

cies in preparing, adopting or applying technical regulations, standards and certification systems.

A contract was entered into with the Standards Council of Canada for the establishment and operation of an enquiry point to provide information on Canadian standards, technical regulations and certification systems.

Resource Industries

Iron & Steel

The department continued active consultations with the Canadian steel industry through the Steel Industry Advisory Committee (SIAC). Industrial and trade promotion activities were carried out in cooperation with member firms of the Canadian Institute of Steel Construction (CISC), the Canadian Sheet Steel Building Institute (CSSBI) and the Canadian Steel Industry Research Association (CSIRA).

Assistance was provided to a wide variety of companies under various programs designed to assist industry, including PEMD, EDP and RDIA. Particular attention was devoted to trade opportunities arising from the Canadian structural steel fact finding mission to Venezuela, Trinidad, Tobago, Puerto Rico and Mexico organized by the division in the spring of 1980.

A report on "Fabricated Structural Steel and Steel Buildings from Canada" was published and circulated.

Consultations were held with U.S. officials concerning problems of mutual concern in the steel industry. Consultations were also held with member governments of the OECD Steel Committee in Paris, France, and the ECE Steel Committee in Geneva, Switzerland. The division hosted a three-week mission from

of Metallurgical Industries of the People's Republic of China on open pit mine slope stability technology. This mission visited iron ore and asbestos mines in Québec and Labrador.

Industrial Minerals

Assisted by the market development efforts of the division, the coal industry continued its strong export growth in 1980, with exports reaching \$793 million.

In 1980-81, contracts valued at \$11.5 billion were signed with Japan for coal delivery over a period of 15 years.

Coal export development efforts were sustained through incoming missions from the EEC, the U.K., Italy, Spain and the Philippines. In cooperation with the federal departments of Regional Economic Expansion (DREE) and Energy, Mines and Resources (EMR) -- as well as the provincial governments of British Columbia, Alberta and Nova Scotia -- a survey was conducted of the thermal coal markets in 18 countries. Continuing liaison was maintained with coal mining companies, provincial governments, Canadian embassies, and federal departments on current sales prospects for coal. Consultations were held with federal departments on proposals for federal expenditures in connection with the north-east British Columbia coal field and Cape Breton coal field developments.

The division continued to deal with the interests of Canada's asbestos mining industry in the context of regulatory actions being proposed by other countries. Interdepartmental federal/provincial meetings were held to develop a regulatory stance that is compatible both with governmental responsibility to protect public health and with the re-

sponsibility to establish an environment within which private industry can advance the Ministry the general standard of living. Discussions were also held with officials of the European Communities, the U.S., the Federal Republic of Germany, Sweden and Denmark. Preparations were begun for a world symposium on asbestos and health, to be held in Montreal in May, 1982.

The division promoted the formation of an industry association, formed in November, 1980, to represent Canadian producers of grinding wheels. The association and the division have since undertaken industry/government liaison tasks of mutual interest.

Metal Fabricating Industries

The department, in cooperation with the Commission of the European Communities, organized a mission to Europe to examine and evaluate the latest technology for copper processing. Papers were presented at a technical seminar by Canadian and European industrialists on technological advances in continuous casting and rolling of copper. Some members of the delegation visited plants in Belgium, France, the Federal Republic of Germany and the U.K. after the seminar. Others examined advanced technology processes in Finland and Switzerland.

The division organized an incoming mission of buyers from Norway and Sweden which met with six investment casting producers in Ontario and Québec.

During the year, the division initiated export market surveys for the export of wire, propane cylinders, steel door frames, electroplating supplies, copper alloy tubing and wrought copper and brass pipe fittings.

Non-Ferrous Metals

A technical mission of 15 representatives of the Canadian mining industry and the federal government visited Japan in March, 1981. The program, arranged in conjunction with the Japanese Mining Industry Association, included plant visits and formal meetings with Japanese government agencies and industry associations.

The mission investigated areas for technical exchange on smelting and refining processes of sulphide ores. A number of commercial trade opportunities identified by Canadian companies are being pursued.

The division arranged a visit by 12 Yugoslavian mining engineers and geologists to study uranium mining and related technology. Highlights of the visit included attendance at the Canadian Institute of Mining and Metallurgy annual meeting in Toronto, and visits to Ontario Hydro's Pickering nuclear-power plant, CANMET's research facilities and the Geological Survey of Canada in Ottawa, the Saskatchewan Mining Development Corporation, Eldorado's mine at Uranium City and Rio Algom's Quirke mine at Elliot Lake. In addition, visits were made to the Mineral Resources Group of the Ontario Ministry of Natural Resources and exploration and mining equipment firms in Toronto and Sudbury.

A Canadian delegation led by the division attended meetings of the International Lead and Zinc Study Group to discuss the world-wide market situation for these metals.

Metals & Minerals Policy

During the year, the division launched the metals and minerals sector policy review and implemented a detailed work program which included economic, trade and commodity analyses and consultation.

A project analysis was undertaken to assess the incidence of taxation on the rate of return, and an input-output impact study of the various metals and minerals industries was initiated.

The division is involved in the coordination of the Metals and Minerals Group industrial cooperation activities in the European Communities, France, Sweden, Japan and Australia. The division was active in the establishment of a Resource Processing Working Group with Japan.

The Federal/Provincial Working Group on Asbestos, with secretariat support from the division, has been developing a Canadian position paper on the regulation of asbestos.

Primary Wood Products

The third phase of the Cooperative Overseas Market Development Program (COMDP) was launched for a further five year period to December, 1985. The program, funded by ITC, the B.C. government and the Council of Forest Industries of British Columbia (COFI), is directed toward expansion of offshore markets for Canadian softwood lumber, plywood, shingles and shakes. The division administers the program jointly with the other two participants. Overseas exports from Canada increased from \$245 million in 1970, prior to the first phase of the program, to \$1.4 billion in 1980.

In 1980, domestic and U.S. markets for wood products softened considerably due to reduced housing construction. Consequently, the division placed greater emphasis on development of overseas markets for lumber, plywood and other primary wood products. Overseas exports from both Eastern and Western Canada increased by more than 20 per cent compared to 1979.

The division coordinated the Canadian response to the recent regulation of the EEC which requires that each shipment of softwood lumber to the EEC be accompanied by a phytosanitary certificate from Agriculture Canada certifying the absence of bark beetles. As this would necessitate in excess of 30,000 detailed inspections per year and could result in significant problems in supplying European markets, the division liaised with nine industry associations as well as with other governments concerned. In addition, a meeting was organized between EEC and Canadian government officials and industry representatives resulting in a compromise and a moratorium. This allows private sector mill inspectors to certify that a particular shipment has been produced from debarked logs and conforms to the plant health requirements of the importing country. It is anticipated that a permanent solution based on this industry-supervised program will be found shortly.

Presentations were made in five American cities and Québec City as part of the continuing export development efforts on behalf of the Canadian lumber and waferboard industry. The division organized and directed a mission of lumber importers from the Federal Republic of Germany which investigated Canadian production and exporting capabilities with a view to increasing lumber imports from Canada.

The division made special presentations at the ECE Timber Committee annual meeting, the ECE Symposium on Panel Products and other international conferences. The division also supported economic or industrial cooperation committees with Japan, Cuba, Algeria and Norway.

Pulp and Paper

The Pulp and Paper Modernization

Program announced in February, 1979, progressed during 1980-81. The program enhances socio-economic benefits through increased investment in such projects as pollution abatement and energy conservation. To date, \$248 million of assistance has been offered toward specific projects, creating expenditures of some \$2 billion by the industry. Cost-sharing agreements have been signed with Québec, Ontario and New Brunswick. Nova Scotia and Newfoundland are expected to sign agreements shortly, whereas the western provinces have opted out of the program.

The division continued promotion of industrial cooperation through international committees. These included the Canada/EEC Industrial Cooperation Forest Products Working Group, the Canada/ Japan Joint Economic Committee, the Canada/U.S.S.R. Working Group on Forest Based Industries, the Harmonized System Committee of the Customs Cooperation Council, the Canada/Cuba Joint Committee and the OECD Working Party on Pulp and Paper.

Manufactured Wood Products

Depressed potential in the domestic market caused by low population growth, changing family formation and high interest rates coupled with strong growth in international markets has made trade development the major activity of the Manufactured Wood Products Division. The division participated in numerous trade missions and shows, as well as market area studies and reconnaissance.

Exports totalled \$400 million in 1980-81, compared to \$175 million in 1975. While the U.S. continued to be the dominant export market, the major growth was in Western Europe, Japan and the Middle East.

During the year, worldwide concerns with energy conservation continued to generate interest in the Canadian timber-frame construction technique and related wood products. Numerous delegations, notably from Italy, the Federal Republic of Germany, the Netherlands and Japan, came to Canada to study the system and product supply.

Grain Marketing Office

Exports of the major grains, oilseeds and products were valued at \$5.6 billion in 1980 as compared with just over \$4 billion in 1979. Exports of major cereal grains and products in 1980 were: wheat, 16.76 million tonnes (\$3.8 billion); barley, 2.7 million tonnes (\$404 million); oats, 219 thousand tonnes (\$25 million); rye, 453 thousand tonnes (\$87 million); corn, 749 thousand tonnes (\$129 million); wheat flour, 432 thousand tonnes (\$160 million); and the major oilseeds, 2.02 million tonnes (\$613 million). The office contributed to this increased export activity through credit grain sales guaranteed by the Government. These include approximately one-third of total wheat sales and some quantities of barley and oats.

The office also sponsored four incoming missions and eight technical seminars in established and potential import countries. A major world malting barley and malt market survey was completed and a report distributed to the industry.

The Canadian Wheat Board reached long term supply agreements with Mexico, Ghana and Lebanon during the year. A one-year agreement for supply of wheat and barley to Japan was also concluded.

In the oilseed sector, Canola processing capacity is continuing to

increase through expansion of existing facilities. The construction of a new crushing plant in Manitoba with a rated capacity of 600 tonnes per day was initiated. Oilseed crushing in 1980 totalled approximately 1.8 million tonnes.

Producer advance payments under the Prairie Grain Advance Payments Program declined 40 per cent to about \$60 million as a result of continued improvement in grain delivery opportunities. Interest costs, borne by the Government, totalled \$2.7 million, 42 per cent of the previous year's level.

On August 1, 1980, the domestic two-price wheat policy was changed to allow the domestic price to millers to fluctuate between \$5 and \$7 per bushel (\$183.72 and \$257.21 per tonne) in-store Thunder Bay.

POS Pilot Plant Corporation continued its developments in the food processing industry with \$640,000 in operating assistance from the department.

The Canadian International Grains Institute, jointly funded by ITC and the Canadian Wheat Board, expanded its international market development activities in 1980-81, and provided a variety of domestic programs for the Canadian industry. Thirteen courses were offered, including two international courses and four specially developed programs for customer countries.

The Grain Marketing Office sponsored incoming oilseed missions from Japan, Algeria and Hungary. Technical seminars on Canola were held in India, Pakistan, Bangladesh, Algeria, Morocco, Tunisia, Hungary, Czechoslovakia and the People's Republic of China. Exchanges of technical information and expertise

were conducted with India and annual consultations were held between industry and government representatives from Canada and Japan. As a result of the seminar program, a shipment of 1,000 tonnes of Canola oil was made to Pakistan for evaluation and Hungary purchased Canadian Canola meal for expanded feeding trials.

With PEMD assistance, a feasibility study of an export consortium of Canadian Canola crushers was initiated, and an export market investigation trip was undertaken by a Canadian maltster.

Design Canada/National Design Council

The National Design Council (NDC) met in three plenary sessions during 1980-81. In addition, a number of advisory committee and task force meetings took place. The council continued to promote good design in the products of Canadian industries, with particular emphasis on establishing effective communications with industry, associations, governments, educational institutions and the public.

The annual presentation of "Design Awards" to companies and individuals that have successfully used design as a practical, effective and profitable marketing tool were made in Toronto.

The Olivetti Design Process Exhibit, co-sponsored by Carleton University, Design Canada/the National Design Council and Olivetti Canada Ltd., was held in Ottawa, October 1-6, 1980. The council presented an exhibit at Batimat, an international fair at the Olympic Stadium in Montreal, March 23-28, 1981.

A Federal/Provincial Design Advisory Council was established as a forum for discussion and coopera-

tion in design promotion activities and the development of an overall Canadian design strategy. All 10 provinces are participating.

A public relations concept was developed to ensure maximum benefit from all design promotional programs and events. It will be implemented in 1981-82.

Professional Development

A total of 14 Design Canada scholarships were awarded in 1980-81: seven for studies in industrial design, six for studies in graphic design and one in textile design.

During the Ottawa Design Week, a seminar entitled "Design and the International Marketplace" was held for students of industrial design. It was sponsored by Design Canada, Olivetti Canada Ltd. and the Association of Industrial Designers.

The North American Design Conference was held in Toronto, March 6-7, 1981. It was co-sponsored by the International Council of Societies of Industrial Design (ICSID), the Industrial Design Society of America (IDSA) and the National Design Council, and will form the basis for a joint NDC/ICSID publication to be presented at the ICSID Conference in Helsinki in August, 1981.

Design Programs

The Product Development Management Program (PDMP), a cost-sharing federal/provincial assistance program, operated in nine provinces on a one-year basis. The program assisted a total of 173 firms to apply the total product design process.

Several seminar/workshops were held in various locations to promote design application in the products of specific industry sectors. An ex-

ample was the seminar for high technology electronics firms held in Ottawa, April 10, 1980.

In addition, successful seminars on "Design in Packaging" were held in Winnipeg, Vancouver and Halifax. The main beneficiary was small industry, particularly processed food packers.

Seminars on "Design as an Integral Element of the Hospitality/Tourism Marketing Process" were held in Halifax and Toronto in March, 1981. They were co-sponsored by the Canadian Government Office of Tourism (CGOT) and Design Canada, with the target audiences being the owner/operators of private motels and hotels.

Design Canada provided advisory and counselling services to small and medium size Canadian companies. In addition, evaluation and advisory assistance was provided on design components of companies' submissions for assistance under the Enterprise Development Program (EDP).

TOURISM

International receipts made tourism one of Canada's top six earners of foreign exchange during 1980-81. Canada attracted a significant share of world travellers although global inflation, recession and high energy costs dampened world-wide tourism. The exchange rate of the Canadian dollar in relation to world currencies was a positive factor for Canada's tourism industry.

Tourism revenues for Canada in 1980 were estimated at \$12.8 billion, compared to \$12.3 billion in 1979. About \$9.5 billion was spent by Canadians in 1980, a slight increase from \$9.4 billion in 1979. More than 38 million American visitors spent \$2.1 billion, the first time U.S. revenues have exceeded the \$2 billion level. In 1979, there were 31 million U.S. visitors for total revenues of \$1.8 billion. An estimated 2.2 million overseas visitors spent \$1.2 billion in 1980, compared to two million overseas visitors with revenues of \$1 billion in 1979. The travel deficit increased

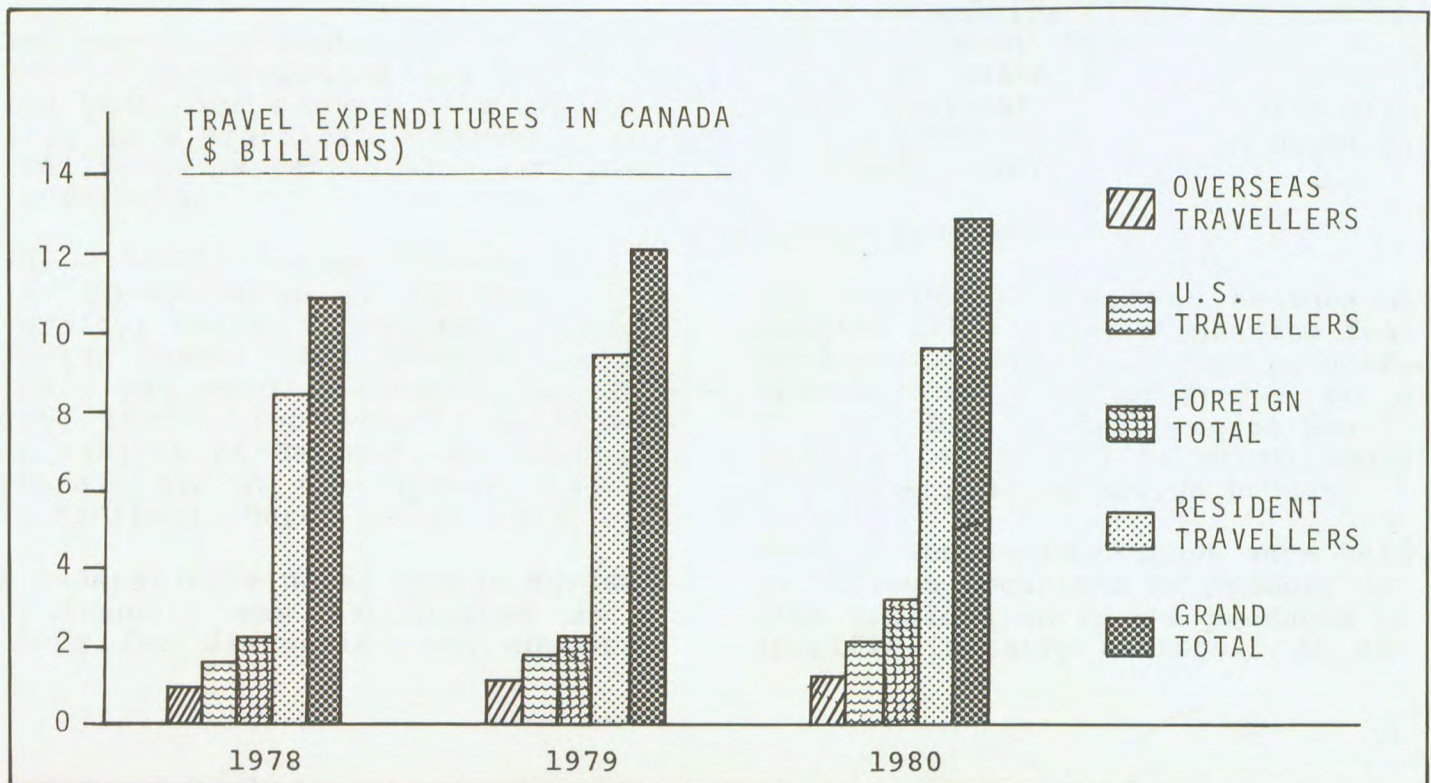
to \$1.138 billion in 1980 from \$1.068 billion in 1979.

Tourism Marketing

The Canadian Government Office of Tourism (CGOT) operated 27 market development and promotional offices in 1980-81: six in Canada, 14 in the United States and one in each of Britain, France, the Federal Republic of Germany, the Netherlands, Mexico, Australia and Japan.

Vacation Canada advertisements were placed in periodicals which reached almost 70 per cent of all Canadians. A campaign in ethnic publications invited new Canadians to see Canada and encouraged their friends and relatives to visit here as well.

An estimated \$50 million of business was transacted at the fourth annual Rendez-vous Canada in Winnipeg, May 18-22, 1981, an increase of \$13 million from 1979. This international marketplace attracted 274 selling organizations and 198 buying organizations, a dramatic increase from 1979 figures of 132 and 154 respectively.



The "Canada: So Much To Go For" program, which encourages Canadians to travel within Canada, offered 62 competitively-priced package tours in 1980. Partners with CGOT in this venture are Air Canada, CP Air, VIA Rail, Pacific Western Airlines, Nordair and Voyageur. In 1981, the number of tours offered was increased to 120.

CGOT adopted a new strategy in the United States to deal with problems associated with energy and inflation. Major initiatives included:

- participation in a consortium of major transportation companies and motorcoach associations to produce a motorcoach awareness education program for travel agents;
- 65 market presentations in 31 American cities to bring together 21,000 people who influence travel and more than 600 suppliers of travel products;
- a direct marketing program which helped to encourage 26,000 travel agents and executives to sell vacations in Canada and motivate an estimated eight million prime travel prospects in the U.S. to vacation in Canada;
- development of two television specials, in cooperation with U.S. television production houses, which will be seen by an estimated 50 million viewers in the U.S.;
- coordinating and monitoring the tourism component of the McDonnell Douglas Aircraft Corp. industrial benefits program, which could mean \$290 million in tourism revenues over the next 13 years in return for Canada's purchase of 137 new fighter aircraft, the CF-18 Hornet;
- major advertising campaigns in the U.S. promoting spring/summer and fall/winter vacations, including distribution of the travel sup-

plement "Travel Times" to 2.5 million households in 23 major American cities;

- initiation of a long-term marketing program, in cooperation with Delta Airlines and major travel wholesalers, to promote 14 comprehensive Canadian package tours through all the airline's regional sales outlets in the U.S.

CGOT placed advertisements in major publications in the United Kingdom, France, the Netherlands, Japan, Australia, the Federal Republic of Germany and Mexico. This included an insert in The Observer, which has a circulation of more than one million, and, in cooperation with CP Air, an extensive TV campaign in Japan. Co-advertisements were placed with major industry partners in Australia, Mexico, the Federal Republic of Germany and the Netherlands.

The "Welcome to Canada" program was introduced at 120 land border crossing points between Canada and the U.S.

CGOT sponsored the pre-game and half-time Grey Cup shows and a public service campaign with the Tourism Industry Association of Canada (TIAC).

CGOT also:

- undertook initial fact finding and promotional work in Latin America, Southeast Asia and Spain;
- distributed more than eight million pieces of promotional literature and materials;
- sponsored more than 100 promotional seminars in Canada, the U.S. and overseas;
- provided some 400 media representatives with Canadian tours;

- prepared 100 travel features for publication in Canada and the U.S.;
- produced 18 consumer and trade publications in as many as 10 languages.

Tourism Development

Approximately \$250 million were allotted to tourism development subsidiary agreements across Canada at the end of the fiscal year, which are to be spent over the lifetime of the sub-agreements, averaging three to four years.

A total of \$62 million in capital assistance was granted under a new initiative to Vancouver, Toronto, Montreal, Windsor, Hamilton, Charlottetown and Halifax for the construction of convention and trade centres.

During the year, CGOT began an inventory of the country's tourism facilities and published two new industry manuals: "Campgrounds in the '80s" and a directory of courses in the tourism/hospitality and recreation industry.

The Tourism Development Branch helped persuade the Bureau International du Tourisme Social to hold its first North American congress in Canada.

Regional development offices were opened in Edmonton, Québec City and Toronto.

CGOT provided logistics support and a display space to the Canadian culinary team at the World Culinary Olympics in the Federal Republic of Germany. The Canadian team placed third.

Policy, Planning and Coordination

The Research and Analysis Division of Policy, Planning and Coordina-

tion did four quarterly Canadian Travel Surveys covering all of 1980. Market intelligence presentations were made to the trade and partners in five European cities and 18 Canadian centres.

The division studied Japanese attitudes toward Canada as a travel destination, and conducted market probes in Australia and Switzerland.

Work started on a revision of CGOT's Tourism Forecasting Models and the conversion of CGOT's package tour inventory from a manual to an automated system.

The Policy Formulation Division completed the Tourism Sector Strategy for presentation to Cabinet.

The division also prepared a report on the impact of energy on tourism to 1985, and developed broad responses to energy scenarios. CGOT participated in the work of a Joint Federal-Provincial Energy/Tourism Task Force.

In addition, the division undertook analyses of the European Communications Tracking Studies in order to use the results more effectively in marketing communications. The studies were originally undertaken by the Research Division to identify the needs and desires of European travellers. The division also analyzed the U.S. travel market and its nine major regions.

In January, 1981, the regional policy representative in Atlantic Canada was handed responsibility for all operations of the federal Tourism Program in that region.

The branch's Coordination Secretariat provided logistic and secretariat support to the 1980 Conference of Canadian Tourism Officials, the 1980 Federal/Provincial Conference

of Tourism Ministers and the Government/TIAC Advisory Committee. The secretariat also prepared material for CGOT participation in the World Tourism Conference in Manila and the OECD Tourism Committee meetings in Paris.

PERSONNEL

A new program of succession/career planning was instituted at the senior executive level.

More effective control of the appraisal process was achieved by increasing manager's level of accountability.

The Senior Management Committee approved recommendations which advance the Official Languages Program by emphasizing Francophone participation, the development of bilingual units, bilingual telephone answering service and the upgrading of linguistic proficiency levels.

The Classification Division coordinated conversion programs, including two which involved more than 200 positions in the Senior Management category, and one involving 60 positions in the Economics, Statistics and Sociology group.

Identification of training and development needs was integrated with the personnel management planning process.

ECONOMIC POLICY AND ANALYSIS

Economic Policy and Analysis provided economic intelligence, research, analysis, policy planning and coordination to the department.

The Trade and Structural Analysis Branch assembled international trade data from its U.N. Trade Data Bank and economic simulations from the ITC Canadian Explor Model (CEM). The branch did analytical projects in international economics, commercial policy, industrial development and adjustment. This work was particularly important in the development of an Industry and Labour Adjustment Program.

The Microeconomic Analysis Branch studied high technology financing, declining sectors, foreign ownership guidelines and performance assessment, industrial adjustment and the economic costs and benefits of trade protection. It also studied the role of multinational enterprises in Canadian industrial development. The branch did its semi-annual survey of business investment and its annual survey of foreign owned subsidiaries. Several reports resulting from the business investment survey were published.

The Economic Intelligence Branch provided information on current and short term economic conditions in Canada and abroad. The branch published periodical studies on Canada's trade performance and competitive position.

A Special Projects Branch is being formed as a centre of departmental expertise on cost-benefit and project analysis.

OFFICE OF REGIONAL AFFAIRS

During 1980-81, the department created an Office of Regional Affairs. The office will co-ordinate the regional dimensions of departmental activities. It will also be a focal point for departmental interface with the provinces and with federal departments and agencies concerned with regional economic development and industrial diversification.

METRIC COMMISSION CANADA

The implementation of Canada's metric conversion program was 56 per cent complete at the end of the fiscal year. The planning and scheduling of more than 96 sectors is complete and implementation is well advanced. A total of 37 sectors have completed 75 per cent or more of their planned activities.

Metric Commission Canada now has held 60 meetings since the program began in 1972. The Interdepartmental Committee for Metric Conversion, which coordinates federal government conversion activities, has met 20 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 twelve provincial and territorial capitals on a cost-sharing basis. The Intergovernmental Metric Conversion Committee has met 24 times.

INDUSTRY, TRADE AND COMMERCE
Statement of Expenditures for the Fiscal Year 1980-81

<u>Trade Industrial Program</u>	\$ (000)
Operating Expenditures	
- Salary and superannuation	86,688
- Other	<u>51,475</u>
	138,163
Grants and Contributions	
- Enterprise Development Program	55,002
- Defence Industry Productivity Program	94,932
- Program for Export Market Development	11,402*
- Capital subsidies for the construction of commercial and fishing vessels	71,736
- Metric Conversion	2,824
- Trade and Convention Centres	9,276
- Small Business Loans - Losses	5,058
- Payment of EDP Insurance Losses	8,402
- Payment of EDC Insurance Losses	2,779
- Payments for construction of dry docks	22,214
- Miscellaneous	<u>4,386</u>
	288,011
Loans and Investments	
- Loans to deHavilland Aircraft	1,660
- Loans to assist Defence Manufacturers with defence plant modernization	21,467
- Loans to Canadair for the financing of water bombers	<u>14</u>
	<u>23,141</u>
	<u>449,315</u>
 <u>Tourism Program</u>	
Operating Expenditures	
- Salary and superannuation	8,911
- Other	<u>21,066</u>
	29,977
Grants and Contributions	
- Miscellaneous	<u>1,613</u>
	<u>31,590</u>

* Includes: PEMD, \$9,044,029; Carnets, \$24,833; U.K. Chamber of Commerce, \$6,000; Agriculture and Grain Marketing Assistance Program (AGMAP), \$498,994; Fisheries, \$200,000; B.C. Forest, \$,628,279.

INDUSTRY, TRADE AND COMMERCE
Statement of Expenditures for the Fiscal Year 1980-81 (con't.)

	\$ (000)
<u>Grains Program</u>	
Operating Expenditures	
- Salary and superannuation	1,323
- Other	<u>686</u>
	<u>2,009</u>
Grants and Contributions	
- Credit Wheat Sales	16,589
- Payment to the Canadian Wheat Board to cover carrying charges on reserve stocks of feed grain	733
- Prairie Grain Advance Payment Act	2,710
- Western Grain Stabilization Program	119,416
- Assistance to the Canadian rapeseed processing industry	3,000
- Oats Pool Deficit	1,828
- Miscellaneous	<u>3,270</u>
	<u>147,546</u>
	<u>149,555</u>
 Total Department	 <u><u>630,460</u></u>

INDUSTRY, TRADE AND COMMERCE

Statement of Revenues
For the Year Ended March 31, 1981

	\$ (000)
Return on Investments	
Interest on loans to Export Development Corporation	101,045
Interest on loans to Federal Business Development Bank	94,504
Interest on loans to Canadian Commercial Corporation	556
Interest on loans to assist manufacturers of automotive products	186
Interest on loans to assist the pharmaceutical industry	17
Interest on loans to assist the footwear and tanning industries	20
Interest on loans under the Enterprise Development Program	742
Sundry	302
Miscellaneous Revenue	8,120
Refunds of Previous Year's Expenditures	9,759
Adjustment Prior Years Payables at Year End (PAYE)	2,515

DATE DUE

MAR 28 1988			
		MAY 28 2008	
NOV 2 1989			
		JUN 18 2010	
		NOV 21 2012	

INDUSTRY CANADA/INDUSTRIE CANADA



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