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Gouvernement
du Canada
Industry
and Commerce
Minister
Edward C. Lumley



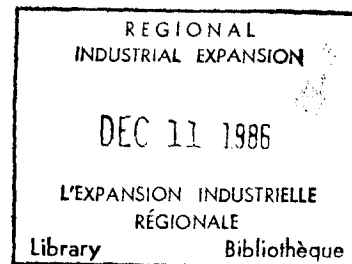
Gouvernement
du Canada
Industrie
et Commerce

Industry, Trade
and Commerce
**Annual
Report
1981-1982**

Canada

Industry, Trade
and Commerce

**Annual
Report
1981-1982**





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

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, 1981 to March 31, 1982.

Your Excellency, you will find in this report, under appropriate headings, a summary of the accomplishments of the department.

Respectfully submitted,



Edward C. Lumley
Minister of Industry,
Trade and Commerce and
Regional Economic
Expansion

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INTRODUCTION

This Annual Report of the Department of Industry, Trade and Commerce reports on continuing activities of the department during a year of transition.

On January 12, 1982, the Prime Minister announced a major reorganization of several federal departments. The reorganization was aimed at ensuring effective action in support of the government's priorities in the areas of regional and industrial development and trade and export promotion. It marked a major step toward implementing the strategies outlined in **Economic Development for Canada in the 1980s**, the federal document released with the November 1981 budget.

Following are the major changes involving ITC.

- The industry, small business and tourism components of ITC and the regional programs of the Department of Regional Economic Expansion were merged into a single federal department. The merger, which began in spring 1982, will focus the government's industrial policies and programs in support of regional development strategies and ensure that the benefits of industrial activity are widely shared across the country.
- The international trade elements of ITC were transferred to the Department of External Affairs, permitting that department to give greater priority to trade objectives in the

conduct of international relations and strengthening Canada's ability to adapt to changing world economic conditions.

- The Metric Commission was transferred from ITC to the Department of Consumer and Corporate Affairs, reflecting the progress of metric conversion beyond its initial focus on industry to areas in which the consumer is most directly affected.

A continual process of adaptation and growth has marked the history of the Department since its inception as the Department of Trade and Commerce in 1892. From a modest beginning, with nine employees and a yearly budget of \$15 000, the Department has expanded with the country and increased its responsibilities and services in line with economic needs. In 1969 it merged with the Department of Industry to form the Department of Industry, Trade and Commerce.

In 1982, the Annual Report of the Department of Industry, Trade and Commerce/Regional Economic Expansion will begin documenting the effects of the most recent changes. The integration of industrial and regional expertise provides a strong basis for more regionally responsive industrial policies and programs, more effective program delivery in all regions, and improved access to federal industrial development programs for businesses throughout Canada.

HIGHLIGHTS

The following is a brief summary of the activities of the Department of Industry, Trade and Commerce during the 1981-82 fiscal year.

- . The integration of the Department of Industry, Trade and Commerce (ITC) and the Department of Regional and Economic Expansion (DREE) into a single federal department, with central headquarters in the C.D. Howe Building in Ottawa, was initiated.
- . Nine communities in several regions of the country were designated as eligible for labour adjustment aid to alleviate unemployment. Forty private enterprises were assisted at a cost of \$22.6 million, providing employment for about 3 000 Canadians.
- . Research progressed rapidly into the problems confronting the small business community. The Small Business Secretariat was involved in several national policies to improve prospects for the small business sector.
- . Adjustment assistance loan guarantees valued at \$131.7 million were authorized. In addition, \$119.2 million in contributions was paid toward the cost of innovation and product development projects.
- . As part of a new government policy, a \$267-million adjustment program was begun to foster the development of the clothing, textile, footwear and tanning industries and help offset low-cost competition. It provided for continued import restraints.
- . Applications were received from 4 176 firms for assistance under the Program for Export Market Development (PEMD). Approximately \$31 million was approved and \$12.8 million allocated. Export sales as a result of the program amounted to \$300 million.
- . A new \$25-million fund was created under the Industry-Specific Restructuring Program to assist adjustment in the auto parts sector.
- . Financial assistance continued for the establishment of centres of advanced technology and other initiatives for the development of technological capability and productivity.
- . A number of bilateral trade issues were resolved affecting access for Canadian agricultural exports into the European Economic Community (EEC) market.
- . Consultations were initiated with the provinces and private industry on a policy framework for the development of the petrochemical industry. An interdepartmental task force was set up to study problems concerning petrochemical feedstocks.
- . Tourism revenues for Canada were estimated at \$16.5 billion. Canadians accounted for about \$12.8 billion, visitors from the United States accounted for \$2.4 billion, and visitors from overseas accounted for \$1.3 billion. Canada's tourism deficit decreased by 5.7 percent from that of the previous 12 months.
- . Trade between Canada and the United States reached a record \$107.8 billion. Canadian exports totalled \$53.7 billion and imports totalled \$54.1 billion.
- . The European Economic Community absorbed \$8.7 billion of Canadian exports during the year. Exports to Eastern Europe increased by 10 percent over 1980-81 to reach \$2.4 billion.
- . Trade between Canada and Japan reached \$8.5 billion, leaving Canada with a trade surplus of \$460 million, compared to \$1.6 billion 1980-81. Increased motor vehicle imports were greatly responsible for the decline.

- Negotiations resulted in an announcement by Japan to limit passenger car exports to Canada for the 1981-82 fiscal year.
- In January 1982, the Minister of State for Trade represented Canada in informal trade discussions with its major trading partners - the United States, the European Community and Japan.
- Exports to Latin American countries totalled \$3.8 billion. Mexico, Brazil and Venezuela were the major customers. Fully manufactured goods made up 40 percent of these exports.
- Receipts from exports of major grains, oilseeds and products totalled \$5.9 billion, accounting for 73 percent of Canadian agricultural exports.
- Defence exports trade increased to \$1.350 billion and imports rose to \$1.139 billion. The majority of trade was with the United States.
- The Trade Commissioner Service (TCS) operated a network of 92 offices in 68 countries, employing 230 trade commissioners and 170 locally-engaged commercial officers. The TCS was transferred to the Department of External Affairs in January 1982.
- Expenditures on department-initiated trade fairs and trade missions totalled \$8.3 million. The programs assisted 900 companies to exhibit in trade fairs in 28 countries; 650 industry representatives were involved in 57 missions to 41 export countries; and 1 615 foreign business people from 66 different countries were brought to Canada.
- The immediate sales that resulted from trade fairs and incoming and outgoing trade missions are expected to exceed \$350 million.

FINANCE

The group under the Assistant Deputy Minister, Finance manages the Department's finances and is responsible for the central administrative services of the Department. It also carries out some unique functions based on the Department's relationship with private industry in Canada, particularly in the areas of financial investment and loan support.

The major responsibilities of the Finance Group fall into three general areas:

- Overall departmental planning -- advice and control for resource planning, allocation and utilization; operational planning and budget control; financial, administrative and systems services; and the evaluation of program effectiveness.
- Financial management -- banking and investment activities on behalf of the Department covering central management and control; advice to senior management; participation on boards of directors of development banks, government agencies and designated companies; provision of financial investment analysis; and direction and control of significant funding programs of the Department.
- Assistance to private industry -- provision of policy advice and analysis over a wide range of private industry interests affecting the Department, including special responsibilities relative to small businesses in Canada.

These include the normal responsibilities of departmental financial officers for traditional budgeting and accounting services and special emphasis placed by senior management on the improvement of practices, processes and overall Department accountability.

PROGRAMS BRANCH

The Programs Branch is responsible for general management and control of the Department's major funded industrial programs, including loans, insured loans, grants and contributions. The branch also administers the Small Businesses Loan Act under which guaranteed loans are provided by designated private lenders to assist small

business enterprises. Financial assistance and support through loans, grants and guarantees provided by the Department continued to be an essential factor in the stimulation and trade development of manufacturing and service industries in Canada during 1981-82.

The branch undertook or participated in a number of activities designed to improve and expedite the delivery of assistance to industry. Discussions continued to be aimed at greater consolidation of existing programs. Considerable progress was made in the development of methods for ranking and setting priorities of major projects. The branch directed considerable effort to the development of an improved reporting system to attain better management of the program budgets.

Improved forecasting techniques were utilized, together with increased management control of program commitments on a multi-year basis. The delivery systems were streamlined to attain more efficient processing of project applications and prompter payment of claims.

Branch activities involve participation in enterprise development, defence industry productivity, export market development, industry energy research and development, small business loans, productivity improvement and interfirm comparisons. Following is a brief summary of the activities and functions of these divisions.

Enterprise Development Program

The Enterprise Development Program (EDP) assists manufacturing and processing firms to improve their viability and international competitiveness. It provides support by sharing project costs or providing insurance on term loans on a last-resort basis. During 1981-82, 140 adjustment assistance loan guarantees, valued at \$131.7 million, were authorized (Table 1). It is estimated that this assistance will lead to the creation or maintenance of approximately 6 600 jobs during the next five years.

In addition, \$119.2 million in contributions were authorized towards the cost of 576 innovation and product development projects in such industries as machinery, electronics, ship components, automotive vehicles, building components and textiles (Table 2).

Forecasts for these projects indicate sales of \$6 billion during the next five years and creation or maintenance of 15 900 jobs.

Table 1

**Adjustment Assistance
Loan Guarantees
by region, 1981-82**

	<u>Number of Projects</u>	<u>Amount (\$ millions)</u>
Atlantic	14	2.5
Quebec	29	25.1
Ontario	66	99.3
Prairies	20	3.2
British Columbia	<u>11</u>	<u>1.6</u>
Total	140	131.7

Table 2

**Innovation Approvals Under the Enterprise
Development Program
by region, 1981-82**

	<u>Number of Projects</u>	<u>Amount (\$ millions)</u>
Atlantic	26	2.0
Quebec	306	35.3
Ontario	135	62.7
Prairies	75	14.5
British Columbia	<u>34</u>	<u>4.7</u>
Total	576	119.2

Defence Industry Productivity Program

The Defence Industry Productivity Program (DIPP) (Table 3) provides financial assistance to industrial firms involved in the production of defence or defence-related products for export, in order to develop and sustain the technological capability of the Canadian defence and related civilian industries. The program operates under international agreements for defence development and production sharing.

A total of 85 projects, generating sales of \$1.7 billion, were completed in 1981-82, and

189 new projects were contracted. Total program expenditures were \$154.9 million. Sixty-seven percent of the sales generated under the program were in the defence export market, and 33 percent were in related civilian exports.

Table 3

**Defence Industry
Productivity Expenditures
by region, 1981-82**

	<u>Number of Projects</u>	<u>Amount (\$ thousands)</u>
Nova Scotia	2	73.7
Quebec	69	93 588.3
Ontario	110	57 581.7
Manitoba	1	7.7
British Columbia	<u>7</u>	<u>3 683.5</u>
Total	189	154 934.9

Program for Export Market Development

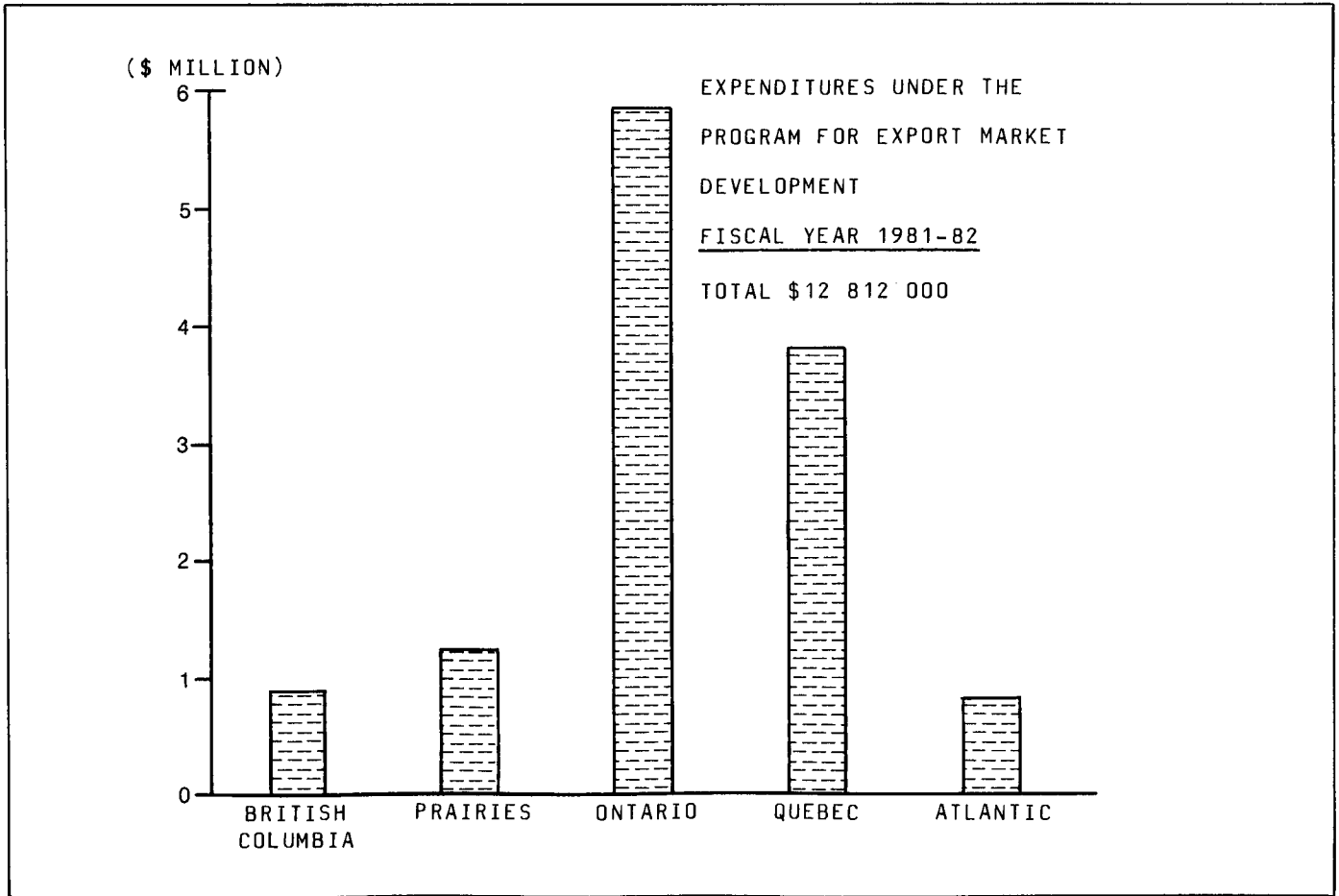
The Program for Export Market Development (PEMD) (see following chart) helps develop and increase the export of Canadian goods and services by sharing with the business community the financial risks of entering new foreign markets. The program's eight sections cover specific project bidding; market identification;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

During the year, 4 176 grant applications were received, approximately \$31 million was approved and \$12.8 million was allocated. This compares to 3 312 applications received, \$15.8 million approved and \$9 million allocated in 1980-81.

Companies reported export sales of \$300 million as a result of the program. A total of \$4.8 billion in exports has been generated with PEMD assistance since the program was started in 1971.

Industry Energy Research and Development Program

The Industry Energy Research and Development Program (IERD) encourages the development of new and improved processes and equipment to reduce energy consumption in industry.



A total of 26 projects requiring total funding of \$9 075 000 have been approved since IERD was established. Of this amount \$1 774 000 comprises actual expenditures to date and the remainder comprises commitments made for future years. In 1981-82, expenditures under the program were \$563 000.

Small Businesses Loans

The Small Businesses Loans Program (Table 4), established under the Small Businesses Loans Act, makes 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 percent. The maximum term is ten years.

A total of 16 643 loans for \$491.9 million were made under the program in 1981-82, compared with 18 143 loans for \$470.7 million during 1980-81. Loss claims paid during the past year amounted to \$6.5 million, an increase of \$1.4 million over the previous year.

Table 4

Loans Under the Small Businesses Loans Act by province and territory, 1981-1982

	Number of Loans	Amount (\$ millions)
Alberta	1 617	47.7
British Columbia	4 073	122.0
Manitoba	481	14.6
New Brunswick	337	9.4
Newfoundland	166	5.0
Nova Scotia	259	7.4
Ontario	3 256	105.0
Prince Edward Island	63	1.4
Quebec	5 379	147.9
Saskatchewan	953	29.2
Northwest Territories	9	.5
Yukon	50	1.8
Total	16 643	491.9

Productivity Improvement and 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 chocolate confectionery, textile home furnishings, carpets, upholstered furniture, wood pallets, steel foundries, plastic film, shipbuilding and repair, sheet steel fabricators, bakeries, and mechanical contractors. More than 200 firms participated during the year. A total of about 1 000 firms in 55 sectors have benefitted from the program since its inception.

FINANCIAL SERVICES AND MANAGEMENT BRANCH

This branch is responsible for determining the level of long-term departmental resource requirements to be included in the strategic overview, essential in multi-year operational plans, and in estimates required through the Ministry of State for Economic Development (MSED) and the Treasury Board.

During the year the branch continued to expand its role of assisting senior management personnel of the Department to plan resource allocations and analyze regular reporting on departmental budgets and operations. The branch helped to develop and maintain departmental systems to support these activities and continued its responsibility for management in the implementation of Improvement Management Practice and Controls (IMPAC) and the development of Planned Measurement Service (PMS).

The branch provides administration and central computer control services for the Department. The Business Opportunities Sourcing System (BOSS), the Import Analysis System and the Access to Information Division also reported through the Branch as part of an overall program of internal and external data management.

Import Analysis Directorate

The Import Analysis Directorate continued to carry out import analyses based on access to detailed customs documents provided under special provisions of the Trade and Commerce Act. These analyses provide breakdowns by any specification important to production or marketing, such as type, process, function, size and price.

The reports enable business and government to identify specific development opportunities and are particularly useful to small and medium-sized enterprises which do not have their own market

research groups. Government departments use the data to help assess the effects of tariff policies and quotas, and to negotiate new trading arrangements and support for industrial development initiatives of the Department.

In the 1981 program of analysis, job creation by clients of the service amounted to 3 362, at a cost to the federal government of \$181 per job. Investment by clients was \$37 million.

Fast Response Market Service. The Fast Response Market Service (FRMS) is a market information service developed by Import Analysis Directorate (IAD) to help clients improve their decisions on financial assistance applications. It provides a choice of two kinds of market analysis of a client's product or service -- a fast, concise report (FRMS-2) or a detailed, comprehensive report (FRMS-22). The depth and turnaround period for FRMS reports are custom-tailored to the client's needs.

Business Opportunities Sourcing System

The Business Opportunities Sourcing System (BOSS) is a joint federal/provincial program which helps to identify Canadian companies as sources of supply. Canadian companies, governments and foreign organizations use the system to locate suppliers in Canada. For example, multinational firms committed to offsetting arrangements on Canadian government contracts can use BOSS to help purchase a wide variety of products. Users also find BOSS helpful in investigating new markets and producing specialized directories. Participation in BOSS is voluntary and without charge.

The provincial governments generally gather the information for BOSS and the federal government enters it and maintains the file. Information from the file is kept by the provincial governments, ITC headquarters in Ottawa, regional ITC offices across Canada and trade commissioner posts around the world. It is also widely distributed to the private sector.

During 1981-82, work continued on expanding the data base.

Computer Services

Innovations in a number of areas improved computer services of the department.

An Aerospace Offset Claims Monitoring System was developed to maintain claim data arising from major aerospace contracts. These industrial benefit or "offset" programs are recognized as an instrument of industrial development for export-oriented industries.

In support of the tourism program, a Package Tour Inventory System was developed which provides a profile of all package tours with a destination in Canada, and a new system was implemented to assist tourism marketing officers with information on meetings and incentive travel buyers.

To expedite the payments to suppliers of goods and services to the Department, the financial management system was modified to permit regional offices to issue cheques.

New computerized systems are being developed to improve the quality of information available in such areas as tourism, departmental incentives programs, financial management and industry sector analysis. These new systems will be in operation during 1982-83.

The Department spent \$5.7 million in 1981-82, up from \$4.2 million in 1980-81, to purchase data processing goods and services from the private sector. This is in line with the government policy of purchasing electronic data processing services from the private sector except where it is in the public interest or is economical to provide them internally.

Administration Services Branch

The Administration Services Branch undertook a program of modernizing its facilities in 1981-82 in order to serve the increased needs of the restructured department. Emphasis was placed on upgrading electronic information processing capabilities and introducing various technological and managerial improvements to achieve maximum efficiency throughout the Department.

"Low end" word processors were introduced throughout the Department as a first step in expanding the Department's capability to capture information electronically. In addition, an electronic message-routing system was installed and tested, an automated records management system was designed, and tests were carried out on a pilot project.

To provide greater convenience and efficiency of working space, a new modular office layout system was designed and a full-scale model was constructed to be used in future planning.

Briefing sessions were held concerning the Access to Information and Privacy Act, and work was completed on the departmental "registry".

The Administrative Services Branch also undertook physical integration of the departments of Industry, Trade and Commerce and Regional Economic Expansion, with central headquarters in the C.D.

Howe Building, 235 Queen Street, Ottawa, together with the integration of responsibilities and personnel of the two departments.

FINANCIAL POLICY AND LIAISON BRANCH

This branch coordinates policy and liaison with Crown corporations, agencies and financial institutions in the private sector, with particular reference to the Export Development Corporation (EDC) and the Federal Business Development Bank (FBDB), which report to Parliament through the Minister.

Continuing efforts were made during the year to negotiate lower levels of government subsidies for export financing under agreements sponsored by the Organization for Economic Cooperation and Development (OECD), in particular the Arrangement on Officially Supported Export Credits. As in the previous year, progress toward the agreement on raising interest rates has been disappointingly slow. However, the costs of subsidizing export financing on the scale undertaken by some governments are becoming increasingly burdensome and it is expected that this will be conducive to changes being agreed to in the interest rate matrix later in 1982.

PROGRAM EVALUATION BRANCH

In 1978, the Department established a policy of including comprehensive program evaluations of all its activities at least once every three to five years. This practice continued in 1981-82. Evaluation studies were completed in two areas of departmental activity -- the Small Businesses Loans Act and the Trade Commissioner Service.

The Program Evaluation Branch was also involved in the preparation of evaluation plans and frameworks for a number of other departmental initiatives, including International Bureaus, Industry and Labour Adjustment Program (ILAP) and Duty Remissions.

SMALL BUSINESS SECRETARIAT

Due to the economic climate that prevailed during the 1981-82 period, the Department placed considerable emphasis on assistance to small business in Canada. A wide-ranging program, from seminars and symposiums to legislation and direct incentives, was undertaken by the Small Business Secretariat.

Research on the small business community and the issues confronting it progressed substantially during the year. The Secretariat completed an update of the statistical profile of small business which included, for the first time, information on the export capabilities of small manufacturers and a review of unincorporated self-employed persons in Canada. To further facilitate the broad spectrum of research on small business issues, the Secretariat, in conjunction with the Institute for Research on Public Policy (IRPP), compiled a bibliography of work in this area in Canada. This is the first stage of what is expected to be a long and fruitful relationship between the Secretariat and IRPP in the area of small business.

The Minister of State for Small Business and Tourism was host at the Eighth International Symposium on Small Business in October 1981, attracting some 650 delegates from 66 countries. The theme of the event, which was organized by the Small Business Secretariat, was "Interaction". There were 64 presentations over the four-day period, including topics on the relationship between small business and associations, venture capital organizations, employees, financial institutions, large enterprises, educators, government and advisers. The keynote speaker was Alvin Toffler, author of *The Third Wave*, who discussed the revolution which has been created by modern information and communications technology.

In late 1981, an interdepartmental Committee on Small Business was formed, with meetings to be held bi-monthly. The primary objectives are information exchange and the coordination and intensifying of effort in the small business policy sphere. Representatives from sixteen federal departments or agencies are on the committee.

The Minister of State for Small Business and Tourism and the Minister of State for Trade announced jointly in November that the Groupement Québécois d'Entreprises Inc. had received a grant to boost export activities among the 450 small to medium-sized manufacturers who are members of that association. Federal aid will help to meet salary and expenses of an experienced export adviser, operating costs, and expenditures associated with subcontracting, travel, accommodation and support staff.

Business Studies

In-house work continued on the rate of business formations and failures. Studies were completed on the circumstances surrounding business insolvency, including factors leading to bankruptcy and a comparison of the legislative framework

surrounding bankruptcy in Canada and the United States. The Secretariat published a working paper on the problems facing Canadian women owner/managers, based on a study contracted to Queen's University combining the most recent data from Statistics Canada with information derived from a special survey.

A major project launched during the year and scheduled for completion early in 1983-84 is an examination by the C.D. Howe Research Institute of the links between selected national policies and the behavior and development of smaller enterprises, together with a review of the implications for policy. The study makes use of work undertaken earlier in the year on the impact of changes in the economic environment on the performance of small firms. Another important study by a consulting group will examine the extent to which small businesses contribute indirectly to the value of Canadian exports through subcontracting and supplying components and services to large exporters.

Initiatives

The Small Business Secretariat was involved during the year in the development of several national policies to improve the economic climate and prospects of the small business sector. Initiatives announced in the November 1981 budget included: increases in the annual and accumulated income limits for the Small Business Tax Deduction to \$200 000 and \$1 000 000 respectively; and the extension to unincorporated businesses of the Small Business Bond measure for small companies in financial difficulty. The Secretariat has also been working with the Office of the Comptroller General and the Department of Supply and Services to improve government and supplier relations through the development of proposals to ensure prompt payment of government accounts.

Prior to December 1981, the Operations Directorate (formerly the Special Projects Group) was primarily concerned with staging the International Symposium on Small Business. Since that time a number of new initiatives have been launched to reorganize the group into a strategic planning and program development function.

In support of the strategic planning function, the Niagara Institute conducted a search conference for the Secretariat on the future of small business in Canada. The purpose of this conference was to obtain first-hand information from small business operators as to the sector's future during the 1980s, what difficulties they anticipated and what actions might be taken to remove these obstacles. The search conference report will serve as an important point of departure in

the development of a new small business strategy for Canada.

An important thrust in programming was the development of the Management Excellence in Small Business Program, which is designed to bridge the gap between small business and the academic community -- that is, between practice and theory. Under the program, the federal government will enter into agreements with business schools at universities and community colleges to develop practical course material; sponsor student work scholarships whereby business students can spend up to three months working in a small business; and conduct policy research related to small business.

Advocacy Office

The Advocacy Office within the Secretariat continued to be a focal point for "last resort appeals" and information requests from small business people. Officials responded to inquiries from many visitors -- including approximately 3 500 telephone calls, letters and ministerial correspondence. About 600 copies of the **Records Retention Requirements for Business** and numerous copies of other publications and brochures were distributed.

In addition to meetings with representatives of many business associations, the Advocacy Office maintained other links with universities and the international small business community. Meetings were held with visiting professors, foreign government officials, journalists and the Japan Federation of Small Business Associations.

INDUSTRY AND LABOUR ADJUSTMENT PROGRAM

Under a major program initiated by government in January 1981, nine communities in several regions of the country were designated during the past fiscal year as eligible for federal aid to alleviate unemployment. Recipients of offers under the Industry and Labour Adjustment Program (ILAP) included 40 companies and involved commitments expenditures totalling \$22.6 million. It is estimated that the projects will provide employment for 3 000 persons.

This \$350-million program is designed to reduce the distress in communities caused by permanent, large-scale industrial dislocations and associated layoffs of area workers.

The Community-Based Industrial Adjustment Program (CIAP) is a component of ILAP administered by the Department. Its major thrust is to encourage firms to undertake viable capital projects in designated Canadian communities affected by serious industrial dislocations. Decisions on assistance are made by the special Industry and Community Development Panel of the Enterprise Development Board.

The Industry-Specific Restructuring Program (ISRP) provides assistance to two industry sectors: major household appliances and automotive parts. Its principal aim is to encourage firms in the designated sectors, mainly small and medium-sized companies, to undertake viable projects.

TRADE COMMISSIONER SERVICE AND INTERNATIONAL MARKETING

INTERNATIONAL MARKETING POLICY GROUP

The functions performed by the International Marketing Policy Group (IMPG) will be shifted to the Department of External Affairs as part of the major reorganization.

These functions include:

- identification of international markets for goods and services produced in Canada;
- assistance to help Canadian industry develop and exploit these opportunities;
- negotiation of trade arrangements to give Canadian producers access to world markets;
- development of trade strategies to promote the growth and expansion of international trade; and
- maintenance of trade representation abroad to encourage and promote the sale of Canadian products and help keep the public sector up-to-date on export markets.

The Group reports to the Assistant Deputy Minister, Trade Commissioner Service and International Marketing. It serves as the Department's centre for the analysis, development and evaluation of policies and programs relating to export development and promotion. In performing this function, the group has produced a number of individual-country export development plans for high priority markets, drawing upon the expertise of the Department's industry sector branches as well as other federal departments, provincial governments and the private sector. Plans were completed in 1981-82 for Mexico, Australia, South Korea and Brazil. Several others, including Japan, Norway, West Germany and Saudi Arabia, are under way and will be published in the fall of 1982.

The Group is responsible for reviewing and participating in the improvement of Canada's export financing support facilities to prevent Canadian exporters from being placed at a competitive disadvantage. It ensures that departmental objectives and concerns are adequately addressed in both policy deliberations and operational aspects of the Export Development Corporation (EDC), Canadian International Development Agency

(CIDA), the Canadian Commercial Corporation, and in Canadian participation in projects financed by international institutions.

IMPG has coordinated both federal interdepartmental and federal-provincial international marketing initiatives, and has provided secretariat services to the Export Trade Development Board for seven meetings held this past year. These meetings have provided a useful exchange of views on a number of export subjects between government and Board members from the private sector, including both industry and labour.

Promotional Projects Program. Expenditures on departmentally-initiated trade fairs and trade mission projects funded through the Promotional Projects Program totalled \$8.3 million in 1981-82.

In promoting the sale of Canadian goods and services in international markets, the program helped 900 companies exhibit at 118 trade fairs in 28 countries; sent 650 industry representatives on 57 missions to 41 export markets; and brought 1 615 foreign businessmen from 66 countries to Canada. The immediate export sales influenced by these events are expected to exceed \$350 million.

BUREAU OF EUROPEAN AFFAIRS

Most European countries have been traditional customers of Canada for decades. Despite difficult circumstances in some areas, effective trade promotion was an important factor in maintaining trade levels in most regions. Some slippage was recorded in Western Europe, while Canadian exports to Eastern Europe increased despite a turbulent period.

Western Europe

The European Economic Community (EEC), the world's largest trading entity and Canada's second largest trading partner, absorbed \$8.7 billion of Canadian exports in 1981-82. Canadian exports to Western Europe fell by 9.5 percent to \$10 billion in 1981-82, while imports rose by 11.5 percent to \$7.8 billion. Britain continued to be Canada's largest European market, accounting for 33.2 percent of all exports to that region. Canadian trade with other Western European countries fell

to \$1.3 billion from \$1.6 billion in 1980-81. Imports maintained their previous year's level of \$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.

Economic cooperation activities continued under the Framework Agreement with the EEC. Working groups of business people and officials from Canada and the EEC explored possibilities for cooperation in specific industrial sectors, such as forest products, metals and minerals, energy conservation and urban transportation.

Industrial cooperation activities continued during the year under review, notably with Sweden. A comprehensive review of possible activities in this field was undertaken with Germany and a special mechanism was established to carry this work forward. Canada participated in 36 trade fairs in the area and 16 incoming and outgoing trade missions were arranged. This work represented some 38 percent of the department's total promotional projects budget.

Eastern Europe

Canada's trade relations with Eastern Europe in the past year took place in the context of deteriorating East-West relations which began with the invasion of Afghanistan by the Soviet Union in 1979 and continued with the imposition of martial law in Poland in December 1981 -- events which prompted the Western countries including Canada to adopt sanctions against the Soviet Union and Poland. However, Canadian exports to Eastern Europe in 1981-82 increased by 10 percent over 1980-81 to reach \$2.4 billion, and imports increased by 14 percent to \$350 million, giving Canada a \$2 billion trade surplus.

Canada's main clients in Eastern Europe were the USSR, Poland, Yugoslavia and Czechoslovakia. Eighty-seven percent of exports to Eastern Europe in 1981-82 were agricultural products, mostly grains. In addition, some 350 Canadian firms found markets in Eastern Europe for a wide variety of other products, such as pulp and paper, machinery and equipment, aircraft and parts, and metal-fabricated products. Work continued on major projects undertaken by Canadian firms in the past few years. A contract between Atomic Energy Canada Limited (AECL) and the Romanian Government covering the sale of two CANDU reactors took effect on December 29, 1981.

Bilateral trade consultations were held with Poland and Hungary. The Minister of State for Trade visited Romania and Czechoslovakia in May 1981 and signed a long-term economic agreement in Romania. The Department sponsored information booths and regular stands at trade fairs in Poland, Czechoslovakia, Yugoslavia and the German Democratic Republic. The Department also sponsored some 15 trade missions to and from Eastern Europe, including a mission of the Romanian Minister of Machinery.

BUREAU OF LATIN AMERICAN AND CARIBBEAN AFFAIRS

Canadian exports to Latin America and the Caribbean remained at the same level in 1981-82 as in 1980-81, despite economic difficulties in the region. Canadian exports totalled \$3.8 billion, the major markets being Mexico, Brazil and Venezuela. Some 40 percent of sales to the region were of fully manufactured goods. Our leading market in the region is now Mexico, up from third place a year ago. Exports to Mexico have tripled since 1976 and amounted to \$715 million at the end of 1981.

The Department carried out 54 export trade promotion projects. Among these were participation in seven trade fairs, 31 incoming delegations of buyers or senior government officials, and 16 outgoing trade missions. The most notable project was the participation of 37 Canadian companies at the Pacific International Trade Fair in Lima, Peru, the largest Canadian group ever, at a Latin American trade fair. Notable results were also gained by 18 companies exhibiting at the Acapulco Mining Show in Mexico. Canadian trade missions visited Panama, Mexico, Cuba, Trinidad, Brazil, Chile, Colombia, Ecuador, Peru and Venezuela; while delegations of buyers and senior government officials were brought to Canada from a number of South American, Central American and Caribbean countries. The Minister of State for Trade led delegations to Venezuela, Colombia, Brazil, Trinidad and Mexico.

The Department, together with the Export Development Corporation (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 development, power, mining, forestry, pulp and paper, communications and education.

There was considerable trade relations activity during the year between Canada and Latin America and the Caribbean. As a result of these initiatives, an Economic Cooperation Agreement was signed with Ecuador and a Framework Agreement was signed with Venezuela. In addition, Canadian government officials participated in the Canada/Brazil Joint Economic Committee Meeting in Brazil.

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: the CALA-sponsored Bilateral Businessmen's Committee with Argentina; the CALA Seminar in Toronto on the Latin American and Caribbean Market; CALA/CAIC Roundtable Discussions in Toronto on joint venture opportunities in the Commonwealth Caribbean; and CALA missions to Central America, Washington, Barbados and Trinidad.

Mexico

The Canada-Mexico Trade Committee held its first meeting in 1981. This organization was established to reduce impediments to bilateral trade and provide a forum for the discussion of trade matters of interest to both countries. The meeting took place in Ottawa and was co-chaired by the Deputy Minister of Industry, Trade and Commerce for Canada and the Deputy Minister of Commerce for Mexico.

The first of a series of Export Development Plans, comprehensive approaches to selected markets, dealt with Mexico. The plan was made public in April 1981. Plans were begun for Venezuela and Brazil.

The Prime Minister visited Mexico in January 1982, accompanied by a group of 27 senior Canadian businessmen. The visit was partly intended to lend political support to the bid of Atomic Energy Canada Limited for the supply of four 600 MW CANDU nuclear reactors. The formal proposal for the nuclear project was submitted on February 1, 1982 and included, in addition to commercial and technical bids, a financial offer which required extensive backing from the Canadian government. A number of other high-level visits, including several by the Minister of State for Trade, also contributed to the government's support of the AECL proposal.

More than 75 Canadian firms participated in the Technology for the People Fair in Mexico City, sponsored by the CIDA Industrial Cooperation Division and opened by the Minister of State for Trade. A mission of senior executives of Canadian

high technology firms visited Mexico in March 1982, sponsored and led by officials from the Department.

South America

The tempo of our commercial relations with Brazil also continued to increase, with several high-level exchanges of visits between political leaders and business people from both countries. In June 1981, the Minister of State for Trade hosted a visit to Canada by the Governor of Sao Paulo, Brazil's leading industrial state, accompanied by a large group of Brazilian business leaders. In December, the Minister led a mission of business people to Brasilia and Sao Paulo in support of a number of Canadian firms pursuing major capital project opportunities in Brazil, primarily in the fields of communications, aerospace, transportation and power generation. The mission was an important step in the Department's ongoing efforts to help Canadian companies win a contract to supply the space segment of Brazil's new domestic satellite communications system.

In December 1981, Canada was awarded a \$215 million contract for the development of the Tintaya copper mine in Peru. SNC of Montreal will supply the engineering, design, procurement and construction management for the project.

A Canadian embassy was officially opened in Quito by the Minister of State for Trade in March 1982, during a trade mission to Ecuador. Canadian business people have been very active in the Ecuadorian market, particularly in the hydroelectric, petroleum, transportation, and education sectors.

BUREAU OF PACIFIC, ASIAN, AFRICAN AND MIDDLE EASTERN AFFAIRS

Several major projects were undertaken in the Pacific, Asia, Africa and the Middle East, regions that are of growing importance as trading partners with Canada. During the past year the Office of Overseas Projects was merged with the bureau to provide greater focus on the development of trade in these high-potential markets.

The second Pacific Rim Opportunities Conference (PROC II) took place on February 22-24, 1982 at the Harbour Castle Hotel in Toronto under the initiative of the Canadian Committee of the Pacific Basin Economic Council (PBEC). Over 80 speakers and panelists took part in the conference, including the Minister of State for

Trade, the Secretary of State for External Affairs, a financial consultant to the Government of Malaysia, and the editor of the **Far Eastern Economic Review**. Panelists for the individual country workshops, and for the workshops of general interest such as joint ventures, export financing, and importing, included senior trade commissioners posted in the Pacific, representatives of academic institutions and successful business people active in the Pacific. Total registration, expected to be about 250, was over 400.

Japan

Japan remains Canada's largest overseas market, with two-way trade between the two countries reaching \$8.5 billion in 1981-82. However, Canada's surplus declined to \$460 million compared to \$1.6 billion in 1980-81, due largely to increased motor vehicles imports.

The lack of a satisfactory arrangement on Japanese exports of motor vehicles to Canada is the only major issue that mars an otherwise smooth and healthy economic and trade relationship. The fourth Canada/Japan Joint Economic Committee and the fifth Canada/Japan Businessmen's Conference, which met in Japan this year, contributed in great part to fostering the spirit of trust and friendliness that characterizes relations between Canada and Japan.

The Minister of State for Trade visited Japan in March 1982. Besides seeking a satisfactory arrangement with regard to the automobile issue, the Minister sought to increase the sale of Canadian products to the Japanese market, particularly in light of recent trade liberalization measures.

The Canada Trade Centre in Tokyo has been in operation for three years. It has held 30 shows, assisted 406 Canadian firms and been visited by 10 400 Japanese trade visitors. Sales generated by the shows amounted to \$100 million.

Australia and New Zealand

Australia usually ranks as Canada's sixth largest market for exports of end products. In 1981-82, shipments of manufactured goods represented more than one-third (\$307 million) of total Canadian sales to that market.

We are continuing to accord priority to Australia in our marketing activities. In October, a three-year development plan was released for Australia, designed to assist Canadian exporters in obtaining a greater share of the Australian market. We presently supply about 2.7 percent of

total Australian import requirements. In recognition of the market potential offered by Western Australia, the Minister of State for Trade announced in November 1981 that Canada would be establishing an office in Perth.

In 1981-82, Canada-New Zealand two-way trade totalled some \$285 million. Manufactured goods account for about half of our total sales to this market. New Zealand also holds considerable promise for project opportunities. In this regard, an Alberta company was recently awarded a contract for a \$200 million chemical-grade methanol plant. A \$65 million EDC loan has been signed with Petralgas Chemicals, a New Zealand producer, to support the sale of Canadian goods and services to this project.

Pacific

A major Canadian trade initiative in Papua, New Guinea concerns the \$1.7 billion Ok Tedi development. This project entails the complete mining, processing, energy, water and townsite facilities to recover gold bullion and copper concentrate from an isolated western location. In February 1982, EDC announced the signing of a U.S. \$88 million loan agreement to support Canadian equipment and services sales to Ok Tedi Mining Limited. Some 60 Canadian suppliers are now prequalified to bid on this project.

Far East

China continued to be a large market for Canadian products, with sales of \$1.0 billion in 1981. Wheat accounted for almost 70 percent of our exports. In recent years, there has been little project-related activity in China, owing to economic readjustment policies, although there is evidence this may be changing.

In August 1981, the Secretary of State for External Affairs visited the People's Republic of China. During this visit it was announced that Canada would be undertaking a bilateral development assistance program in China.

Canadian awareness of and participation in the Indian and Pakistani market increased in 1981-82, with export levels rising to \$346 million for India and \$89 million for Pakistan. A Canada/Pakistan Trade and Economic Council, a private-sector-funded business group, was formed and held two meetings during the year.

The Pakistani Minister of Petroleum and Natural Resources visited Canada at the end of the fiscal year to study oil and gas equipment and the service industry.

Korea remains Canada's fourth largest export market in the Far East, with two-way trade of over \$1 billion in 1981-82. Canada's exports to Korea amounted to \$446.2 million, an 11.5 percent decrease from the previous year. The decline was due to delayed effects of Korea's economic recession and to the fact that shipments for the CANDU nuclear reactor, nearing completion at Wolsung, ended in 1980. A number of large contracts signed in the reporting year will be reflected in 1982-83 statistics.

Over 46 percent of Canada's exports to Korea have consistently been semi- and fully-manufactured goods, a significantly higher percentage than exports to other Asian markets. The recognition of Korea's importance as a market for Canada led to the recent publication of **Canada's Export Development Plan for Korea**. Major growth sectors identified are CANDU reactors, coal, uranium, telecommunications, cereal grains and oilseeds, aircraft and pulp.

The visit of the Minister of State for Trade to Korea in June 1981 followed closely the visit to Canada in April 1981 of the former Korean Minister of Commerce and Industry. Both ministers were accompanied by senior business people. The Prime Minister's visit to Korea in September 1981, the first visit by a Canadian Prime Minister, will be reciprocated in August 1982 by the visit of the Korean President to Canada. In addition, the Canada-Korea Business Council held its first annual meeting in Seoul in September 1981.

Canadian firms were successful in negotiating additional contracts for the extension of a major thermal power station in Thailand. Canadian involvement to date is in excess of \$150 million. A further expansion is expected for 1982-83. The Thai Minister of Industry visited Canada in July 1981.

Canadian firms were retained to implement Phase II of the Bukit Asam coal mining, rail and sea transportation and thermal power station project in Indonesia. Total Canadian involvement in place and committed is now in excess of \$371 million. An Indonesian investment mission visited Canada in June 1981.

Africa

Canadian exports to Africa reached \$1.5 billion in 1981-82, up from \$873 million in 1979-80. Exports to Africa now account for approximately 16 percent of non-U.S.-destined Canadian exports and continue to grow at an acceptable rate. While Algeria (\$389 million), Nigeria (\$96 million) and Egypt (\$127 million) represent the largest existing and

potential markets in Africa, Canada substantially increased its market share in Morocco, Tunisia, Libya and Cameroon. Exports to these countries over the year rose from \$211 million to \$368.4 million. The sales of semi-fabricated and fabricated products to Africa in sectors such as transportation (surface and air), energy, communications and irrigation increased during the period under review.

Imports to Canada more than doubled in 1981-82 (\$1.2 billion), due to increased oil imports from Algeria, Libya and Nigeria.

During 1981-82, a number of trade promotion initiatives supported exports to Africa. The Prime Minister promoted trade during his visits to Kenya and Algeria and the Minister of State for Trade led a delegation of business people to Kenya, Zimbabwe and Swaziland. The Minister of Energy, Mines and Resources promoted cooperation in the energy sector during his visit to Egypt. The Minister of State for External Relations led Canadian delegations to bilateral commission meetings with Algeria, Morocco and Tunisia, in Algiers, Rabat and Tunis. Bilateral Commission meetings were also held with the Ivory Coast, Zaire and Senegal.

Most African countries sent delegations to Canada for trade discussions between government and industry. These visits consisted of ministerial missions and visits of senior officials.

There were 27 incoming and outgoing missions between Canada and Africa in 1981-82 and the Department participated in international trade fairs in Algeria, Morocco, Zimbabwe and the Ivory Coast. The Parliamentary Secretary to the Minister of State for Trade was the official host on Canada Day at the Algiers International Trade Fair. The Department also participated in the UN Conference on New and Renewable Sources of Energy.

The Middle East

There was a further significant expansion in Canadian exports to the Middle East in 1981-82, reflecting cooperation between the federal and provincial governments, private industry and trade associations. Exports of merchandise for 1981-82 totalled \$1.139 billion, compared to \$848 million in 1980-81. Exports of services in the same period are estimated to approach \$500 million. The largest markets in the region were Saudi Arabia (\$455 million), Iraq (\$294 million) and Israel (\$124 million). Imports, principally oil, declined from \$3.003 billion in 1980-81 to \$2.570 billion in 1981-82.

The Department sponsored several trade missions and assisted trade missions organized by provinces, all of which were successful in introducing new exporters to the region and expanding the sales of experienced firms.

In May 1981, the Minister of State for Trade visited Saudi Arabia for high-level discussions with Saudi ministers, senior officials and Canadian companies active in the country.

In Iraq, the Minister represented Canada at the opening of the Baghdad International Trade Fair, October 1-15, 1981. Canadian exhibitors were successful in marketing automotive products, telecommunications equipment, wheat and construction equipment. However, Canadian export opportunities in Iran continued to be seriously affected by the political and economic situation in the country and by the Iran/Iraq conflict.

DEFENCE PROGRAMS BUREAU

The Defence Programs Bureau was formed in 1959 (within the Department of Defence Production) to meet the needs of the Canadian Government for a highly specialized industrial and trade oriented group to promote exports of Canadian defense products to our allies and other friendly nations.

Specific objectives of this bureau are:

- to identify and follow up export opportunities for Canadian producers of defence and defence-related products;
- to establish and manage Canadian participation in bilateral and multilateral cooperative defence research, development and production (RDP) agreements; and
- to assist Canadian industry in making contacts and negotiating with foreign government agencies with respect to defence and related export marketing endeavours.

The bureau has four divisions.

- The U.S. Division manages the Canada/United States Defence Development and Defence Production Sharing Arrangement (DD/DPSA). It has responsibility for developing the U.S. defence market for Canadian prime and subcontracts, assessing U.S. market potential for Canadian defence products, and initiating cooperative defence R&D projects with U.S. military services.

- The Overseas Division manages Research, Development and Production (RDP) agreements with seven NATO countries and Sweden. It pursues opportunities for Canadian industrial involvement in NATO projects, and market development in cooperation with industry for Canadian defence products in European NATO and other friendly countries.
- The Project Marketing Division assists Canadian industry in marketing defence and defence-related products and assesses the benefit to Canada from Canadian defence procurement.
- The Market Research and Analysis Division conducts market research for specific products and does evaluation and analysis related to the defence export market. It also collects, records and analyses bilateral defence trade data.

Defence trade increased during 1981-82. Exports reached \$1.350 billion and imports rose to \$1.139 billion. The majority of this trade was with the United States. Nearly 60 percent of defence exports to the United States were subcontracts to American defence contractors, which was of particular benefit to smaller Canadian manufacturers of defence and related high-technology products.

A highlight of the year was the reaffirmation by the Prime Minister and President Reagan of the Canada/United States Defence Development and Defence Production Sharing Arrangement (DD/DPSA) during their meeting in Ottawa. Meetings with U.S. government and military officials and participation in seminars, trade missions and trade fairs also helped to stimulate increased defence business opportunities for Canadian industry in the United States.

The bureau sponsored its twentieth High Technology Industries Export Conference. A total of 61 trade commissioners from around the world attended the Ottawa conference and held over 4 000 interviews with Canadian business people.

Canada made a major sale of 10 Buffalo aircraft to Egypt, with an option of an additional six.

REGIONAL OFFICES IN CANADA

The Department maintains regional offices across Canada which provide the full range of departmental services to the Canadian business community. Decentralization of responsibility for the delivery of the Department's programs, particu-

larly to small and medium-sized businesses, significantly improved the access of business people to the broad range of trade and industrial development programs offered by the Department during the year.

The role of the regional offices was recently expanded in the areas of federal and provincial relations and tourism promotion, to improve responsiveness to the daily needs of the Canadian business and public sectors while ensuring a close liaison with Canada's trade posts abroad. This expanded role resulted in a significant increase in the level of activity in regional offices.

Each regional office operates a business information centre, providing information on business assistance programs offered by the federal and provincial governments. During 1981-82, these centres received 7 891 business visitors and processed 168 941 enquiries.

Approximately 120 officers are engaged in industrial development, trade and tourism activities in the regional offices.

The regional offices processed 3 472 applications under the Program for Export Market Development (PEMD) and 1 002 applications under the Enterprise Development Program (EDP) in 1981-82. They also handled 1 878 enquiries relating to foreign investment in Canada.

TRADE COMMISSIONER SERVICE

The Trade Commissioner Service operated a network of 92 offices in 68 countries during 1981-82, employing 230 trade commissioners and 170 locally-engaged commercial officers. Although the Trade Commissioner Service was transferred from ITC to the Department of External Affairs in January 1982, its mandate to serve the Canadian business community abroad remains unchanged.

The foreign posts had an important impact on trade relations, trade policy and export development. They identified export opportunities and helped Canadian firms make use of this information. During the year these offices played a role in Canadian export contracts worth \$4.157 billion, identified almost 3 000 new buying connections, assisted over 30 000 Canadian business and government visitors, answered 109 000 export enquiries and participated in 549 trade fairs.

U.S.A. TRADE DEVELOPMENT BUREAU

In 1981-82, Canada/U.S. trade reached a record value of \$107.8 billion. Canadian exports to the United States totalled \$53.7 billion and imports from that country were \$54.1 billion. Because of the size of the U.S. market and its importance to Canada's export performance, trade programs are needed which are specifically directed at not only maintaining Canada's share of that market but introducing new Canadian products to stimulate export growth.

The U.S.A. Trade Development Bureau is the focal point for the Department's marketing activities in the United States. It is responsible for the Department's Trade and Industrial Development (TID) Program, which maintains 14 trade posts in the United States. The TID Program places particular emphasis on small to medium-sized firms and first-time exporters.

The main components of the program are market research, export education, trade promotion, congressional and corporate liaison reporting, ministerial visits, and industrial development.

Trade Promotion. Promotion activities initiated and implemented by the bureau fall into two categories: long-term major activities and short-term responsive activities.

Long-term major promotional activities are those which require extensive pre-planning and represent steps in the implementation of an overall marketing strategy for an industrial sector. These included 46 trade fairs and trade missions organized by the bureau in 1981-82. Examples were departmental participation in the Offshore Technology Conference in Houston, the Snow Show in Las Vegas, the Farm Progress Show in Illinois and numerous automotive parts and accessories shows throughout the United States. The Department also sponsored incoming buyers from all regions of the United States to the Canadian Fashion Fair in Winnipeg and the Children's Apparel Manufacturer's Association Show in Montreal.

Short-term responsive activities are those which respond to newly identified marketing opportunities and which can be implemented with industry support with shorter lead-times and at low cost. Fifty-one such promotions were undertaken during the year, ranging from solo industry exhibits held in Canadian consulates throughout the United States to a direct-to-the-consumer radio, newspaper and point-of-purchase promotion of Canadian fish in the Chicago area.

Congressional and Corporate Liaison. The successful corporate liaison program was recently expanded to include congressional liaison. This program has been useful in providing a cross-section of U.S. corporate views on current issues in Canada/U.S. trade relations, as well as an indication of how Canada is perceived as a location for investment. By including contacts with influential congressmen and senators, the program provides another informal mechanism for dealing with bilateral issues between the two countries.

Ministerial Visits. The bureau, in conjunction with trade posts in the United States, initiated and recommended to the Minister of State for Trade a program of official visits to a number of U.S. cities and regions to promote Canadian goods, services and interests. The Minister visited Dallas, Houston, Chicago, Seattle, San Francisco and Los Angeles to meet with senior business people and public officials, participate in conferences, and officially open the Canadian exhibits at various trade shows.

Industrial Development. Under its industrial development program, the bureau sponsored "Investment in Canada" seminars in Minneapolis and Chicago. At the Chicago seminar in March 1982, Canadian Government officials addressed a U.S. business audience concerning the objectives of the Foreign Investment Review Act (FIRA) and International Labour Adjustment Programs in the context of "Economic Development for Canada in the 80s". At the invitation of provincial government offices in Chicago, U.S. business people who had invested in Canada related their experiences concerning specific investments in Ontario and Quebec.

INTERNATIONAL TRADE RELATIONS

OFFICE OF GENERAL TRADE RELATIONS

The Department's Office of General Trade Relations participated actively in multinational trade consultations during the past fiscal year. These consultations were largely aimed at reducing the mounting protectionist pressures being imposed on world trading systems as a result of the prolonged recession of national and international economies.

Recognizing the dangers in this protectionist trend, the Ministerial Council of the OECD reaffirmed unequivocally in June 1981 the commitment of member countries to the principles of the open and multilateral trading system. In addition, contracting parties to the General Agreement on Tariffs and Trade (GATT) agreed in November to hold their 1982 annual meeting at the ministerial level. The aim of this meeting will be to address current trade problems and to develop a work program for the 1980s.

Significant GATT-related activities in 1981-82 included the progressive implementation of the tariff and non-tariff results of the multilateral trade negotiations (MTN), which continued on schedule. Other GATT activities of particular note took place in the field of dispute settlement. The panel established to examine the U.S. embargo on tuna and tuna products from Canada found this action inconsistent with U.S. obligations under GATT. Canada requested that a panel examine the use of U.S. legislation with respect to alleged patent infringement; however, the panel did not accept Canadian arguments. The United States engaged in consultations with Canada and subsequently requested that a GATT panel be established to examine certain trade-related aspects of the Foreign Investment Review Agency's activities. GATT activities during the year also focussed on the implementation of MTN results and the administration of the non-tariff measure codes and agreements concluded during the Tokyo Round.

In January 1982, Canada took part in informal trade discussions with its major trading partners, i.e., the United States, the European Community and Japan. These discussions, at which Canada was represented by the Minister of State for Trade, provided an opportunity to exchange views on the major challenges facing the international trading system and to gain a better understanding of the international trading environment from the perspective of each participant.

Canada participated in other international trade policy discussions at both the general and specific levels at meetings within GATT, the OECD, the UN Conference on Trade and Development (UNCTAD), the Ottawa Economic Summit, the North/South Summit at Cancun, the Commonwealth Heads of Government Meeting in Melbourne, and multilateral trade discussions at ministerial and official levels with major industrialized countries. Subjects covered included export financing, transportation, East-West commercial relations, and trade aspects of investment and competition policies. A number of issues were considered in the context of North-South relations, among them transfer of technology, the Generalized System of Preferences, and the further integration of the more advanced developing countries into the world trading system.

Major industrial trade policy issues which required attention during the year included the parliamentary review of overall import policy carried out by the Subcommittee on Import Policy of the House of Commons Standing Committee on Finance, Trade and Economic Affairs; policy initiatives with respect to offshore development; trade-related aspects of investment policy; and the industrial benefits provisions of various domestic economic policies. Involvement in OECD activities focussed on the organization's Industry Committee and the Steel Committee. High priority was also given to sectoral policy issues affecting trade in civil aircraft, telecommunications equipment, petrochemicals, the health-care products industry, and shipbuilding.

With respect to commodity trade policy, Canada participated in negotiations to bring the Sixth International Tin Agreement and the first International Natural Rubber Agreement into effect. Canada also took part in a series of preparatory meetings on tea and tropical timber, which seem likely to result in agreement on the broad outlines of the international arrangements for these commodities. The international agreements on sugar and coffee are to be extended this year and Canada participated actively in both sets of negotiations, based on its position as a major consumer. Canada signed the agreement establishing the Common Fund in January 1981 and has continued to contribute to the process of formulating its administrative rules and regulations.

Agricultural concessions resulting from the MTN continued to be implemented. Bilateral

agricultural trade negotiations were conducted on a number of products of interest in Canada's export and import trade, particularly on cheese.

OFFICE OF RELATIONS WITH OECD COUNTRIES

Consultations and meetings in 1981-82 between high-level officials of Canada and trading partners in OECD countries resulted in progress that was favourable, in a large part, to Canadian exporters. These included trading resolutions in European and Pacific area markets.

The office continued to provide the business community with information regarding tariffs and import regulations for the countries within their jurisdiction.

European Division

Progress was made in resolving a number of bilateral trade issues between Canada and the Economic Commission for Europe (ECE), including access to the ECE market for high-quality beef under the ECE's 10 000 tonne fixed-levy quota, which was negotiated during multilateral trade negotiations (MTN); the resumption of seed potato exports to Italy; and carry-over of a shortfall in sales of Canadian cheddar cheese to Europe under the Canada/ECE MTN Cheese Arrangement.

Consultations were held with the ECE under GATT Article XIX with respect to the imposition of minimum import prices on certain fish imports into the U.K. market. Representations were made to the Economic Commission for Europe in Canada, primarily in the agricultural and fishery sectors, including the ECE's administration of tariff rate quotas for certain fish products established under the Canada-ECE Long Term Agreement on Fisheries; and ECE proposals to increase the import levy on grain screenings and alter phytosanitary regulations on Canadian lumber exports.

Canada entered into consultations with the Economic Commission for Europe under GATT Article XXIV(6) concerning the impact of Greek accession to the European Economic Community (EEC) on Canadian exports.

Arrangements to limit price undercutting on cheese exports to Canada were concluded with Austria, Switzerland and the Scandinavian countries. Consultations under GATT Article XXII were also held with Spain on the operation of the Spanish import regime for fish products.

The fourth meeting of the Canada-European Community Joint Cooperation Committee was held in Ottawa in July 1981 and semi-annual consultations

were held with the Economic Commission for Europe in Brussels in April and November 1981.

Pacific Division

In June 1981, the Japanese Government agreed to restrict exports of Japanese passenger vehicles to Canada to the level of 174 213 for the period April 1, 1981 to March 31, 1982. This action was taken in light of the depressed state of the Canadian automotive market and in response to Canadian concern that action by Japan to restrict exports of passenger vehicles to the United States, taken earlier in the year, could result in the diversion of vehicles to the Canadian market.

In December 1981, the Japanese Government announced measures to promote increased imports into the Japanese market. This action was taken in response to intensive pressures from the United States and the ECE, with which Japan has very large merchandise trade surpluses. The Japanese measures included the advanced staging of tariff cuts agreed to by Japan in the recently concluded Tokyo Round of multilateral trade negotiations and undertakings by the government of Japan to work toward the liberalization of a range of non-tariff barriers to trade affecting access into the Japanese market. Although the measures were not directed to Canadian interests, Canadian exporters should benefit somewhat from the overall reduction in the level of protection in Japan.

Following an extensive review of trade and economic relations with Australia and New Zealand, negotiations were undertaken with officials of the New Zealand Government, resulting in the signing of a new bilateral Canada-New Zealand Trade and Economic Agreement in November 1981. The new agreement, which entered into force on January 1, 1982, replaces the previous agreement which had been in operation since 1932. It provides for a continuation of preferential tariff arrangements and regular consultations on trade and economic matters of interest to both governments. The agreement also provides for expansion of the bilateral relationship to cover such areas as industrial cooperation, joint ventures, and cooperation in third markets.

Discussions with Australian Government officials were held in Ottawa in November 1981 to explore ways and means of improving bilateral trade arrangements to reflect changes which have taken place in the international trading environment. Several proposals were put forward for further study and discussions will continue in the new year.

The division reviewed reports issued by the Australian Industries Assistance Commission to assess the impact of recommendations altering the

terms of access for Canadian products on the Australian market. Representations on behalf of Canadian exporters were undertaken as appropriate.

OFFICE OF SPECIAL TRADE RELATIONS

Textiles. A program to assist the textile industry to restructure and modernize was announced on June 19, 1981, following a report by the Textile and Clothing Board. The program established the Canadian Industrial Renewal Board to assist the industry in restructuring and modernizing, and extended the period of border protection to provide greater stability during the transition. The Office of Special Trade Relations (OSTR) undertook negotiations with the principal suppliers of low-cost textiles with a view to concluding arrangements covering the 1981-86 period.

The Multi-Fibre Arrangement, which provides the framework for negotiating bilateral restraining arrangements, expired on December 31, 1981. As Canada's representative, OSTR actively participated in discussions of the Multi-Fibre Arrangement for a further four-and-a-half year period. The Arrangement was successfully re-negotiated and now reflects current Canadian needs more closely.

Footwear. On November 24, 1981, the government announced its decision to replace the global quota on imports with a global quota covering only non-leather footwear, in accordance to the Anti-Dumping Tribunal's report of February 1981. The decision reflected the tribunal's finding that the domestic industry could compete with imports from developed countries, which were primarily leather. The non-leather quota is for three years ending November 30, 1984 and provides for a three percent annual growth rate.

Coffee. In keeping with its obligations as a member of the International Coffee Organization (ICO), Canada placed coffee on the Import Control List. Individual permits were required for the import of coffee effective February 1981 to provide more accurate statistics to the ICO.

Sugar. Sugar was similarly placed on the Import Control List to satisfy Canada's obligations as a member of the International Sugar Organization. Individual permits are required for imports to provide accurate statistics to the organization and control imports from non-member suppliers.

Beef and Veal. On March 14, 1981, beef and veal were removed from the Export Control List. In prior years Canada regulated exports of beef and veal in the context of an exchange of letters with the United States. With the removal of U.S. import controls, the intergovernmental understanding was no longer operative and this item was removed from the list.

Specialty Steel Products. Effective March 25, 1981, specialty steel products were removed from the Export Control List. This item, which had originally been placed on the list in December 1976 in response to a U.S. quota on specialty steels, was removed following termination of that quota.

Area Control. On March 3, 1981, Iran was removed from the Area Control List following the release of hostages taken at the U.S. Embassy in Teheran.

On July 3, 1981, the Area Control List was amended removing reference to the People's Republic of China. This action was taken in recognition of improved relations between Canada and China.

OFFICE OF U.S. RELATIONS

Bilateral trade with the United States continued to increase in 1981 and through the first quarter of 1982. There was also a growing concern over reciprocal restrictive trade legislation.

Two-way trade between Canada and the United States totalled almost \$107.8 billion in 1981-82. The value of Canadian exports to the United States was \$53.7 billion, or about two-thirds of our sales to the world as a whole. Our imports from the United States were valued at \$54.1 billion, or some 70 percent of all Canadian imports.

On January 1, 1982, the third of eight phased reductions in customs duties on most U.S. tariff items -- as agreed in the Tokyo Round of multilateral trade negotiations -- came into effect, offering improved access in the U.S. market for many Canadian products. In other respects, however, the picture was less encouraging. While the bulk of our trade continued to flow freely, new "Buy America" legislation at both the federal and state level was a source of serious concern to Canadian exporters, particularly in the steel and steel products sector. Other protectionist pressures were evident in border state protests against imports of Canadian potatoes and softwood lumber;

in proposals to further restrict imports of uranium; and in the introduction of a number of narrow "reciprocity" bills in Congress which would make access into the U.S. market contingent on the treatment applied to U.S. goods by other countries.

The U.S. Trade Relations and Tariff Affairs Divisions continued to provide Canadian exporters with background information, advice and direct assistance on all market access issues, including such concerns as policy developments; specific trade actions; tariff classification problems; labelling, food and drug and other non-tariff regulations.

INDUSTRY AND COMMERCE DEVELOPMENT

The Industry and Commerce Development (ICD) Group consists of a number of industry sector branches and related staff groups with responsibility for industrial and trade development in Canada's manufacturing and processing industries and in selected service industries including construction and consulting, distributive trades, and transportation services. The principal role of ICD for the Department and the government is to provide a source of industry sector knowledge and expertise required for the development of policies and the performance of programs and services supporting industrial innovation, investment, productivity and export marketing.

In the fiscal year under review, ICD branches played a leading role in a number of important government initiatives. Work on industrial and regional benefits from major capital projects led to the announcement in August 1981 of industrial benefits, objectives and guidelines for owners and sponsors of major projects, and the creation of an Office of Industrial and Regional Benefits within ITC to ensure Canadian suppliers a full and fair opportunity to compete.

The priority attached to the development of electronics and its application to Canadian manufacturing products and processes gave rise to the announcement in January 1982 of a three-year program, Support for Technology Enhanced Productivity (STEP), with funding of \$93 million (\$52.1 million plus the Special Electronic Fund), to promote the manufacture and use of electronics.

A new policy for the textile and clothing sectors, with funding of \$267 million over five years, was made public in June 1981. The program provided for the establishment of the Canadian Industrial Renewal Board to coordinate industrial development measures, including community adjustment, and the negotiation and implementation of supportive trade policy measures.

A number of initiatives were undertaken in the automotive sector, including the designation of auto parts as an industry sector eligible for assistance under the Industry and Labour Adjustment Program (ILAP), the implementation of restraints on exports of automobiles from Japan, and the conclusion of a duty-free entry arrangement with Volkswagen in support of proposed new investment in Canada.

In the aerospace sector, work continued on the monitoring and implementation of the industrial benefits provision of the contract with McDonnell Douglas for the supply of Canada's new fighter aircraft.

AEROSPACE AND MARINE BRANCH

Aerospace Directorate

The aerospace sector continued to expand during the year, with sales approaching \$3 billion, an all-time high. Employment, however, has shown some regional reduction.

The industry continues to be predominantly related to international export markets and thus makes a significant contribution to Canada's balance of trade in manufactured goods.

The directorate initiated and sponsored a number of new activities. Among these activities were development of the Light Air Cushion Triphibious Aircraft (LACTA), a mission to Poland, and research to identify possible industrial cooperation opportunities, including a study of future potential for helicopter manufacture in Canada.

Activity on existing programs included the extension of sales financing under the Enterprise Development Program to include the DASH-8, a new phase of activity to exploit augmentor wing technology, development of higher power versions of the PT-6 and JT-15D engines, improved versions of the PT-6, and the launching of the new PW-100 engine series. Monitoring activities continued for established projects such as the Challenger, special engineered products and military reconnaissance drone systems. New arrangements were put in place to monitor the DASH-8 program on an interdepartmental basis.

Negotiations continued under GATT to expand duty-free coverage for aircraft and engine parts in overseas markets under the terms of the Agreement on Trade in Civil Aircraft.

The Aerospace Industrial Benefits packages negotiated as part of major government procurements include the Lockheed CP-140 Aurora, McDonnell Douglas CF-18 and Air Canada fleet

purchases. In addition, two new projects are under negotiation: the Low Level Air Defence (LLAD) missile program and the C-130 wing modification program. Audit and control practices were strengthened and expanded through increased computerization of the industrial benefits claims and approvals process.

The directorate had considerable involvement in the analysis of possible Canadian industrial participation in the development and production of new 150-passenger transport aircraft at Airbus Industries, Boeing and McDonnell Douglas.

Under the Defence Industry Productivity Program, delivery of research and development, source establishment and plant modernization projects to the industry sector as a whole reached an all-time high involving some 130 projects.

Marine Directorate

During 1981-82, activity in the oceans, ship-building and repair industry was quite uneven, with high levels of employment in Western Canada and Ontario but soft spots in the Atlantic provinces and Quebec. There has been very little demand for new conventional ships. Most of the contracts received during the year were related to offshore (Atlantic and Beaufort) hydrocarbon activity. Ship repairs and conversions continued to represent approximately one-third of shipyard activity.

Manufacturers of ship components had sales generally at the level of the previous year. Intense foreign competition, particularly in the offshore oil and gas sector, has prevented expected increases in sales profits in some instances. Manufacturers of on-board fishing gear have shown more interest in exporting to the United States and were generally enthusiastic about prospects there. Implementation of the Shipbuilding Industry Assistance Program (SIAP) continued in relation to this interest.

Market development support was provided through national displays at the Offshore Technology Conference in Houston, Texas, the Offshore Europe show in Aberdeen, Scotland and the Oceanology International show in Brighton, England, as well as information booths at a number of other international shows.

With respect to industrial benefits from government procurement, the directorate participated in the program office created for the acquisition of

the Canadian Patrol Frigate by providing management of the industrial benefits function.

CANADIAN MARKETING OPPORTUNITIES PROGRAM

The Canadian Marketing Opportunities Program (CMOP), established in October 1981, has taken positive steps to increase this country's share of the Canadian market through the purchase of Canadian-made products.

The program complements and supplements the activities of the Office of Industrial and Regional Benefits and the industry sector branches of the Department. CMOP has initiated discussions with trade associations, to encourage voluntary programs with their member companies to develop policies for replacing imports with Canadian-made products. Major thrusts have been launched with public sector institutions, the health-care products industry, and the petroleum industry.

This Department and the Department of Supply and Services have joined the provinces to arrange a program that will encourage some 11 000 public purchasers to give Canadian manufacturers an opportunity to bid for their business.

Discussions with representatives of the petroleum industry led to their decision to explore, on a voluntary basis, the potential for more purchasing of Canadian-manufactured goods. Supplier development is important to this industry because of the economic benefits of having secure domestic sources of supply. This program, under the stewardship of the petroleum industry, is expected to grow into a major undertaking in the next fiscal year.

The food processing industry, under the auspices of the Grocery Products Manufacturers of Canada, is in the early stages of determining the kinds of opportunity it can offer for the development of the domestic market for Canadian manufacturers.

The Mining Opportunities Program, started in 1980-81, has featured a successful reverse trade show. Since then, the mining industry has developed closer ties with the supplying companies through special-purpose standing committees. These new ways of dealing with the problems of suppliers and buyers have been encouraging. The experiences with this first initiative to build a stronger Canadian market have been a useful guideline for the programs currently under way.

CHEMICALS BRANCH

The chemicals industry achieved an impressive rate of growth in both production and exports in 1981-82 despite adverse conditions in most other areas of the economy. However, by the end of the period, the effect of the economic downturn was resulting in reduced activity. In 1981, shipments by the chemicals and related sectors increased by more than \$2 billion over the year, to a total of \$19.2 billion. There were increases in all sectors, with industrial chemicals showing particular strength. While imports climbed \$800 million, exports rose by more than \$1 billion and exceeded imports by about \$50 million.

Industrial Chemicals

Consultations were carried out with the provinces and the private sector on a policy framework for the development of the petrochemical industry. An interdepartmental task force was formed to study the outlook for the availability and costs of petrochemical feedstocks.

The branch participated in meetings of the International Rubber Study Group, which acts as a forum for information exchange between natural and synthetic rubber producers and consumers. Canada ranks fifth in the western world in synthetic rubber production and seventh in combined natural and synthetic rubber consumption.

Involvement in the activities of the Sulphur Development Institute of Canada (SUDIC), a non-profit organization fostering research into new uses of sulphur, was continued through membership on the board of directors.

A study was completed on the supply-demand situation for lubricating oil in Canada for the period 1980-85. The study concluded that supply would exceed demand for every year of the period.

Plastics, Rubber and Chemical Specialties

Exports of plastic products continued to rise, with a 20 percent increase in 1981-82 over the previous year. However, imports continued to supply one-third of the domestic market. Two selling missions were held, in Detroit and San Francisco. In March 1982, the Division conducted a market survey for plastic products in Australia and New Zealand and a selling mission has now been proposed. Export seminars for plastics processors were held in Montreal, Winnipeg and Vancouver in cooperation with the industry association.

The branch led two industrial cooperation missions to Europe during the year. At the first, ten

executives of the plastic film extrusion industry examined plastic film and packaging technology in France and West Germany, while the second enabled nine executives of the blow moulding industry to view technology in the United Kingdom, Italy, Switzerland and West Germany.

In October 1981, the branch organized a trade mission to Cuba for industrial rubber product manufacturers. Significant export shipments are resulting from this mission.

A sector analysis of the industrial rubber products industry was initiated and a study of the pesticide industry in Canada was completed.

Health-Care Products

The branch coordinated federal participation at the manufacturing opportunity show on medical equipment and supplies held in Winnipeg in April 1981. The show was organized as part of a federal-provincial initiative to secure a greater share of the domestic market for Canadian producers. As another contribution to this initiative, the branch coordinated the preparation of a made-in-Canada health-care products directory which was published in February 1982. The directory was well received and will, for the first time, enable decision makers and purchasing agents to identify Canadian-made products.

During the year, the branch organized exhibits of Canadian health-care products in Atlanta, Georgia and in the Canadian Trade Centre in Tokyo.

Preparatory work was started in connection with the International Conference on Medical Device Technology which the Department is co-sponsoring with Health and Welfare Canada and the Canadian Association of the Manufacturers of Medical Devices in Toronto in December 1982.

DESIGN CANADA

Design Canada has the responsibility to promote improved design and creativity for industry and business in Canada. The major functions of Design Canada include serving the requirements of the National Design Council and implementing departmental programs to assist the development of industrial design.

Examples of its activities include:

- providing grants to companies in a cost-sharing arrangement with the provinces through the Product Development Management Program (PDMP)

to strengthen the product capabilities of Canadian firms;

- . holding design seminars for designers and companies;
- . providing design advisory services to companies; and
- . administering a scholarship program for graduate students to upgrade the quality of design skills in Canada.

Under PDMP, more than 250 companies were assisted in 1981-82 in developing product design capabilities, resulting in the establishment of 450 new permanent jobs. A wide range of products was developed, including a computerized shopping mall directory system, ocean fishing equipment, agricultural machinery and an underwater submersible scanning drone.

A seminar series entitled "Design in Packaging" was held in several major centres to demonstrate to the packaging industry the role of design in developing innovative, effective and efficient types of packaging. Seminars on "Tourism - Profit by Design" were developed in cooperation with the Canadian Government Office of Tourism. These seminars demonstrated to tourism owners and operators the ways in which design can be used to increase efficiency, attract and satisfy more visitors, and thereby improve competitiveness and profits.

"Design Symposium D³" was held in Montreal in April 1981 as a joint venture with the Université du Québec à Montréal and the Centre de recherche industrielle du Québec. The symposium focussed on the benefits of design utilization and the design process. Lecturers and participants were from Canada, Germany, Italy, the United Kingdom and the United States.

The branch provided advisory services on design to companies, institutions, other federal departments and provincial governments throughout the year.

Twelve design scholarships were awarded on a competitive basis for the 1981-82 academic year for studies in Canada and abroad.

The National Design Council held three plenary sessions in Canadian communities. Design Canada was involved in international forums, including the biannual congress of the International Congress of Societies of Industrial Design (ICSID) held in Helsinki, Finland.

The Chairman's Award for Design Management for 1982 was awarded to Northern Telecom Ltd. A total of 260 submissions were examined to arrive at a list of 10 finalists. This award and the Design Canada Awards of Excellence for Product Design were announced at a presentation organized by Design Canada in Montreal.

ELECTRICAL AND ELECTRONICS BRANCH

The Electrical and Electronics Branch plays a major role in the development of Canada's potential at both domestic and international levels in this rapidly changing field. It works closely with industry in such activities as supporting advanced technology, distributing information, marketing, and legislative planning. The following is an outline of the activities of the branch during the 1981-82 fiscal year.

Policy and Strategy Development

The Support for Technology Enhanced Productivity Program (STEP) was launched in January 1982. This program is designed to enhance the supply capabilities of the Canadian electronics and machinery sectors and to encourage the application and use of new electronic technologies in the products and production processes of all industry sectors. The program is funded at a level of \$93 million (\$52.1 million plus the Special Electronic Fund) over a three-year period.

A report on transborder data flows and the use of computer communications technology in multinational corporations was prepared for the Interdepartmental Task Force on Transborder Data Flow. The project was developed in close consultation with industry associations and was based on information gathered from questionnaires and interviews with a number of the largest multinational companies operating in Canada.

Microelectronics and Instrumentation

As part of the STEP program, centres of advanced technology in industrial applications of microelectronics, were established in association with universities across the country. These centres are designed specifically to deal with questions posed by Canadian companies on the use of microelectronics and to provide technical services. The centres are located at the University of British Columbia, University of Alberta, University of Manitoba, University of Toronto, and University of Sherbrooke. Other centres are currently being considered for the Atlantic provinces.

After initial funding by the Department of \$1 million over five years, the centres are expected to become financially self-supporting. Their principal task consists of providing technical services to industry in applying micro-electronic devices to product designs or to a company's processes.

These centres will also serve as a regional focal point for the dissemination to industry of information on microelectronics and its applications. It is expected that the centres will provide training programs, courses and facilities for regional industry, and that they will transfer microelectronic technology to companies that request their assistance.

Information Processing and Technology

New development programs approved under the Enterprise Development Program (EDP) and Defence Industry Productivity Program (DIPP) amounted to a total Crown contribution of \$32.5 million. Among these contributions are one to the Control Data Corporation for \$17 million to develop a super mini-computer and another to Mitel Corporation to develop the SX-2000 PBX. Some of the products which will result from these projects are fundamental to the growth of the "Office of the Future" industry.

The division participated in 32 procurement review committees and was involved in producing guidelines on the use of procurement to foster the growth of the Canadian computer industry. As a direct result of these committees, a number of major projects have been undertaken in Canada, including a \$17.5 million R&D centre and a \$25 million software development centre.

The division organized Canadian booths at two of the major computer trade shows, the National Computer Conference in Chicago and SICOB in Paris, and hosted an incoming mission of Belgian importers and distributors. The division also cooperated with a leading Canadian publisher in producing a new directory of Canadian exporters, *Canada in the World of Computing*, which was distributed to posts around the world. Many small companies were assisted in locating markets for their products and the division worked with a number of multinational enterprises in identifying sources in Canada.

An ongoing activity of the division is to maintain a profile of the Canadian computer and office products industry and participate in initiatives to promote its growth. This is considered critical given the rapidly deteriorating trade deficit in computers and office products, which reached \$1.8 billion in 1981-82. Another

initiative being undertaken is the "Office Communications Systems" program, a joint venture by this Department and the Department of Communications, to study the application of new technologies.

Consumer Products (Major and Portable Appliances)

A new duty remission and tariff program for the television industry for the period after December 31, 1981 is being formulated in consultation with the industry. The Major Appliance Industry was designated under the Industry Specific Restructuring Program and \$15 million over the next two years was allocated to assist companies in this sector in their capital investment plans. The goals are to modernize, automate and consolidate production facilities in order to achieve significant productivity improvements. An increased concentration of division resources was made in the area of export marketing and promotion programs, including market studies and participation in an international trade fair, "Domo Technica", in Cologne, Germany. A full review of possible assistance programs for the portable appliance industry was undertaken during the year and consultation with the industry continues.

Telecommunications

DIPP and EDP support to this industry sector continued at a significant level during this fiscal year. Telecommunications continues to be an active high technology sector in R&D programs and in the Program for Export Market Development.

Two telecommunications trade missions to Japan were completed as part of the government's efforts to expand Canadian exports into this complex market. Space marketing during this period was concentrated in Australia, Mexico, Brazil and the Middle East. A number of space policy documents were prepared in cooperation with the Department of Communications and the Ministry of State for Science and Technology. A start was made in dealing with industrial support and policy activities related to Telidon and Teletext.

Activity in support of the Canadian fibre optics industry subsector was increased during the period. Assistance was provided to some of the telephone companies, including the Alberta Government Telephone Company, to participate in export projects. In addition, marketing support was provided on a large number of specific telecommunication marketing ventures on all continents.

The Telidon industry was supported through intergovernmental and industry committees and

programs such as the Industry Investment Stimulation Program (IISP), Enterprise Development Program (EDP) contributions, and trade fair participation in London, England. The strong international competition from the United Kingdom (Prestel) and France (Antiope) was challenged by Canadian export successes in Germany (Siemens) and the United States (Times Mirror) and by the incorporation of the Telidon format in the AT&T videotex standard in 1981.

Avionics and Defence Electronics

Results in this sector for the year were impressive. Exports to the United States were \$345 million and to overseas countries \$87 million. In the last quarter alone, exports totalled over \$200 million, an indication of the upward trend.

Defence Industry Productivity Program (DIPP) expenditures for the year were \$33 million, which included completion of the Missile Inertial Guidance System program (\$5 million) and commencement of the Ring Laser Gyro project (\$8 million).

Industrial benefit activities continue and the division now has designated officers to the project offices of the CF-18 (Hornet) Program, the Canadian Frigate Program and the Radar Modernization Program. Considerably more activity is anticipated in this area in the future.

Among the many projects handled by the division during the year, one of the most promising is the Multi-Mode Matrix Flat Panel Solid State Displays. In October the producer, Litton Systems Canada, made a major marketing breakthrough with an initial production order from General Dynamics for 390 displays, valued at \$9.5 million, for the F-16 Aircraft.

The division also became involved in the development of electronic materials such as Cadmium/Mercury/Telluride and Gallium Arsenide, which will eventually lead to the availability in Canada of infrared detectors and GaAsFETs.

Electrical Energy

The division continued to work closely with the electrical industry to improve its competitiveness domestically and abroad. During the year the Enterprise Development Program was used for a number of new projects serving to develop unique high technology Canadian products, especially for specified generation, transmission and distribution equipment. In addition, the DIPP program provided support to subfractional motor development for military markets.

Work continued on the improvement of effective Canadian operating control of electrical manufacturing companies in Canada through application of departmental policies and close cooperation with the Foreign Investment Review Agency. A notable achievement in this regard was made in the transformer industry, where marketing control of major plants in another country was obtained by Federal Pioneer Limited of Toronto in connection with its purchase by the Reliance Electric Company of Cleveland.

The division continued to work closely with the industry to maximize Canadian content in domestic utility sales. Also, profiles and strategies were completed for the electric motor industrial control and variable speed control industries.

During the year the National Energy Program's goal of energy self-sufficiency was promoted in the electrical industry. Several substantial energy-saving projects were initiated through the division's Industrial Energy Research and Development Program. Industrial and market assistance was also provided for alternative energy technologies, including low head hydro, mini-hydro, wind generators, hydrogen generation and application, and photovoltaic solar.

The division was also heavily involved in export market development work. The Department's electrical specialists participated in market identification missions to Australia and India. A Canadian industry mission to Australia identified new market opportunities for the Canadian electrical power sector. Later in the year Australian utility officials reciprocated with a visit to the Canadian companies. As a result, sales of electrical products to Australia are increasing. Other trade missions sponsored for the electrical sector included groups of buyers from Cuba, the United States and Iceland. A new and greatly expanded publication, **Electrical Canada**, was developed, defining Canadian products and companies for foreign buyers.

The developing countries, especially in Asia and South America, are undergoing massive developments in electrical power. A large and increasing number of export opportunities were identified, with the trade commissioners in these countries.

The Electrical Energy Division continued to provide specialist consulting services, especially with respect to new departmental initiatives such as the Office of Industrial and Regional Benefits. During the year considerable work was done to define the planned and committed electrical megaprojects to the end of the century.

FOOD BRANCH (AGRICULTURE, FISHERIES AND FOOD PRODUCTS)

The food industry, represented by the Food Branch, is one of the largest and most diverse industries in Canada and is an important industrial sector in every province. Consequently, the Food Branch has been involved in a wide range of industrial and market development activities. Because export growth has assumed increased importance in recent years, as domestic demand eased for demographic reasons, export promotional activities continued to be emphasized. The branch sponsored 81 incoming buyers, 6 incoming trade missions, 5 outgoing missions and 18 trade promotions. In addition, financial assistance totalling \$7.2 million was provided to 13 food processors under the Enterprise Development Program.

The branch improved and modified its existing programs in international trade development. The Program for Export Market Development (PEMD) Food was established in fall 1981, building upon the previous Section R of PEMD. PEMD Food offers a wide and flexible range of assistance for export development activities in the sector. It provides all the traditional activities of the various PEMD sections, as well as a special activities section which includes activities peculiar to the export development needs of the agricultural, fisheries and food sector. This section embraces a wide range of activities such as trial shipments, overseas representation and animal feeding trials. Projects supported to date include assistance for initial shipments of fish to Africa and Australia, assistance for special-purpose capital equipment which is necessary for export market development, as well as a large number of traditional types of activities for the sector such as market identification and participation at livestock shows abroad. Total project authorizations since PEMD Food was established are \$700 000.

Industrial development needs of the sector have been pursued with the assistance of the Enterprise Development Program. Activities have included product and process development, productivity enhancement and corporate restructuring. Innovation assistance has included diverse areas such as biomass and livestock embryo transplant. Under the present economic conditions, many companies are examining means of increasing productivity or restructuring operations with EDP assistance. The plight of the East Coast fisheries has resulted in approval of a number of loan guarantees to assist in restructuring of fish processing operations. In addition, the Food Branch has been active in assisting companies in the sector to establish and expand processing operations in areas designated under the Industry and Labour Adjustment Program.

These have included capital expansion and feasibility studies in the fisheries, meat packaging and beverage industries.

In addition to handling sector assistance applications and initiatives under the previously noted programs, the branch also assists in the evaluation of non-departmental programs of benefit to the industry, including the New Crop Development Fund and the Unsolicited Proposals Program.

Plant Products

Under the trade fairs and missions program, technical seed potato delegations were invited from Brazil, Morocco and Yugoslavia to demonstrate to them Canada's capability as a reliable supplier of quality seed. These three countries are potential new markets for Canadian seed potatoes.

Branch personnel also worked closely with the industry and the Trade Commissioners in Brazil in gaining access for Canadian yellow flesh potatoes. As a result, an import quota was established by the Brazilian authorities and the first commercial shipment of Canadian yellow flesh potatoes was made in January 1982.

The branch was actively involved in negotiations with the European Economic Community which led to reopening of the Italian market for Canadian seed potatoes. Discussions are continuing on establishing permanent access to the EEC market, based on mutually acceptable phytosanitary standards and certification. This has important implications for Canadian seed potato exports to a number of markets in the Mediterranean Basin.

Canada now has access to Japan for exports of fresh cherries. Imports from Canada had been banned by the Japanese to prevent entry of the codling moth, but the ban was dropped following the establishment of fumigation procedures acceptable to the Japanese, the visit to Canada by a Japanese phytosanitary official, and further bilateral discussions.

As a result of a Department-sponsored visit to Canada, a leading fruit trade magazine in the United Kingdom published a series of articles on Canadian quality apple production and export capability.

The division and the Canadian Embassy in Peking assisted the Alberta Wheat Pool in making its first sale of malting barley seed to China. The demand for beer is increasing dramatically among the younger Chinese population and if this first shipment of seed performs well under Chinese growing conditions it could open the door to substantial future sales.

A substantial first sale of flue-cured tobacco to the Arab Republic of Egypt was negotiated during the year. Groundwork for the sale was laid by an ITC-sponsored tobacco mission which visited Egypt several years ago. Demand for cigarette tobacco in Egypt is growing rapidly, both for domestic and export requirements. It is expected that Egypt will become a major continuing market for Canadian leaf tobacco.

Animal Products

Promotion of cattle, swine, semen and embryos continued at the same level as in previous years. Exhibits were held at the Salon international de l'agriculture in Paris, the Royal Highland Show in Edinburgh, the Royal Easter Show in Sydney, and the Curitiba Livestock Show in Brazil. A trade mission from the Dominican Republic concerning swine breeding stock was also completed. In addition, numerous incoming buyers from various parts of the world were introduced to Canadian livestock producers and exporters. Important sales of cattle and semen were achieved.

A dairy products technical mission to Europe was organized and led by the Department. This mission successfully explored dairy product development and marketing techniques. As a result, new dairy products will probably be developed and marketed in Canada, to the ultimate benefit of both the industry and the consumer.

As a result of departmental efforts, sales of high-quality beef were made to Japan and the EEC. Japan and the United States continued to be the major markets for pork, and the Department assisted and encouraged exporters to further develop these markets. Numerous trade enquiries for meat by-products, frozen poultry and poultry products, eggs and poultry breeding stock were received and disseminated to the trade.

Canadian raw furs were promoted by participation in the International Fur Fair in New York and by a mission to Hong Kong and Japan. Serious interest developed among Hong Kong buyers and substantial sales were later completed.

Grocery Products

The focus on markets for grocery products remained the same as for the previous year. There was a series of promotional events in Europe, the United States and Japan. An innovative concept was introduced by the Department's participation in Foodex in Tokyo, where five Canadian associations participated as umbrella organizations for their members. These were the Canadian Food Processors Association; the Association of Canadian Distillers; the Canadian Dairy Council; the

Canadian Meat Council, in association with the Canadian Pork Council and the Canadian Cattlemen; and the Canadian Fisheries Council, which incorporated the Canadian Association of Fishery Exporters and the British Columbia Seafood Exporters Association. Foodex attracted 100 000 trade visitors from Japan and South East Asia. In conjunction with this thrust, a mission of association executives visited Japan and Hong Kong for an on-site study of product marketing potential. This mission was led by the Director General of the Food Branch and included senior representatives from the Department of Agriculture and the Department of Fisheries and Oceans.

Canada also participated in two world-scale food shows, "Anuga '81" in Cologne, West Germany and the Food Marketing Institute in Dallas, Texas. These prestigious exhibitions were vehicles for more than 60 Canadian food processors to display their products and make contacts and sales in the international milieu.

Solo food and beverage fairs were held in the United States, targetted at cities in the near-border market -- Buffalo, Cleveland, Albany, Portland and Minneapolis. These events enabled processors in all provinces to exploit the potential in U.S. centres close at hand. These nearby markets can be well serviced by a large number of modest-sized Canadian processors.

As in past years, an industry specialist officer participated in all the meetings concerning International Commodity Agreements (cocoa, sugar, coffee).

Fisheries Products

In the past year the division has coordinated participation by the fishing industry in a number of missions and trade shows or promotions. These included a mission to Australia and New Zealand in November 1981; a selling mission to Egypt, Kuwait, Saudi Arabia and Israel in February 1982; and incoming buyers missions from South East Asia, Greece, Australia and New Zealand in September, 1981. Major shows in the past year have included an ITC-sponsored national exhibit at the National Restaurant-Hotel-Motel Show (NRA) in Chicago during May 16-20, 1981. Reaction to the exhibit was very favourable and led to new business opportunities. Fish companies were well represented in Department-sponsored national exhibits at the international food shows. Fifteen fish companies participated in "Anuga '81" in Germany and reported on-site sales of approximately \$15 million.

Consumer-oriented promotions over the past year included in-store promotions, one of them at the Sei-yu Stores in Tokyo, and cooperative marketing

efforts such as that undertaken in Chicago from February 1-13, 1982. The Chicago promotion was designed to motivate the retail, distribution and institutional trade, as well as the consumer, to buy more Canadian fish. Point-of-purchase materials, radio and newspaper ads, recipe lists and table toppers were developed. This promotion was done in lieu of Canadian participation in the North Atlantic Seafood Association promotion.

Although total exports of Canadian fish products increased from \$1.276 billion in 1980 to \$1.520 billion in 1981, the Canadian fishing industry is undergoing serious economic difficulties at present due to a cost-price squeeze caused by depressed markets, exchange rate disadvantages, increasing operating costs, technological obsolescence and inappropriate product mix. This situation is the subject of the recently established Task Force on the Atlantic Fisheries. The Fishery Products Division has been extensively involved in the international marketing elements of the task force. Because of the economic problems of the industry, the division has also participated actively in the analysis of loan applications to assist in industry restructuring, mainly under the Enterprise Development Program (EDP).

The division has been assisting the industry with funding in several market development initiatives under the Program for Export Market Development. One key example is the funding provided for a Newfoundland consortium to assist in the development of exports of mackerel to Nigeria, which would lead to increased processing of an underutilized Canadian species.

The division has also worked closely with the Department of Fisheries and Oceans in the past year in the negotiation of Bilateral Fisheries Agreements.

GRAIN MARKETING OFFICE

Expansion of activities in all sectors was achieved during the past fiscal year by the Grain Marketing Office. Exports of the major grains, oilseeds and products increased from \$5.2 billion in 1980 to \$5.9 billion in 1981.

Exports of major cereal grains and products in 1981 were:

- wheat - 15.5 million tonnes (\$3.7 billion);
- barley - 4.8 million tonnes (\$843 million);
- corn - 1.2 million tonnes (\$218 million);
- rye - 450 thousand tonnes (\$96 million);
- oats - 80 thousand tonnes (\$10 million);

- wheat flour - 533 thousand tonnes (\$219 million, estimated); and
- major oilseeds and products - 2.7 million tonnes (\$985 million) compared with 2.5 million tonnes in 1980.

The office sponsored two incoming missions and seven technical seminars in existing and potential import countries. Support information was provided to Canadian firms considering visits to potential markets. Major developments included a long-term agreement with the U.S.S.R. for the sale of a minimum of 25 million tonnes over the period from August 1981 to July 1986, negotiated by the Canadian Wheat Board, and a contract with Algeria for the purchase of canola oil. In the context of continuing cooperation, discussions were held with the major grain exporting countries to review developments in world trade.

Canola processing continued to increase through expansion of existing facilities and construction of new facilities. A new 600-tonne-a-day crushing facility in Manitoba will start crushing in October 1982 and a further 600-tonne-a-day facility in Eastern Canada is expected to commence crushing in early 1983. Oilseed crushing in 1981 totalled approximately 1.93 million tonnes of oil.

Producer advance payments under the Prairie Grain Advance Payments program reached a record \$344 million, almost tripling those of the previous year. Because of high interest rates and the record amount advanced, interest costs borne by the government totalled \$12.7 million, compared to \$2.7 million in the previous year.

The POS (Protein Oil and Starch) Pilot Plant Corporation was involved in developing a new processing technique which will greatly assist the oilseed processing industry in Canada by allowing processors to further refine their product at below-normal costs. The corporation received \$600 000 in operating assistance from the government.

The Canadian International Grains Institute offered a total of fifteen courses during the year, including eight programs for participants from overseas and seven domestic programs. All international programs are designed and conducted as part of Canada's market development plans for the grains and oilseeds industry. The Grains Institute is funded jointly by ITC and the Canadian Wheat Board.

The Grain Marketing Office sponsored incoming oilseed missions from Mexico and China, while technical seminars were sponsored in India, Pakistan, Venezuela, Chile, Romania, Yugoslavia and Japan. In conjunction with the seminars in

Japan, annual consultations between industry and government representatives of the two countries were held in Tokyo. A contract for the supply of up to 96 000 tonnes of canola oil, valued at \$66 million, was signed by the Algerian purchasing agency ONACO and the Canadian Commercial Corporation on behalf of three western canola crushers. The contract was facilitated by market promotion work, including technical seminars, conducted by the Grain Marketing Office.

The Western Grain Stabilization Administration reported that gross receipts from eligible Prairie grain sales for calendar year 1981 totalled more than \$6.2 billion, an increase of \$1.5 billion (or 32 percent) over gross receipts recorded in the previous year. Because of the increase in gross receipts, no payout from the fund was anticipated for 1981. The Department makes contributions to the fund on the basis of the value of gross receipts, in accordance with the terms of the Western Grain Stabilization Act.

Since December 1976, the Department has assisted the canola processing industry in Western Canada in adjusting to minimum compensatory rail freight rates for canola oil and meal. Funding is limited to \$3 million annually and expires March 31, 1983.

With assistance from the Program for Export Market Development (PEMD), technical information on canola oil and canola meal was updated and translated into Spanish, German, Chinese and Japanese. PEMD also funded the visit of a Canadian oil refining expert to Pakistan to provide technical assistance in the refining of canola oil for use as venasate.

MACHINERY BRANCH

The Machinery Branch provided an expanded program of financial support over the past year to firms undertaking new product development, innovation and export marketing. It increased the level of assistance to companies for the identification of new opportunities in domestic and export markets, and carried out industry-specific analysis and policy development. Deteriorating market conditions in several product sectors meant that branch resources were increasingly required to assist in the resolution of adjustment problems involving several major firms in the industry.

The Canadian machinery industry comprises approximately 2 000 companies with 142 000 employees producing a wide range of machinery and equipment for the resource processing, manufacturing and service industries. Industry production for

1981-82 is estimated at \$10.6 billion, including \$4.2 billion in export sales. The domestic market for machinery reached \$19.0 billion in 1981-82, with Canadian equipment firms supplying \$6.4 billion (34 percent) and imports accounting for \$12.3 billion (66 percent).

While industry production has been increasing at an average annual rate of 13 percent since 1970, production grew only marginally between 1980-81 and 1981-82, in the face of sharply reduced capital investment outlays by several user industries and depressed markets for farm machinery, construction equipment and forest harvesting equipment. The 1982-83 outlook is for further declines as the industry becomes more seriously affected by the continued general economic slump and runs out of backlogged orders which were built up as a result of strong business investment spending in the past three years.

A review of the major areas of Machinery Branch activities in 1981-82 follows.

Machinery Program Operation

The operation of the Machinery Program continued to be a major branch activity during the year. The program provides an industrial development incentive with the two-fold objective of:

- encouraging machinery manufacturers to derive maximum benefit from tariff provisions; and
- assisting machinery users to acquire advanced production equipment at the lowest possible cost through remission of duty on equipment not available from production in Canada.

The Machinery Branch undertook an ongoing review of Canadian machinery manufacturing capability in order to carry out commercial and technical assessments of duty remission applications from industry.

During the year, assessments were performed on 28 755 applications covering \$4.8 billion in imports. Remission of duty provided on equipment not available from Canadian production resulted in capital cost savings of \$400 million. This included duty remission on capital goods and production components pertaining to new manufacturing capabilities, installations of integrated production lines and automotive export orders which contributed to additional Canadian production of \$1 billion and an estimated 11 000 jobs in direct employment.

The provisions of the program were also instrumental in assisting 29 companies to begin production on 31 new machinery products previously supplied

entirely from imports. This new manufacturing activity represents \$185 million in annual production and close to 1 500 new jobs. New products in 1981-82 included "dry to dry" cleaning machines, pulp processing equipment, welding fume collectors and vibratory compacting rollers for use in road construction.

Industrial Benefits from Domestic Market Opportunities

During 1981 the branch was involved in an expanded program of work aimed at identifying market opportunities and developing the Canadian supply capability for machinery and equipment for a number of potential major domestic projects and programs. This activity included:

- direct support to the Industrial Benefits Committee to identify specific product opportunities, product gaps, supply bottlenecks, new equipment-related technologies and new investment required to ensure maximum participation by Canadian machinery manufacturers in major resource projects planned for the next few years;
- technical support to the Department of Supply and Services in evaluating all purchases of machinery and equipment exceeding \$2 million, to identify potential Canadian manufacturers to supply these requirements; and
- technical assistance and support to the management committee of the joint federal/provincial industry modernization program for the pulp and paper industry. During the year, branch sourcing assistance was provided in connection with the purchase of domestically produced pulp and paper equipment with a value of approximately \$150 million.

Sector Adjustment

The acceleration of recessionary forces during the last half of the year resulted in a worsening of adjustment problems for some firms, most notably in farm machinery and construction equipment. At the same time, the post-multilateral trade negotiations (MTN) trading environment has provided some new opportunities for product rationalization and specialization arrangements in several other sectors at both the firm and sector levels. Accordingly, branch resources were increasingly involved in helping to address these adjustment issues. These activities included:

- major briefings, consultations and monitoring activities in connection with federal government support to several machinery manufacturers

undergoing major reorganization and restructuring as a result of inadequate capitalization, as well as preparation of seven submissions to the Approval Board, involving \$18 million in loan guarantees which were subsequently approved under the Enterprise Development Program;

- initiatives toward rationalization and specialization arrangements for the production of products such as forestry equipment, slurry pumps, unit heaters, light stoper drills for mining, and industrial ovens; and
- technical and market assessments on nine projects, including new production opportunities in automotive transfer line equipment, welding and injection molding equipment, under the Community-Based Industrial Adjustment Program (CIAP), a component of ILAP, leading to approval of some \$1.4 million in direct funding assistance.

Innovation

Innovations in Canadian machinery design and development continued to be actively supported by the branch through the provision of departmental and other incentive programs. During the year, the branch evaluated 45 new cases under the Enterprise Development Program, approving 13 projects involving \$28.2 million in assistance. The approved projects are expected to result in increased sales of \$943 million and 2 612 additional jobs.

Analysis and Policy Development

Major activities in this area in 1981-82 included a full sector profile of the specialized mining equipment industry in Canada, an analysis aimed at identifying and outlining a set of strategic objectives to guide the Department's efforts in supporting the development of the industry in the 1980s, as well as several sector-specific briefings such as pulp and paper and oil and gas equipment.

Export Promotion

Machinery Branch maintains an active program of promotional and cooperative events aimed at assisting firms to take greater advantage of export markets. The 1981-82 promotional program included:

- approval of 211 applications under the Program for Export Market Development (PEMD) involving \$338 million in export potential;

- staffing 13 trade fairs and 12 trade missions and organizing industry participation in them (including a pulp and paper equipment mission to Australia, a heating equipment mission to France, a mining exhibition in Acapulco, an oil and gas exposition in Mexico, and a packaging machinery exhibition in Germany, resulting in on-site sales of \$13 million and projected sales of \$142 million); and
- participating in special trade and industrial cooperation missions and events including an energy mission to the EEC, nuclear seminars in Yugoslavia and Mexico, and agricultural equipment seminars in Australia.

OFFICE OF INDUSTRIAL AND REGIONAL BENEFITS

The Office of Industrial and Regional Benefits was created in August 1981 to help Canadian businesses and workers in all parts of the country take full advantage of the exceptional opportunities promised by major project activity in Canada over the next two decades. Since that date, the office has targeted some 34 major projects, with an aggregate value of \$103 billion, for priority attention. Procedures have been developed and launched to make these and other projects fully accessible to competitive Canadian manufacturers and service companies.

The office is the focal point for consultation and interaction with the private sector on industrial and regional benefits issues related to major projects. It works closely with provincial governments on industrial benefits matters, coordinates federal activities related to industrial benefits and, through the Canada Oil and Gas Lands Administration, advises the federal government with respect to the industrial benefits provisions of the Canada Oil and Gas Act.

The office consults with owners and sponsors of major projects to ensure that Canadian firms have "full and fair" access to major project opportunities. It encourages project sponsors to develop procurement policies in line with the government's industrial and regional benefits objectives and to put in place suitable organizational structures for carrying out these policies. It helps to identify areas where Canadian capability is strongest and most competitive, as well as areas of potential Canadian capability that merit development by sponsors.

The office organizes and presides over the meetings of, and supplies analytical and administrative support to the Committee on Megaproject Industrial and Regional Benefits.

This committee has representatives from provincial and territorial governments and other key federal departments, and serves as a wider forum for consultation with project sponsors. It was established in August 1981, replacing the former Advisory Committee on Industrial Benefits.

The committee held ten meetings with major project sponsors during the year. Projects discussed included oil and gas developments in the Beaufort Sea, the High Arctic and off the East Coast, as well as a hydroelectric scheme. These meetings, together with numerous, more informal contacts between the office and major project sponsors, opened up increased opportunities for Canadian suppliers. With the office's encouragement, a growing number of project sponsors began to develop procurement policies that give full consideration to the competitive capabilities of Canadian firms. The office also began a review of industrial benefits plans of companies negotiating exploration agreements with the Canada Oil and Gas Lands Administration.

The Major Projects Task Force published its report in June 1981. This is an independent group of 76 business and labour leaders established with the Department's assistance in 1978 to examine major project activity in Canada.

The Office of Industrial and Regional Benefits was responsible for studying the report's 50 recommendations and drafting a reply to them. The official government response will be made public in due course after consultation with provincial governments and the task force steering committee.

In October 1981, the office published an inventory of major projects that are under way or due to start in Canada before the end of the decade. It has started work on a strategy for developing products and firms to serve the market needs of oil and gas projects off the East Coast and on Crown lands.

OFFICE OF SERVICE INDUSTRIES

The Office of Service Industries is responsible for the Department's participation in the service sector of Canadian business. During 1981-82 the office placed increased emphasis on direct and advisory assistance to combat current economic problems. The activities covered wholesale and retail trade, merchandising services, construction, the renewable energy field, consulting firms, and the various modes of transportation and traffic services.

Wholesale and Retail

The Wholesale and Retail Division provided secretariat services to the Distributive Trades Consultative Committee. The committee was established in April 1981, with 21 representatives of the wholesale and retail trade. Its purpose was to analyze issues of significant concern to the distributive trades sector and make recommendations to government. The committee's final report, containing 71 recommendations, is to be submitted to the Department in April 1982.

The division increased its efforts to enhance world markets for Canadian distributors. In this regard, it carried out the Department's role as sponsor for the Sixth General Assembly of the World Federation of Proprietary Medicine Manufacturers, held in Canada in October 1981 and attended by some 26 nations. Through the Program for Export Market Development (PEMD-S), the division arranged for an international presentation and meetings to improve world awareness of Canadian publishing. The division also undertook a study to develop an export market strategy for cooperative organizations. Initiatives were undertaken on the development of a wholesale exporters directory, with refinements planned for 1982-83.

Technical presentations on business management were supported by the division, with reference to retail pharmacy operations and sporting goods store development. Work continued on developing an improved productivity measurement system for retailing, with a number of retailers participating in a test of a newly developed system.

Recent developments affecting the use of new technology in distribution were closely followed. A study by a Canadian university of the marketing implications of electronic point-of-sale technology was supported through the Technical Innovation Studies Program.

The division improved its ability and increased its activity to provide assistance to private firms and persons requiring information on Canadian distribution channels and contacts with specific types of distribution firms.

Merchandising Services

The division represented the Canadian Government at the annual meeting of the International Franchise Association, and continued to develop the close ties with the Japanese Franchise Association which resulted from the highly successful franchising trade mission to Japan in March 1981.

Strong interest in the Pacific Rim markets resulted in a franchising trade mission to Australia and New Zealand in March 1982. Initial sales indicate that this will be the most successful franchise trade mission to date. The branch has developed a substantial knowledge base to aid Canadian franchisers in their export efforts in this area.

The division began the development of a manual for domestic and foreign licensing, in cooperation with the Licensing Opportunities Section of the Department. A pilot seminar was planned for the beginning of the 1982-83 fiscal year and initial contacts were made with provincial industry departments.

The division contributed to the Distribution Trades Consultative Committee at the secretariat level.

Publication during the year of **Canada's Trade Challenge**, the report of the Parliamentary Committee on a National Trading Corporation, proved to be very important to the trading house sector. The division responded to the recommendation of the Parliamentary Committee that more effort be expended to support the private sector in this area. This included a trading house mission to Australia to improve representation in that country; organizing a seminar in Ottawa for 300 business persons, senior representatives of government and leaders of private industry; and publishing a directory, **Trading House**, and distributing it to business groups across the country to help focus attention on the strength of the sector and the immense dollar value that has resulted. Estimates show that trading houses transacted \$11 billion of business in 1980.

CONSTRUCTION AND CONSULTING SERVICES BRANCH

Construction

The Construction Division continued to direct its efforts throughout the year to increasing the productivity, efficiency and export market performance of the construction, real estate development and renewable energy industries.

Highlights of the division's activities were as follows:

- seminars on materials handling in Vancouver, Calgary, Saskatoon, Saint John and Halifax, aimed at improving job-site productivity and developing new products and processes for use in construction, through the Enterprise Development Program;

- . completion of a study of construction in northern Canada (above a latitude of 60 degrees) for consideration by the Construction Industry Development Council as part of the Council's overall study of construction in Canada in the 1980s;
- . revision of the **Construction Industry Exporters Directory** and distribution to Canadian trade posts abroad and to interested firms in Canada and other countries;
- . a trade mission of Canadian construction firms to Peru, Ecuador and Colombia, with positive results including an immediate contract for one firm, a promising outlook for other participants, and at least \$22 million in contracts anticipated in the near future;
- . completion of a study of export opportunities arising from the activities of Canadian real estate developers in the U.S. market; and
- . provision of the departmental focal point for renewable energy systems and energy conservation in buildings. Activities included representation on industry and interdepartmental committees; participation in the annual meetings of the Solar Energy Society of Canada Inc. and the Canadian Solar Industries Association; organization of a trade mission to California; coordination of exhibits at the UN Conference on Renewable Energy in Nairobi, Kenya and the International Solar Energy Symposium in Brighton, England; and the publication of a brochure on the solar energy industry in Canada, along with a market study on export of solar equipment to the United States and the Caribbean.

Consulting Services

The Consulting Services Division continued to assist industry in achieving its growth potential, overcoming constraints and promoting increased export sales of Canadian consulting services.

During the year, the division carried out an active liaison program with consulting associations, particularly with the Association of Consulting Engineers of Canada, the Royal Architectural Institute of Canada, the Canadian Consulting Agrolologists Association and the Canadian Association of Hydrographic and Ocean Surveying Industries.

The Consultative Committee on the Canadian Consulting Engineering Industry, comprising 15 senior executives from industry and observers from provincial governments, established task

forces to address specific aspects of the industry.

The division participated in a number of industry development and trade development seminars. An international symposium on computer-aided building design (CABD) was organized in cooperation with the Centre for Building Studies, Concordia University in Montreal, to develop an awareness of recent international developments in CABD and of the potential benefits of this new technology by Canada's construction industry.

The division held joint government industry meetings with the World Bank and Inter-American Development Bank in Washington and with the UN Development Program in New York to provide support to the export activities of Canadian consultants.

The division carried out a fact-finding mission to Hong Kong, Indonesia and Singapore, focussing on architectural, management and computer software consulting, and reviewing the current potential for exports and the approaches best suited to penetrating these markets.

A heavy commitment of the division's activities related to PEMD delivery and the reporting of foreign market opportunities to consultants. During the year, the division dealt with over 225 PEMD applications and brought nearly 500 project notices to the attention of consultants.

TRANSPORTATION SERVICES BRANCH

International transportation developments and initiatives of multilateral organizations continued to occupy the branch's attention during the year. All divisions worked closely with individual shippers, shipping companies and industry associations in resolving specific domestic and international transportation problems and in identifying and pursuing new market opportunities. Significant contributions were made to policy deliberations affecting trade, tourism and the transportation service industries. Specific achievements and areas of work by the division follow.

Maritime Transport

The division participated in studies by the UN Conference on Trade and Development and the OECD of international shipping initiatives affecting Canadian trade, including cargo-sharing in liner and bulk trades, conditions of ship registration, phasing-out of flags-of-convenience and the modernization of marine insurance contracts.

Air Transport

The interests of business travellers, shippers and the tourism industry continued to be the focus of the division's contribution to a number of air policy issues, including Canada-U.S. air services negotiations, domestic air carrier policy, Canada-Singapore and Canada-India air services markets, the Montreal Airports Systems, STOL services in the Toronto-Montreal-Ottawa triangle, the sale of Nordair and the review of the international civil aviation policy. As part of the review, a background paper was prepared on the importance of air cargo within the international air services system.

Studies were undertaken to assess the need for and possible timing of direct air services between Canada and selected countries. The approach taken bases air services potential on present services, trade and tourism factors, current origin and destination traffic and historical growth rates.

Some progress was made in improving the collection and reporting of air cargo statistics, although this will require ongoing activity in the next fiscal year.

Traffic Services

Contributions were made to the formulation and resolution of a number of policies from the viewpoint of Canadian shippers and the industrial development of the traffic services industry. These included the establishment of departmental positions on the resolution of the Crow's Nest rate issue; the U.S. valuation for duty of inland transportation costs; new federal regulations for the transportation of dangerous goods; and studies relating to the likely trade and industry ramifications of Canada's ratification of the UN Convention on International Multimodal Transport.

A **Directory of Ocean Shipping Services** has been maintained and made available to shippers. The directory describes 125 ocean shipping services to export markets from Canadian ports.

Through participation in trade meetings, the branch has acted to resolve a number of transportation-related issues perceived to be impediments to Canadian trade. In addition, a number of product and commodity transportation studies were completed related to specific trades.

In the field of trade facilitation, the branch reviewed the progress and achievements of the Canadian Organization for the Simplification of Trade Procedures (COSTPRO) and made recommendations regarding the future form of government

assistance to this organization. A \$1.6 million trade facilitation program has since been announced by the Minister of State for Trade. A key element of this program is the transfer of COSTPRO to the private sector under an agreement with the Canadian Export Association to provide administrative and financial supervisory services to the organization.

During 1981-82 COSTPRO worked closely with the National Committee on International Trade Documentation in the United States and was successful in eliminating a U.S. Special Customs Invoice, which is estimated to save the Canadian export community up to \$20 million annually.

COSTPRO engaged seven firms in the field trials of its Canadian Trade Information System, with assistance from the Department. Preliminary results indicate the following benefits: a 30 percent decrease in the person-hours required for document preparation, decreased printing costs, and increased productivity of the office staff.

RESOURCE INDUSTRIES BRANCH

Iron and Steel

The Iron and Steel Division received numerous requests for assistance from the steel mills, the fabricating industry, manufacturers of steel products, individuals, private associations and institutes, and various provincial, federal and international agencies, as a result of the lower demand for steel in 1981-82.

The division, in cooperation with the Trade Commissioner Service, selected a large number of trade shows and trade fairs around the world in which they encouraged manufacturers of steel buildings to participate in order to penetrate export markets. The division initiated an outgoing mission to enable Canadian university professors to visit research institutes and steel plants in the Federal Republic of Germany in an interchange research program undertaken between Canada and the European Economic Community.

Also on the international scene, the Chief of the Iron and Steel Division was elected chairman of the OECD Steel Committee Working Party and attended several committee meetings in connection with the crisis in world steel markets. The division represented Canada at the annual meeting of the Steel Committee of the Economic Commission for Europe in fall 1981 in Geneva. Throughout 1981-82 consultations were held with U.S. government officials and with the Steel Industry

Advisory Group concerning the U.S. trigger price preclearance program and other matters of mutual concern.

Within Canada, meetings of the Steel Industry Advisory Group were held in conjunction with meetings with government officials from various other government departments and agencies at irregular intervals throughout the year. Several of these meetings were related to problems caused by low-priced steel imports.

Non-Ferrous Metals

Progress on the formation of an Intergovernmental Discussion Group on Nickel was relatively slow, although meetings were held to substantially formalize a statistical questionnaire and agree on the content of an information background paper. It was further agreed that Canada and Australia would approach some 30 significant nickel producing and/or consuming countries during 1982 to determine their interest in participating in such an organization and completing the questionnaire on a regular basis. Preparatory plans for the program were formulated.

The division provided departmental representation on the Interdepartmental Committee on the Law of the Sea, following the developments and participating in the formulation of recommendations related to the negotiations.

The division led a Canadian delegation at meetings of the International Lead and Zinc Study Group to discuss the worldwide market situation for these metals.

Metal Fabricating Industries

During 1981-82, the division was called upon by groups of metal fabricating companies for assistance in dealing with a variety of trade-related difficulties. In the absence of formal industry associations, the division assisted in organizing producer task forces to deal with such problems as dumping, subsidized imports, changes to the General Preferential Tariff and non-tariff barriers raised by our trading partners.

In November 1981, a Canadian iron foundry technology mission made up of eight representatives from different sectors of the Canadian industry, led by a division officer, visited modern foundries in France, Germany, Belgium and the United Kingdom to seek out advanced technological developments which might be applicable in Canadian iron foundries. Members examined several developments of interest in instrumentation, quality control and computerized production.

The capabilities of the Canadian ferrous forging industry were outlined in a report published by the division. The report, produced in cooperation with the industry, represented the first time that information on the sector had been made publicly available. A directory of the Canadian ferrous foundry industry was nearing completion and will be distributed in 1982.

Export market surveys were undertaken for prefabricated greenhouses, chain-link fence, gas cylinders and various architectural metal products, in conjunction with Canadian manufacturers and our trade posts. Import analyses of roller chain and aluminum powder and granules were completed with a view to assessing the opportunities for Canadian producers in the domestic market.

Industrial Minerals

The Canadian coal industry, assisted by the market development efforts of the division, had outstanding success in market diversification in 1981. Exports were made to 18 countries, including seven in Europe, at a total value of \$1.03 billion. Japan, our largest market, accounts for 66 percent of Canadian coal exports, but new markets in Europe and Latin America are being opened each year. At present our major coal export is coking coal for the steel industry, but considerable effort has been made to develop thermal coal markets. At present 95 percent of exports are by British Columbia and Alberta companies.

Coal export development efforts were sustained and diversified through incoming trade missions and visits of coal industry representatives from many countries including Japan, the Philippines, Portugal, Denmark and Egypt.

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 development of the northeast British Columbia and Cape Breton coalfields.

The heightened asbestos controversy in Europe and finalizing of preparations for the World Symposium on Asbestos, to be held in Montreal in May 1982, made particularly heavy demands on the division's time and resources in support of activities in this industry sector. Under the auspices of the Canada/ECE Industrial Cooperation Agreement, the Government of Canada, the Government of Quebec and the Economic Commission for Europe took the initiative of organizing the symposium. This meeting is intended to yield an exhaustive evalua-

tion of the various aspects of asbestos use, to better equip the international community, and to determine the opportunities of reconciling economic and commercial interests with social concerns, including the quality of life.

Numerous high-level technical discussions were held with those governments having an interest in the asbestos question, including France, Sweden and the Federal Republic of Germany. In addition, ITC cooperated with the Department of National Health and Welfare in arranging for a mission of Canadian scientists to initiate discussions with West Germany to exchange information and investigate possible joint research on asbestos and health. Consultants were engaged to review the available scientific evidence related to asbestos and health issues.

Industry and Market Analysis

The division is responsible for the coordination of cooperative activities of the Canadian metals and minerals industries with those of the European Communities (France, West Germany, Sweden), Japan and Australia.

The secretariat of the Federal-Provincial Working Group on Asbestos is located in the division. This group produced a position paper on asbestos regulation which was approved by all federal departments interested in the matter and circulated to all provinces for approval. A strategy for the protection of Canada's export markets for asbestos was developed and implemented.

An input-output impact study of the metals and minerals industries was completed and work was carried out on the development of a federal income tax and an Ontario income and mining tax model for the mineral industry.

In the context of the Department's review of the issue of metals and minerals processing in Canada, two preliminary background papers were prepared: **Metals and Minerals Processing: A Background Report** and **Canada's Non-Ferrous Primary Metal Industries**. Informal discussions were also initiated with some provinces and members of industry to obtain initial views on the major thrusts and conclusions of this work.

Primary Wood Products

The Cooperative Overseas Market Development Program, which is funded and administered by ITC, the British Columbia Ministry of Industry and Small Business Development, and the Council of Forest Industries of British Columbia, is directed toward expansion of offshore markets for Canadian

softwood lumber, plywood, shingles and shakes. The Primary Wood Products 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, dropping to \$1.1 billion in 1981. The federal share of 1981-82 program costs totalled \$1.5 million.

A major issue confronting the Canadian forest industry was the investigation by the U.S. International Trade Commission of Canadian softwood lumber exports to the United States. The division worked closely with other concerned federal and provincial government departments and industry groups to assist the industry in responding to this issue.

The division continued to coordinate the Canadian response to the EEC regulation 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. The division worked closely with the nine industry associations concerned and with other government departments, to achieve a compromise allowing a private sector mill inspector to certify that a particular shipment has been produced from debarked logs and conforms to the plant health requirements of the importing country. This system has been accepted by all EEC member states except France, Italy and Holland. Negotiations on this matter are continuing.

A significant number of carefully selected trade promotion activities were organized and carried out during the year. Seminars were organized in Paris, Rome and Brussels to introduce potential users to the advantages provided by Canadian building systems and wood products. An incoming mission of lumber buyers from California met with lumber producers and associations in the B.C. interior. A self-supporting mission representing an association of Italian wood products users visited Canadian producers, building sites, and manufacturing operations. Division officers participated in seminars in Boston, Chicago and Detroit, designed to promote increased use of Canadian wood products.

Due to the severe downturn in markets for wood products, the division received a large number of inquiries and applications from the wood products industry for assistance under the Enterprise Development Program (EDP). The division also provided a significant input to the Department of Regional Economic Expansion in its review of applications under the Regional Development Incentives Act. A large number of applications under PEMD, ILAP and other assistance programs were also processed.

The Canadian paper for the annual meeting of the Timber Committee of the Economic Commission for Europe was prepared and presented, and support was provided to economic or industrial cooperation committees with Japan, Cuba, Algeria and Norway.

Manufactured Wood Products

The decline in Canadian residential construction prompted a number of companies to investigate market opportunities in the United States and overseas. Increased attention to export trade development by the division has reflected the increased desire by Canadian firms to establish a broader market base. This has resulted in greater emphasis on trade fair activity, trade-related missions and selected market studies. Government and company participation in trade shows such as "Batimat" in Paris and the Woodworking, Machinery and Component Show in Los Angeles are examples, along with incoming technical timber frame housing missions. Studies of the potential for manufactured wood products in the southeast United States, the Michigan area and southern California have initiated serious market investigations and subsequent product sales by Canadian manufacturers.

These efforts helped to raise Canadian exports of manufactured wood products to a record total of \$454 million in 1981, accelerating the growth which has persisted since the 1970s. While the United States continued to be the dominant market, expanded trade was experienced in Western Europe, Japan and the Middle East despite a worldwide slowdown in housing activity and some strengthening of the Canadian dollar against other major trading currencies.

The division's aim has been to take advantage of the rapidly developing worldwide concern over energy conservation and the expanding worldwide shortage of wood. This has led to increased interest in the Canadian timber-frame residential construction technique and the Canadian supply of a wide range of wood products in a number of key markets. Reflecting these developments, building code authorities, architects, builders, financial and insurance authorities, and specifiers from Germany, Belgium, Italy and Japan were brought to Canada to study the timber-frame technique and explore potential sources of product supply. Additional activities undertaken by the division during the year to reinforce these efforts were the biannual Canada-Japan Housing Committee meeting, the Canada-European Communities Forest Products Working Group and program support activities aimed at alleviating some of the current financial difficulties of the sector and providing innovation support to penetrate the expanding market opportunities. The division

worked with several industry trade associations and individual company contacts to bolster company efforts in developing outside market potential.

Pulp and Paper

Implementation of the Pulp and Paper Modernization Program, announced in 1979, continued in 1981-82. This joint federal-provincial program provides investment incentives for primary producers to modernize their production facilities. Agreements to participate have been negotiated with Quebec, Ontario, New Brunswick, Nova Scotia and Newfoundland. The Pulp and Paper Division has participated in the management of this program through analysis, recommendations and follow-up on individual company proposals. The division's technical and marketing expertise has also been called upon for study and implementation of new major industrial development projects across Canada, in both the primary and converting sectors of the pulp and paper industry.

The division continued to serve on international industrial development committees designed to promote the exchange of technical expertise and to foster trade and investment between nations. The present list of committees encompasses the EEC, Japan, Cuba, the U.S.S.R., the OECD, and the multinational Customs Cooperation Council.

There is increased emphasis on converted products and packaging materials, particularly on developing exports of more finished products. Market studies are currently in progress to identify specific export opportunities for packaging materials. Industry counselling to associations and on an individual company basis is being expanded to encourage exports, to provide export assistance, to identify market opportunities and to respond to product sourcing requests received from overseas posts.

SURFACE TRANSPORTATION BRANCH

The Surface Transportation Branch undertook a number of important initiatives aimed at easing the difficulties experienced in the industry during 1981-82, capitalizing on marketing opportunities, assisting in restructuring, promoting technological adaptation and ensuring long-term viability and growth on a worldwide competitive basis.

The broad program of activities of the branch included formal international discussions related to this most important sector of the economy and new initiatives under federal assistance programs to improve the position of Canadian producers in

both domestic and export markets. The branch was also involved in negotiating agreements with companies to enhance employment and production activities in Canada, participating in major international trade shows, and organizing trade missions to many potential markets of the world.

Automotive

The North American automotive industry continued to encounter serious difficulties through the fiscal year. The industry has been deeply affected by the current economic downturn (particularly in the key U.S. market), as well as by major technological changes and increasing international competition.

Formal consultations with the U.S. government under the Auto Pact, begun in April 1980, continued into 1981 with a series of meetings of senior officials, with the Canadian delegation led by officials of ITC. The major focus of these consultations has been the overall performance of the North American industry within the worldwide context and possible measures to improve the situation. A number of Canadian concerns were also raised regarding Canada's trade deficit in auto parts and the levels of investment and R&D within the Canadian industry.

Department officials also headed the Canadian delegation in discussions with Japan which resulted in a June 1981 announcement by the Japanese Government to limit passenger car exports to Canada to 174 213 units during the April 1981 to March 1982 period. This represented a rollback of six percent compared to fiscal 1980-81 exports. Further discussions with the Japanese were also initiated seeking appropriate Japanese action for the period after March 31, 1982.

Branch officials continued to work closely with domestic vehicle manufacturers to assist them in their restructuring efforts. As provided in a January 1981 agreement involving limited adjustments to Ford's Auto Pact requirements, the company added a second shift at its Oakville Assembly Plant, employing an additional 1 200 workers. Under the agreement, this plant is to be converted to produce new compact, front-wheel-drive cars in 1983. Close consultation was also maintained with Chrysler Canada as the company began to implement its new Canadian production and investment program, as provided in a February 1981 agreement making available up to \$200 million in federal loan guarantees to support the company's restructuring. This included the transfer of all Chrysler's remaining rear-wheel-drive car production to its Windsor assembly plant and initiation of a major investment program aimed at replacing this activity with production on a product-mandate

basis of the new T-115 front-wheel-drive van-wagon in 1983.

Department representatives negotiated a federal government agreement with Volkswagen Canada in October 1981 for the company to establish a \$150 million auto parts plant at Barrie, Ontario, and to substantially increase auto parts purchases from independent Canadian suppliers in return for duty-free access to the Canadian market for cars and light trucks. Under the agreement, Volkswagen will achieve a level of Canadian value-added rising to 85 percent of the company's vehicle sales in Canada. The arrangement will create approximately 1 500 direct jobs, 500 at the Volkswagen plant in Barrie and approximately 1 000 in the independent parts sector.

To assist adjustment in the automotive sector, the Minister of Industry, Trade and Commerce announced in January 1982 that a new \$25 million fund would be made available over the next two fiscal years to the independent automotive parts sector through a designation under the Industry-Specific Restructuring Program (ISRP). The major aim of the program, which forms part of ILAP, is to provide financial assistance to small and medium-sized firms wishing to undertake viable capital projects which would otherwise not be carried out.

The branch also continued its active promotion of export opportunities for Canadian auto parts and vehicle manufacturers. Intensive export efforts were made by promoting joint ventures, sponsoring trade missions and participating in trade fairs in Europe, Australia, the United States, Japan and South America. Industrial and export development continued to be encouraged through Department programs such as EDP, DIPPE and PEMD. Export efforts in the auto parts sector were also supported by the automotive components duty remission program operated by the branch, with exports under the program reaching a level of over \$100 million annually.

Rail Systems

As the railway supply sector also suffered from a severe decline in domestic demand, the Department placed emphasis on export marketing. Significant initiatives were encouraged through PEMD and in outgoing and incoming trade missions in Latin America, Africa and the Asian subcontinent, resulting in Canadian firms being shortlisted for \$200 million worth of locomotives and technical assistance in Algeria and \$431 million worth of locomotives, rails and rolling stock in Nigeria. With the assistance of the Export Development Corporation and the Canadian International Development Agency, sales orders were achieved in Cameroon (\$14 million), Tunisia (\$30 million),

Zimbabwe (\$29 million), Egypt (\$155 million) and Indonesia (\$100 million). Prospects continue to be encouraged elsewhere, with departmental officials working closely with CIDA and EDC regarding these projects.

The division organized and sponsored the Department's membership in the Pan American Railway Congress Association (PARCA) and the Association of American Railroads to promote industrial and technical cooperation and R&D exchanges. A mission of 50 Canadian firms attended the fifteenth PARCA conference in Mexico in October 1981. Strong relationships were also initiated with the Union of African Railways (UAR), comprising 32 member countries, to promote Canadian products, standards and expertise.

The major R&D project in the railway sector continued to be the Bombardier locomotive development. The objective of this seven-year, \$54 million project of the Enterprise Development Program is to strengthen Bombardier's product position in the market and increase its R&D capability. A \$350 000 EDP project to develop a high-speed ballast regulator was also completed successfully and sales of production units followed. An earlier project of the Department's Program for Advancement of Industrial Technology (PAIT), to develop the first Canadian fully-hydraulic rail-mounted cranes for sale to domestic railways, had its first success in export sales in 1981, with a \$1.2 million sale in the United States. The high-speed tamper project (\$3.5 million), which was initiated with support under the Department's PAIT program, reached its second year of prototype testing and domestic railways are hopeful of its contribution to the productivity of this aspect of track maintenance. Other projects being considered for Department support under the EDP program included development of a high-speed undercutter/cleaner and transcontinental bilevel passenger coaches.

The division continued to work with industry and other departments on railway electrification technology. Early initiatives focussed on construction of an electrified railway line for the British Columbia Railway.

Urban Transit

Canadian urban transit manufacturers continued to achieve success in both domestic and export markets, with a sales level of approximately \$1.8 billion for the year. The branch continued its active role in export promotion within the sector, sponsoring trade fairs, missions and other activities including sponsorship of a major exhibition at the American Public Transit Association in Chicago in October 1981. Approximately

\$350 000 in assistance under PEMD was provided to exporters, and industrial development was supported through the EDP, including assistance to Ontario Bus Industries for development of a downsized transit bus.

Marketing assistance provided by the branch was an important factor in a number of significant industry export successes. Major orders were secured for both subway cars and transit buses in the U.S. market. In addition, federal export financing assistance was provided in April 1981 for a Bombardier contract for a \$180 million subway car order to be supplied to Mexico City. This was the first major non-U.S. export sale of Canadian transit system technology.

The Department was also actively involved in discussions leading to a federal government contribution in March 1982 of \$60 million in support of industrial and market development objectives for the new high-technology intermediate-capacity transit system developed by the Urban Transit Development Corporation and sold to the City of Vancouver. This system will be one of the leading exhibits at "Expo 86" in Vancouver and a showcase for Canadian technological capabilities in the urban transit field.

TECHNOLOGY BRANCH

During the year, contributions were made to one Industrial Research Institute (IRI), seven Centres of Advanced Technology (CATs) and one Industrial Research Association (IRA) under the Department's Institutional Assistance Program. Under this program, universities, provincial research organizations and industrial groups are encouraged to establish a capability to undertake relevant research and development projects for industry and provide technical advice and services. Seven IRIs, five CATs and three IRAs established across the country under the program in earlier years are now self-sustaining through income from the sale of services to industrial firms and other clients. In 1981-82 two new CATs were established: the Canadian Institute of Fisheries Halifax at the Nova Scotia Technical University and the Canadian Centre for Advanced Instrumentation at the Saskatchewan Research Council.

Financial assistance was also provided by the Department to two innovation centres which were officially opened last year. One is affiliated with the University of Waterloo and the other with École polytechnique de Montréal. These centres evaluate inventions and assist in the commercialization of new products and the establishment of new technology-based companies.

Assistance continued for four Centres of International Business Studies at Canadian universities and for the Management Advisory Institutes at the University of Alberta and Laval University. Under the Technological Innovation Studies Program, awards were made to one independent and nine university researchers to carry out studies in such areas as strategic planning for technological innovation in small business and policies to assist the computer-aided learning industry. The results of these research projects are used by the Department to develop policies to promote industrial innovation in Canada and to familiarize university staff with industrial needs and opportunities. These and other similar assistance programs administered by the Department were integrated into the Institutional Assistance Program.

An active program was again maintained during the year to increase the awareness and use of computer-aided design/computer-aided manufacturing (CAD/CAM) in Canadian industry. In addition to presentations at many seminars and conferences, a monthly newsletter was issued on the subject to over 1 800 readers and a new publication containing a series of articles on CAD/CAM technology and applications was distributed to some 4 000 technical and management personnel in industry. Preparation of a new directory of Canadian companies providing CAD/CAM products and services was also completed.

Studies continued on identifying industrial development opportunities arising out of recent discoveries in biotechnology and the potential need for a departmental strategy and program to assist industry in developing a competitive capability in this field.

Contributions were made to interdepartmental studies on the proposed expansion of the federal government's space program. Space-related activities included a joint study with the Department of Communications on the merits of continuing Canadian participation in the European Space Agency's Large Satellite (L-SAT) program and the development of cost/benefit information relating to the consideration of the next phases of the M-SAT and RADARSAT programs.

Work was completed to expand the field of application of the Industry Energy Research and Development Program, which is designed to encourage industry to develop innovative energy-conserving processes and technologies. Twelve industrial projects were approved under this program, compared with five annually in the preceding three years.

Work continued on the implementation of the GATT Agreement on Technical Barriers to Trade, which Canada signed in 1979. A directive outlining the procedures and practices to be followed by federal government departments and agencies in preparing, adopting or applying technical regulations, standards and certification systems to comply with the Agreement, was approved by Treasury Board and distributed to deputy heads of departments and heads of agencies. The contract with the Standards Council of Canada was renewed for the operation of an Enquiry Point to provide information on Canadian standards, technical regulations and certification systems, as required under the Agreement.

A detailed study was carried out on the possible future roles of Canadian Patents and Development Limited in the transfer of technology to industry.

TEXTILES AND CONSUMER PRODUCTS BRANCH

As part of a new government policy, the Textiles and Consumer Products Branch developed a \$267 million adjustment program to foster the development of the clothing, textiles, footwear and tanning industries and to assist those communities and employees most affected by international competition. The new policy provided for continuation of the clothing and textile bilateral restraints for an additional five-year period.

The branch was successful in enlisting industry cooperation and participation in federally-sponsored trade shows in major world markets, and arranged incoming and outgoing trade missions to emphasize the advantages offered by the purchase of Canadian products.

Performance over 1981-82 was varied. The textiles industry started the year on a comparatively strong note, but conditions changed drastically mid-year and a downward trend was experienced during the last six months. The clothing industry followed the same pattern and after a reasonably good start, conditions deteriorated rapidly during the latter half of the year.

Total furniture shipments, however, showed a marked increase during the year, and the leisure industries reported that conditions remained stable.

Furniture and Footwear

Furniture. Total furniture shipments in 1981 exceeded \$2.6 billion, an increase of 16 percent over the previous year.

Assistance provided under the Enterprise Development Program enabled a number of smaller manufacturers to undertake restructuring, productivity improvement and design projects.

With assistance from the Department, the business furniture sector participated in solo shows in Columbus, Boston, Seattle and Atlanta. Exports of office furniture in 1981-82 were \$150 million, or 30 percent of factory shipments.

Residential furniture manufacturers continued to participate in the Southern Furniture Market at High Point, North Carolina. In addition, the Department assisted firms to increase sales in the greater New York City area through a series of solo shows, incoming buyer visits and outgoing sales visits to that area.

Footwear and Leather. The Canadian footwear industry produced 43.4 million pairs of footwear valued at \$830 million in 1981. This was an improvement of 2.6 percent in pairage and 15.8 percent in value over 1980.

The industry also exported \$68.2 million, an increase of 3.3 percent over 1980. With the assistance of export development programs, the industry succeeded in diversifying its export markets to areas other than the United States, which remained its major customer. Exports to the European Economic Community amounted to \$11.7 million in 1981.

Early in 1981 the Anti-Dumping Tribunal concluded in its report on the footwear industry that although the Canadian industry is able to compete with imports from the developed countries, it would be seriously injured by imports from low-cost countries, in the absence of special measures of protection. These include Hong Kong, Brazil, Taiwan, India and South Korea, from which most non-leather footwear imports originate. The government imposed a quota on non-leather footwear imports, including canvas, effective December 1, 1981, with an interim annual ceiling of approximately 35.6 million pairs based on available data.

Along with the special protection measures, the government's footwear and tanning industries policy, announced in November 1981, provides financial assistance for manufacturers to restructure and modernize and provides worker and community assistance. Implementation of these assistance measures has been made the responsi-

bility of the Canadian Industrial Renewal Board (CIRB). The division assists CIRB in the delivery of the industry sector program by providing detailed subsector and individual firm assessments and technical advice.

In the leather tanning sector, the Canadian industry's production in 1981 increased by 5.8 percent over the previous year to an estimated 13 million m², due largely to increased demand in the footwear industry.

Musical Instruments

For the second time, the Department sponsored participation at "Musikmesse", the international trade fair in Frankfurt, Germany. Ten Canadian manufacturers of musical instruments, sound equipment and related accessories exhibited in February 1982. On-site sales amounted to \$385 000 and follow-up business is expected to exceed \$4.5 million.

Textile

The announcement of a new policy for the textile and clothing sectors has been well received by the industry. Highlights of this revised policy include renegotiation of import restraint arrangements with 17 low-cost suppliers for a five-year period and the establishment of the Canadian Industrial Renewal Board (CIRB) with a budget of \$250 million to assist the textile and clothing industries as well as the relevant communities.

Business conditions changed drastically in the textile industry during the second half of 1981 and recessionary forces caused the downward trend of industry activity, employment and profits to continue. Some subsectors, such as carpet and wool fabric, were more seriously affected than others.

Imports of textiles increased by 14 percent in dollar terms in 1981, with the import share of the Canadian market remaining stable at 27 percent. Canadian export activity reached \$473.9 million, an increase of 12 percent over 1980-81. The division recruited exhibitors and assisted in the organization of three apparel fabric shows and one carpet show. These exhibitions abroad have contributed to the success of the industry in terms of exports in Europe, Japan and Central America.

Clothing

Conditions in the clothing industry deteriorated markedly in the second half of the year. Domestic shipments of clothing products increased by 4.8 percent in dollar value during 1981, but

output actually declined in real terms. Imports, on the other hand, were up by more than 24 million units or 17.2 percent. Exports increased in value to \$264 million, a rise of 14.5 percent, but still represent only 6 percent of domestic shipments.

The Clothing Division provided technical expertise and background briefings to the CIRB, as well as detailed market evaluations to aid in the processing of company applications for assistance under the new program for clothing and textiles.

For negotiations of new five-year bilateral export restraint agreements with most low-cost suppliers, concluded during 1981, the division provided the negotiating teams with detailed perspectives of individual sectors and evaluations of market trends.

As part of its continuing effort to increase industry interest and participation in the export market, the division participated in the organization of trade fairs and recruitment of exhibitors for several international export shows. These activities included the Canadian Fashion Fair in Winnipeg; the Children's Apparel Manufacturers Association Show in Montreal; and participation by active sportswear manufacturers in shows at Las Vegas, Munich and Tokyo, and by fur manufacturers at the American International Fur Fair in New York. On-site sales from these events totalled over \$8 million.

Fashion Office

A complete review was undertaken of the Fashion Design Assistance Program (FDAP) administered by "Fashion Canada/Mode du Canada". After considering the recommendations and comments of the consultant, the board of directors presented a proposed five-year plan for the continuation of FDAP for consideration to the CIRB.

The fourth issue of **Canada-Fashion-Mode** magazine was distributed through Trade Commissioners to fashion buyers around the world.

Fashion presentations featuring Canadian designers and geared to domestic and foreign buyers were supported in Toronto, Montreal and Winnipeg. These shows were well attended and received very favourable audience reaction.

Summer employment involving 48 manufacturers was provided for 60 students of fashion design. The project was funded under the Canada Employment Centres' Summer Canada: Summer Employment Program.

Leisure Industries

As a whole, the leisure industries sector enjoyed relatively good market conditions during 1981. However during the last quarter of 1981 it became apparent that economic conditions were weakening some subsectors, notably sporting goods, jewellery and housewares. Assistance provided under the Department's Enterprise Development Program has enabled many firms in this sector to undertake restructuring, product design and productivity improvement projects.

Exports of leisure goods increased from \$439.7 million in 1980 to \$461.7 million in 1981, a gain of five percent. In the export marketing field, major departmental activities during the year included the organization of export seminars tailored to the needs of commercial printers and jewellery producers; participation in 14 international trade fairs and solo shows in six countries (United States, England, West Germany, Italy, France and Japan); and the organization of two incoming buyers missions.

POLICY SECTOR

The Department's newly instituted Policy Sector, consisting of the Office of Policy Analysis and the Office of Policy Coordination, provided the Department with economic intelligence, strategic research and analysis, and policy planning coordination in respect of the economic and industrial development, trade policies and programs of ITC, other federal government departments and agencies, other levels of government and foreign governments.

Office of Policy Analysis

The Trade and Structural Analysis Directorate assembled and distributed international trade data from its UN Trade Data Bank and respecified the ITC Canadian Explor Model (CEM 1) into a new version called the Canadian Econometric Model for Structural Analysis (CEMSA). CEMSA will be used for related purposes including sectoral and structural policy simulations, medium-term structural forecasts for use in the interdepartmental medium-term outlook and federal-provincial occupational forecasting with CEIC, and major investment project and foreign sector simulation. Analytical projects of the group focussed on regional and sectoral subjects with implications for industrial development and adjustment policies and for commercial policy. Continued efforts were devoted to industry and community adjustment analysis for the Industry and Labour Adjustment Program (ILAP).

The Microeconomic Analysis Directorate conducted its semi-annual survey of business investment and its annual survey of foreign-owned subsidiaries, and published several reports resulting from these activities. The directorate prepared and analysed indexes of the utilization of industrial capacity and published quarterly reports on the results. A number of studies of new and technological change

processes were completed. Performance assessments of a number of manufacturing industries were undertaken to identify industrial development opportunities and constraints and to assess strategic policy options for these industries.

The Economic Intelligence Directorate provided information on current and prospective economic conditions in Canada and abroad. The directorate published its annual report on Canada's trade performance and examined Canada's competitive position and balance of payments position, especially as they relate to trading services.

The directorate also studied and reported in greater depth on current conditions in certain industries as well as specific economic policy changes in Canada and abroad.

Office of Policy Coordination

The Office of Policy Coordination maintained an overview of industrial and economic developments and identified broad policy directions to guide departmental policy work. The office assisted in the development of sectoral/regional initiatives and participated in departmental and interdepartmental efforts to address sectoral issues of particular regional or industrial importance.

The office provided assistance to the policy development activities of other federal departments and agencies which had a direct bearing on ITC objectives. This included such areas as trade, regional development, procurement and resource development. The office also coordinated federal-provincial activities of the Department, including the preparation of documents for meetings between these two levels of government, and managed various aspects of federal-provincial relations involving industrial development.

TOURISM

Canada's tourism industry registered a strong performance during 1981-1982, attracting a significant share of world travellers despite the effects of inflation, recession and high energy costs that dampened worldwide tourism. The favourable exchange rate of the Canadian dollar in relation to foreign currencies continued to be a positive factor for the country's tourism industry.

Tourism revenues for Canada in 1981-82 were estimated at \$16.5 billion, compared to \$14.8 billion in 1980-81. About \$12.8 billion was spent by Canadians, up from \$11.4 billion in the previous year. More than 39.5 million U.S. visitors spent \$2.4 billion. An estimated 2.14 million visitors from overseas spent \$1.3 billion, compared to 2.16 million overseas visitors and \$1.2 billion in spending in 1980-81.

The travel deficit decreased by 5.7 percent, from \$1.228 billion in 1980-81 to \$1.116 billion in 1981-82.

CANADIAN GOVERNMENT OFFICE OF TOURISM

The Canadian Government Office of Tourism (CGOT) operated 27 market development and promotional offices in 1981-82 - six in Canada, fourteen in the United States and one each in Britain, France, Germany, the Netherlands, Mexico, Australia and Japan.

Vacation Canada advertisements were placed in periodicals reaching almost 70 percent of all Canadians. New Canadians were encouraged to see Canada through a campaign in ethnic publications.

An estimated \$63 million of business was transacted at the fifth annual "Rendez-vous Canada" show in Halifax, May 17-21, 1981, an increase of \$26 million from 1980. This international marketplace attracted 293 selling organizations and 226 buying organizations, up from 1980 figures of 274 and 198 respectively.

The "Canada: So Much To Go For" Program, which encourages Canadians to travel within Canada, offered 120 competitively-priced package tours in 1981. Partners with CGOT in this venture included Air Canada, CP Air, VIA Rail, Pacific Western Airlines, Nordair and Voyageur.

The Office of Tourism began a new marketing strategy in the United States during 1981-82. The following were major initiatives:

- A market survey was planned to study possible American pleasure travellers to Canada and ascertain their attitudes and perceptions of Canada.
- Detailed profiles of Meetings and Incentive Travel (M&IT) prospects in the United States were begun and a computerized data bank was established.
- A full four-season consumer advertising campaign was re-instituted, thanks to incremental funds awarded for the U.S. market based on the tourism sector strategy.
- A direct marketing campaign for target segments such as skiing, outdoors, M&IT, etc., was conducted. CGOT won the "Golden Echo" award for its direct marketing program in the United States.
- Contracts were established with a public relations firm in Chicago and an M&IT firm in Washington.
- The CANMAP program was developed and added to the existing marketing mix.
- A series of six half-hour television programs was prepared and televised by cable to a potential viewing audience of over 30 million per show.

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

The Attitude and Awareness Program is designed to highlight the need to welcome visitors with a high standard of friendly service. The program contains a national information element including advertising, publicity, brochures, films and a new slide presentation for use by industry spokesmen.

Another element is the "Welcome to Canada" Program whereby Canadian customs officers greet U.S. visitors with a quick-reference package of travel information.

In addition, the Office of Tourism:

- proceeded with market development work in South America, Southeast Asia and Southern Europe;
- distributed approximately eight million pieces of promotional literature and materials;
- sponsored more than 100 promotional seminars in Canada, the United States and overseas;
- provided some 400 media representatives with Canadian tours;
- prepared 100 travel features for publication in Canada and the United States; and
- produced 41 consumer and trade publications in as many as 12 languages.

TOURISM DEVELOPMENT BRANCH

The Tourism Development Branch is involved in providing a framework for improved tourism planning and development.

About \$17 million in financial assistance was provided during the past year for the construction of trade and convention centres in Vancouver, Montreal and Charlottetown.

A computerized national resource and product inventory system is currently being developed to aid in planning and a computer-assisted product-market match system has been studied.

By coordinating the development of a manpower training strategy, the branch is ensuring both the

availability and training of personnel within the tourism sector. The Tourism Development Branch also improves the environment for industry development by influencing federal legislation which may inhibit the tourism industry.

POLICY, PLANNING AND COORDINATION BRANCH

The Research and Analysis Division of Policy, Planning and Coordination (PPC) continued to analyze the results of four quarterly Canadian Travel Surveys. Market intelligence presentations were made to the trade and to partners in five European and eighteen Canadian cities. The branch's coordination secretariat organized the visits of both the Secretary General of the World Travel Organization and the Deputy General Director for Travel and Tourism of the People's Republic of China.

The Planning, Analysis and Evaluation Division became responsible for developing and implementing a corporate planning system within CGOT. Work continued on a revision of CGOT's forecasting models and on the conversion of the package tour inventory of the Office of Tourism from a manual to an automated system.

The Policy Formulation Division developed the tourism sector strategy, which outlines the major problems and opportunities facing the Canadian tourism industry. This resulted in an award of \$9 million from the Cabinet Committee for Economic Development over fiscal years 1981-82, 1982-83 and 1983-84. The division was active in ensuring that tourism concerns were considered in the VIA Rail cuts made by Transport Canada.

This branch has also been monitoring the acid rain situation and other environmental issues, as well as evaluating the energy situation with regard to supply, prices and allocation.

PERSONNEL

Revision and modernization of several aspects of operation to create greater staff efficiency at all levels throughout the Department were achieved by the Personnel Branch during the 1981-82 fiscal year. The following are some of the programs carried out.

The Personnel Management Planning Process was totally revised to ensure greater input from management and a more responsive stance by the Personnel Branch to identified issues. The Department's Personnel Management Plan was tabled at the Human Resources Development Committee, at which the decision was taken to implement the plan in its revised format.

The Personnel Management Information System was revamped in order to provide more timely and accurate information for the use of both branch

staff and Department management. The Staffing Division substantially reduced the turn-around time of the staffing process by over 50 percent, in response to the needs of managers.

Employee Advisory and Career Services, in its second year of operation, provided employee consultations for 440 clients, an increase of 54 percent over the previous year. This significant increase may be attributed to the expanding operation of the career services.

The Lateral Transfer Program, which was endorsed by senior management, was implemented in 1981 to facilitate lateral mobility and horizontal career pathing of employees within the Department. The potential for success has been enhanced by giving managers direct responsibility for its implementation.

METRIC COMMISSION CANADA

As another major metric conversion initiative takes hold, the completion of Canada's metric conversion program draws nearer. Retail scales conversion, which began in 21 major centres across Canada on January 4, 1982, will see all store-weighted foods sold and advertised in metric measures by the end of 1983.

Conversion in other areas continues as well. A number of sector committees, including Water Transport and Petroleum Refineries, Wholesalers and Gasoline Service Stations, forecast that they would be operating predominantly in metric in 1982. At the beginning of 1982, the 102 sectors on average had completed more than half of their conversion programs.

Disseminating information is one of the most important parts of Canada's conversion program. Metric Commission Canada continues to inform people in Canada and abroad of the progress of its work through its annual report and a wide assortment of informative brochures; television and radio announcements; the **Metric Monitor**, a monthly newspaper; and the **Reporter**, a semi-annual sector update.

On January 12, 1982, the Prime Minister announced that Metric Commission Canada would in future be attached to the Department of Consumer and Corporate Affairs. This reassignment will facilitate close collaboration between metric conversion and the weights and measures activities of Consumer and Corporate Affairs.

INDUSTRY, TRADE AND COMMERCEStatement of Expenditures
for the Fiscal Year 1981-82

		\$ ('000)
<u>Trade and Industrial Program</u>		
Operating Expenditures		
- Salary and superannuation	99 348	
- Other	<u>190 137</u>	289 485
Grants and Contributions		
- Enterprise Development Program	134 665	
- Defence Industry Productivity Program	154,935	
- Program for Export Market Development	14 596	
- Capital subsidies for the construction of commercial and fishing vessels	72 943	
- Metric Conversion	8 912	
- Trade and Convention Centres	17 598	
- Small Business Loans - Losses	6 475	
- Payment of EDP Insurance Losses	44 257	
- Payment of EDC Insurance Losses	2 187	
- Payments for construction of dry docks	13 126	
- Miscellaneous	<u>6 358</u>	476 052
Loans and Investments		
- Loans to deHavilland Aircraft	110	
- Loans to assist defence manufacturers with defence plant modernization	<u>11 218</u>	11 328
		<u>776 865</u>
<u>Tourism Program</u>		
Operating Expenditures		
- Salary and superannuation	10 250	
- Other	<u>27 587</u>	37 837
Grants and Contributions		
- Miscellaneous		<u>1 562</u>
		<u>39 399</u>
<u>Grains Program</u>		
Operating Expenditures		
- Salary and superannuation	1 729	
- Other	<u>971</u>	2 700
Grants and Contributions		
- Credit Wheat Sales	17 403	
- Prairie Grain Advance Payment Act	12 735	
- Western Grain Stabilization Program	94 320	
- Assistance to the Canadian rapeseed processing industry	3 000	
- Brazil grain silos	4 385	
- Miscellaneous	<u>3 865</u>	135 708
		<u>138 408</u>
Total Department		<u>954 672</u>

INDUSTRY, TRADE AND COMMERCEStatement of Revenues
for the Fiscal Year 1981-82

	\$
<u>Return on Investments</u>	<u>('000)</u>
Interest on loans to Export Development Corporation	86 613
Interest on loans to Federal Business Development Bank	80 650
Interest on loans to Canadian Commercial Corporation	207
Interest on loans to assist manufacturers of automotive products	118
Interest on loans to assist the pharmaceutical industry	11
Interest on loans to assist the footwear and tanning industries	210
Interest on loans under the Enterprise Development Program	664
Sundry	346
<u>Miscellaneous Revenue</u>	24 433
<u>Refunds of Previous Year's Expenditures</u>	16 318
<u>Adjustment Prior Years Payable at Year End (PAYE)</u>	1 928

