

HT
395
.C32A52
Western
Region

Strategic Regional Development Overview

Western Region



Government
of Canada

Gouvernement
du Canada

Regional
Economic
Expansion

Expansion
Économique
Régionale

PIERRE DE BANÉ
MINISTER

STRATEGIC REGIONAL DEVELOPMENT OVERVIEW

WESTERN REGION

L. Conde.
DEPARTMENT OF REGIONAL ECONOMIC EXPANSION ↓

INTRODUCTION

1. This paper sets out a framework for federal regional development initiatives in western Canada over the medium term. It provides a context within which the federal government can consider regional economic development proposals with due regard for rapidly changing western and national economic circumstances, shifting fiscal environments and strategies and policies of provincial governments. Accordingly, the following discussion signals areas for priority federal economic development attention in western Canada in the 1980s and identifies some of the emerging common features that exist among national, regional and sectoral framework policies.

SUMMARY

2. The Western Region, consisting of Manitoba, Saskatchewan, Alberta, British Columbia, the Northwest Territories and Yukon, is a vast area containing an abundance of natural resources including agricultural lands, water resources, salt and freshwater fisheries, forests, industrial minerals and fuels. Across the west and even within individual provinces, there are striking contrasts in the stage and form of economic development. Conditions range from the undeveloped mountainous interior of British Columbia and Yukon to the settled prairies, from barren tundra to metropolitan centres and from the quiet rural village to the new industrial towns. This complex and expanding economy provides the foundation for regional development policy in western Canada.
3. Since Confederation, public policy has played an important role in shaping western development. Decisions relating to railway construction, immigration policy, tariff structures and freight rates have had significant and lasting impacts on the structure of the western economy. More recently, western expansion has continued to be influenced by such national policies as energy



pricing, transportation and trade and commerce. Western economic and political power is growing and national policies for the west can no longer be defined strictly within the traditional concept of a western "hinterland" supplying basic resources to industrialized markets in central Canada and abroad. In the 1980s, abroad federal policy for the west will need to recognize the mutual regional and national interest of furthering western regional development and thereby strengthening the ties between the industrial centre and emerging western markets.

4. Western resource development can offer major regional development opportunities for the 1980s. Achieving national energy security in the 1990s will require massive resource investments. Declining crude oil production from depleting wells must be offset by enhanced recovery technologies and oil sand and heavy oil developments. These investments may be complemented by parallel spending on refineries, petrochemicals and, more importantly, pipelines from new sources such as those known to exist at Norman Wells and elsewhere in the Arctic. Recent and anticipated commodity price movements enhance the value of other western energy, mineral and agricultural resources. Coal, primarily in British Columbia, Yukon and Alberta, uranium in Saskatchewan, hydro in British Columbia and Manitoba, and gas in all but Manitoba suggest that western resources can contribute to Canada's economic growth and balance of trade during the 1980s.
5. The realities of a boom-and-bust resource-dependent western economy have long made stable growth, economic diversification and the reduction of social and economic disparities primary objectives for federal, provincial and territorial regional development policy. All western provinces and territories are conscious of their continuing ties to volatile external markets for resource products. Recent changes in international grain prices, resulting from the American embargo on shipments to Russia, and the shifting pricing practices of the world oil cartel, serve as poignant reminders of the instability of these markets. Western provinces are seeking ways and means of using the proceeds of their present resource wealth for economic diversification to

reduce their exposure to the external events that affect commodity markets and resource developments

6. Opportunities for people and provinces to participate in the region's numerous major development projects are not evenly distributed throughout the west. Native people have not shared equally in western growth despite an increasing willingness to move into urban centres and other areas with high employment potential. Manitoba has only limited development opportunities and has not shared in the expansion occurring further west. Winnipeg's traditional role as the financial and distribution centre of the prairies is being challenged by the ascendancy of Calgary, Edmonton and other western centres. Yukon and the Northwest Territories continue to experience slow and uncertain growth depending upon key resource projects. Reducing severe economic disparities for areas and individuals, particularly native peoples, continues as a high priority of western governments.
7. There are serious economic constraints to regional development in western Canada. Shipments of grain and other resource commodities are increasingly limited by an inefficient transportation system and limited bulk-handling facilities. A lack of secure water supplies may constrain the production of some resources such as heavy oils in Alberta and Saskatchewan, and the increase of agricultural output throughout the prairies. Because prairie rivers generally flow across provincial and, in some cases, international boundaries, facing up to water issues will require intergovernmental cooperation, the construction of control structures, and perhaps interbasin transfers. Finally, continuing investment in energy and other resource developments will require a rapid expansion of the western labour supply.
8. Stable western economic growth requires the removal of these constraints to basic resource development and the encouragement of industrial diversification by capturing more value-added from resource commodities and expanding the small western manufacturing sector. Furthermore, these constraints have the potential to limit the west's contribution to national economic development. However, such barriers can be removed with intergovernmental cooperation and a willingness to put necessary policies and infrastructure in place.

9. Slow national economic growth and continuing shifts in regional economic performance stress the need for more balanced and integrated economic development within Canada. Opportunities exist for many regions of Canada to supply the needs of the expanding western resource market and to develop secure domestic sources of energy and other raw materials with benefits for the entire national economy. It is important, therefore, that western growth be further integrated with the rest of the country. Federal economic policy must also clearly address the west's persistent regional disparities while removing constraints to development and diversification. Combining these national and regional interests within an effective regional economic development framework represents a major challenge for federal economic policy for the west. The following discussion examines the basis for increased federal-provincial cooperation in formulating policies to encourage the wider participation of all westerners and Canadians in the benefits that can accrue from western growth and expansion.

FACTORS

The Resource Endowment

10. The Western Region forms two thirds of the Canadian land mass. It is well-endowed with energy, mineral and water resources, agricultural lands, forest reserves and has access to the resources of the Pacific Ocean. Energy resources found within the region are large even by international standards. The vast potential of the oil sands is well known. Western coal reserves, particularly in British Columbia, Alberta and Yukon, exceed 160 billion tonnes. Saskatchewan has some of the world's richest uranium deposits.
11. Base minerals are also abundant. Copper, zinc, nickel, molybdenum, gold, silver, lead, tungsten and barite have all been commercially developed in British Columbia, Yukon, northern areas of the prairie provinces and the Northwest Territories. Sodium sulphate, sulphur, silica sands, and clays exist in abundant quantities in the prairies. High-grade potash deposits in Saskatchewan could

supply the entire world at current rates of consumption for the next 3 000 years.

12. The land and soil base supports extensive agricultural and forest production. The western provinces have about 170 million arable acres, approximately three quarters of Canada's total. Most of the prairies are best suited to dry-land grain farming or ranching, although Manitoba's slightly longer growing season in some southern areas allows production of a variety of high-value specialty crops. British Columbia's milder climate permits specialized horticulture and the province has a large dairy industry. Forests cover most of the mountain ranges and the western northlands. Commercial development has been extensive in British Columbia, where forestry and related manufacturing contributed 31.6 per cent of provincial value-added in 1977. Forestry is also important in the northern areas of the three prairie provinces and in adjacent parts of Yukon and the Northwest Territories.

13. The more remote northlands of the prairies, the territories and the rugged interior of British Columbia continue to provide habitats for fur-bearing and game animals. The 355 861 square kilometres of western lakes and rivers contain commercial quantities of freshwater fish. In addition, Pacific coastal waters sustain a large commercial salmon and herring fishery. The spectacular mountains, seascapes and river basins of British Columbia, Yukon and Alberta, the vast and beautiful Arctic and the extensive plains and northern forests of the prairies provide a unique recreational resource which remains largely untapped.

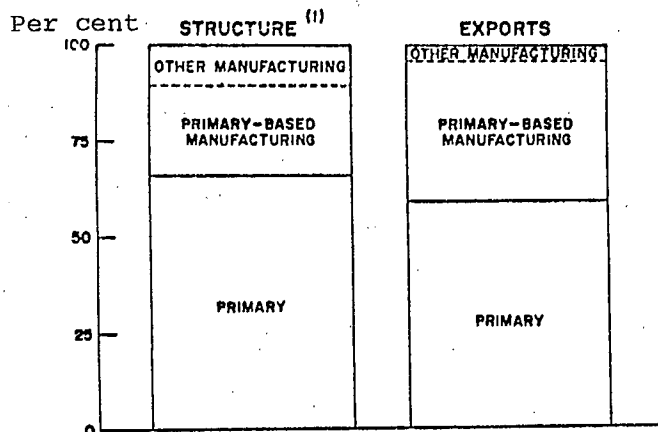
Recent Trends

14. In most years since 1971, the western economy has grown faster than the national economy. Favourable international price movements have led to increases in western agricultural, mineral and energy production. This growth has been further augmented by the continued discovery and development of new fuels, minerals and crops. By 1980, the western and territorial population exceeded 6.7 million, increasing its share of the national population from 26.5 to 28.1 per cent. Real domestic product rose by almost 50 per cent to

reach \$34.6 billion by 1979 in 1971 dollars, nearly one third of the Canadian total.

15. The west's share of national new capital investment, goods-producing value-added, and new employment creation increased dramatically during the 1970s. Employment in western Canada grew by 33 per cent to 2.9 million. Simultaneously, the western labour force grew by only 30.4 per cent. As a result of higher job creation relative to labour force growth, the unemployment rate in the west dropped significantly in contrast to a rising national average. Higher incomes and lower unemployment rates are expected to continue to attract migrants to the west as the Canadian economy adjusts to western opportunities.
16. However, western development has done little to change the overall export dependence of the regional economy. By 1977, western natural resource dependence stood at 65 per cent of regional goods-producing value-added (excluding construction). The manufacturing sector is dominated by the initial processing of resources for export. A comparison of the west's industrial and export structure identifies the persistent orientation of the economy towards the export of primary products and fuels (see Figure 1). Historically, this dependence has led to highly fluctuating business activity with commensurate problems of inflation during the boom, and unemployment following the bust.

FIGURE 1
INDUSTRIAL STRUCTURE AND EXPORTS,
WESTERN CANADA - 1977



(1) Share of goods-producing value-added excluding construction

Geographic and Social Disparities

17. Opportunities for growth and development from western resource developments are not evenly distributed among the provinces, territories, and people of western Canada. Significant social and economic disparities exist between growing urban centres and smaller rural communities; between the more remote north and the developed south; between faster and slower growing provinces; and between native peoples and other westerners. Such disparities have been important factors in western development. The current boom is further highlighting these social and economic differences within the west.
18. Growth has been accompanied by rapid urbanization. By 1979, over one half of the western population and two thirds of the regional manufacturing activities were concentrated in the larger centres of Victoria, Vancouver, Edmonton, Calgary, Saskatoon, Regina and Winnipeg. These metropolitan areas provide a growing base for professional enterprises, financial expertise, transport services and manufacturing production. Significantly, some smaller regional centres, particularly in British Columbia and Alberta, have experienced faster growth than have the largest western cities.
19. In contrast, many of the smaller rural communities, once necessary for a labour-intensive agricultural economy, continue their steady decline. Erosion of the commercial base of many prairie settlements and the continuing population drift from the land effectively reduces the ability of these centres to provide high-quality services to rural residents. The maintenance of services to the farming community through the strengthening of key rural centres will be increasingly necessary for the efficient operation of the agricultural economy. Similarly, many single-industry towns are central to development of rural resources in British Columbia and the northern prairies. Although some resource towns are currently experiencing rapid growth, their vulnerability to shifts in world commodity markets continues to be a major constraint to further local development.

20. Wide variations exist in provincial prospects. Growth has been highly concentrated in selected areas of Alberta and British Columbia and more recently Saskatchewan. In Manitoba, there are no new resource projects anticipated in the early 1980s. Winnipeg's 1971-76 population growth rate of 5 per cent was the lowest of the Western Region's metropolitan centres. Continuing net out-migration from Manitoba, usually to points farther west, suggests that both the province and Winnipeg are facing stiff competition in labour markets from other western centres. Increasingly, the province and the city must look toward the growing resource markets outside Manitoba as a basis for an expanded level of activity.
21. The scale of both settlement and economic activity is much smaller in the two northern territories. In the Northwest Territories, the dominance of public sector employment reveals perhaps the least independent economy in Canada. In Yukon, a longer history of mining and associated services, infrastructure development and commercial tourism represents a small but significant stage of economic development. Future prospects for growth depend on the expansion of power and transportation infrastructure, further mineral development, potential pipeline construction and the expansion of the tourism industry.
22. The minimal participation of native peoples in the economic development process is the most commonly shared and persistent socioeconomic disparity problem in the prairie provinces and northern territories and, to a lesser extent, in British Columbia. People of native ancestry are estimated to account for 5 per cent of the western provincial population. In the northern territories, 30 to 50 per cent of the population is of native ancestry. Throughout the west, native people comprise an inordinately high proportion of the unemployed. Numerous barriers such as a lack of employment skills, low incomes, geographic isolation and social and cultural structures combine to preclude many native people from the option of meaningfully participating in key aspects of western and northern development. Most of the jobs (80 per cent) associated with future resource developments will require skills currently not widely held by native people. This situation will remain unaltered without conscious and concerted efforts.

for change by native groups, industry, unions and government.

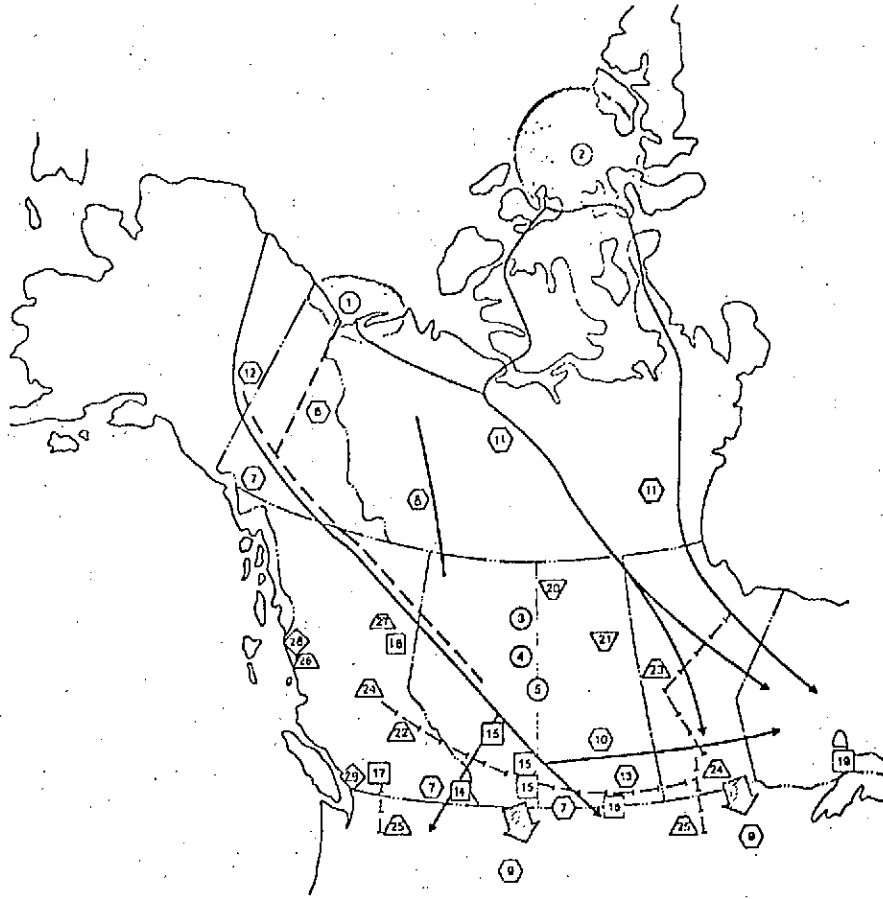
23. High rates of native population increase have prevailed for several decades. Over half the population is under 15 years of age. As these young people grow older, they will have a significant impact upon labour force composition and school populations in the 1980s. Increasingly, native people, including Treaty and non-Status Indians and Métis, are migrating to larger urban centres in the west. Winnipeg, Regina, Saskatoon and, to a lesser extent, Edmonton Calgary and Vancouver have large and growing native populations. By 1985, the native population of Regina is expected to reach 33 500, an estimated increase of 65 per cent over 1976. Recent estimates indicate that by 1986 almost one third of the school enrollment in Regina will be children of native ancestry.
24. The migration of large numbers of native people to urban centres involves enormous social and economic costs. Cultural and family ties are broken and traditional lifestyles are relinquished. Native people generally lack the labour skills necessary to take advantage of urban job opportunities, thereby resulting in high rates of unemployment and dependence on transfer payments. In a real sense, the growing native population in urban centres such as Regina and Winnipeg has effectively transferred many long-established western social and economic development issues from remote locations to highly visible urban environments. The economic and social dichotomy between native people and non-native westerners is increasing in both its diversity and magnitude.

Regional Prospects for the 1980s

25. The economic performance of the western economy will continue to be dominated by the region's investments in resource development projects. Numerous large-scale investments totalling in excess of \$100 billion are scheduled or proposed to take place during the 1980s. Most projects are related to energy development, processing and/or transmission (see Map 1). In addition, major investments are expected in the west's bulk-handling transportation and export system to ensure

MAP 1

MAJOR WESTERN DEVELOPMENT PROJECTS



LEGEND

OIL AND GAS DEVELOPMENT ○

- 1. DELTA/BEAUFORT GAS
- 2. PANARCTIC EXPLORATION PROGRAM
- 3. OIL SANDS, e.g.
 - a) ALSANDS
 - b) SUNCOR EXPANSION
 - c) SYNCRUDE EXPANSION
- 4. COLD LAKE
- 5. HEAVY OIL

OIL AND GAS TRANSMISSION AND SUPPLY ○

- 6. DEMPSTER PIPELINE
- 7. ALASKA HIGHWAY GAS PIPELINE (ALCAN-FOOTHILLS)
- 8. HODMAN HELLS PIPELINE
- 9. GAS SHIPS
- 10. TRANS-CANADA PIPELINE EXPANSION
- 11. POLAR GAS PROJECT PROPOSALS
- 12. ALASKA HIGHWAY OIL PIPELINE
- 13. STEEL PIPE SUPPLY EXPANSION

COAL DEVELOPMENT □

- 14. Southeast B.C. Coal
- 15. ALBERTA THERMAL POWER GENERATION
- 16. SASKATCHEWAN THERMAL POWER GENERATION
- 17. HAT CREEK COAL
- 18. Northeast B.C. Coal
- 19. THUNDER BAY COAL TERMINAL

URANIUM DEVELOPMENT ▽

- 20. AMOK MINING - CLUFF LAKE
- 21. KEY LAKE MINING

HYDRO AND ELECTRIC TRANSMISSION △

- 22. COLUMBIA RIVER DEVELOPMENT
- 23. NELSON RIVER TRANSACTION
- 24. WESTERN ENERGY GRID
- 25. BULK U.S. TRANSFERS
- 26. KEMANO HYDRO
- 27. PEACE RIVER HYDRO

OTHER TRANSPORT ◇

- 28. PRINCE RUPERT TERMINAL
- 29. ROBERTS BANK

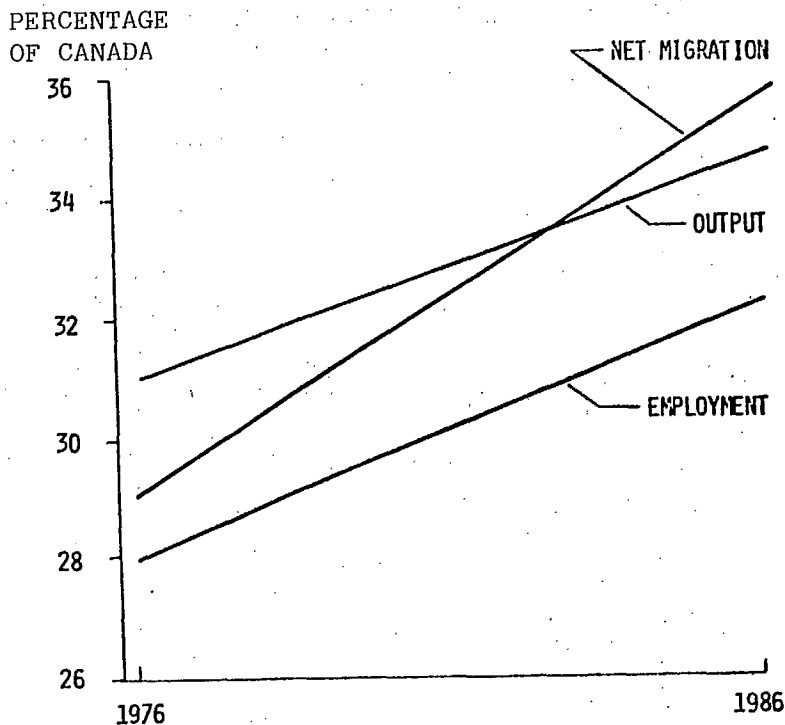
that British Columbia and the land-locked prairies can remain competitive in foreign markets. Together, these investments will continue the west's resource development boom well into the 1980s.

26. Major Resource Related Projects - Western growth will continue to involve increased linkages to major resource projects. Alberta is in the midst of building a sophisticated petrochemical industry designed to utilize both its gas and oil resources. Recent announcements by both Shell Canada Ltd. and Esso Resources Ltd. of intentions to build additional refining capacity to produce, in part, chemical feedstocks suggest that this trend will continue. Opportunities would appear to exist for the production of more end-products from the polyvinyl chloride now available. Similarly, Saskatchewan may utilize its potash to attract fertilizer plants. IPSCO's expanding pipe-making capacity in Regina is expected to supply growing markets throughout the west. Interprovincial trade has further enhanced the expansion of farm-implement manufacturing and the siting of plants in the prairies. British Columbia possesses a wider range of potential linkages based upon its broader resource base. Examples include pulp and paper and sawmills based upon the forest resource, fish processing related to improved fisheries management under the 200-mile limit, and natural gas processing tied to extraction operations in the Peace River district. Electrical potential may be an industrial attraction in both British Columbia and Manitoba.

27. Other Resource Industries - Complementary to the project developments has been the solid performance of agriculture due to rising world prices for food in the last half of the last decade. The value of Canadian grain exports rose markedly from about \$0.7 billion in 1970 to \$2.2 billion in 1978. Food and beverage processing also increased its value-added from \$620 million to \$1.3 billion between 1976 and 1979. Western mining and forest activities are also expected to sustain, if not increase, their share of national activity. In the medium term, rising international prices are expected to further stimulate the natural resource industries. However, adequate transportation facilities and stable world markets will continue to be prerequisites for balanced growth.

28. Financial Services - Western resource revenues as reflected in the growing Alberta Heritage Savings Trust Fund are potent forces in attracting the international banking community to the west. Canadian banks have already reacted, and the international financial community is expected to increase its presence in keeping with slated amendments to the Bank Act. Although they are very different mechanisms, it is expected that the British Columbia Resources Investment Company and the Saskatchewan Heritage Fund may be employed similarly to diversify their respective provincial economies.
29. Future Prospect - In addition to the highly visible large projects and expanding primary resource industries, prospects are equally buoyant for the incremental expansion of more traditional western resource manufacturing and the service sectors. The combined impact of these developments on the western economy will be dramatic. Figure 2 suggests that western Canada will continue to increase its share of national economic activity. This trend reinforces the argument that it is a matter of urgent national and regional interest to utilize this continuing growth to achieve key national and regional development objectives. The underlying factors generating this regional growth prospect differ from province to province.

FIGURE 2 WESTERN ACTIVITY
1976-1986 (ESTIMATED)



30. Manitoba - In the early 1970s, Manitoba received a major stimulus from the construction of hydro sites on the Nelson River. In recent years, market conditions have severely curtailed this activity. This fact, combined with the absence of major resource development in other sectors, has led to slower growth in Manitoba compared with its western counterparts. Barring substantial increases in other resource development or export opportunities for hydro, this sluggishness is expected to be prolonged. However, some major manufacturing opportunities appear to be feasible in the foundry, metal fabricating and transportation industries based upon Winnipeg's skilled labour force and growing western markets. In the longer term, the American energy situation in conjunction with domestic industrial expansion may stimulate further development of hydro on the Nelson River.

31. Saskatchewan - Saskatchewan's growth in the 1970s, which is anticipated to continue in the 1980s, is attributed to strong agricultural markets, accompanied by increased expansion of the potash industry and accelerated uranium exploration which is expected to lead to further mining and refining in the early 1980s. Heavy oils may also emerge as a potent force for growth during the decade ahead. Accompanying these buoyant prospects in the major resource sectors is a need to diversify and expand Saskatchewan's very small industrial base. Further developments similar to the current expansion at IPSCO are necessary if Saskatchewan is to realize even a small portion of the manufacturing opportunities arising from western resource expansion.

32. Alberta - Alberta's growth stems from rapid energy development accompanied by related construction and service sector expansion. Escalating world energy prices, combined with the existing competitive edge held by the oil sands and heavy oils compared to either oil shales or liquefied coal, are expected to maintain Alberta's high rate of growth during the 1980s. A major challenge facing the province is to use this temporary strength to diversify its economy through value-added processing in such areas as petrochemicals and further development of the renewable agricultural, forest and tourist resources. Growing metropolitan centres and the highly visible heritage fund will likely continue to foster the establishment of financial

institutions and high-technology research expertise in the province. Early developments have included the attraction of part of Northern Telecom's laboratories and the granting of a \$300-million endowment for medical research.

33. British Columbia - British Columbia's development potential focuses on its forest, mineral and, to a lesser degree, agriculture, fish and hydro-electric resources. Medium-term prospects in the important forest and mining sectors are good. Several new metallurgical coal mine developments await commercial agreement and governmental approval. The climate for manufacturing and processing is favourable due to large, affluent local markets concentrated in the southwest and a growing awareness of substantial Pacific Rim export opportunities. Pacific Rim markets are being cultivated and increasing consideration is being given to the adequacy of the overall transportation system and port facilities which are prerequisites to effectively serving these new markets.
34. Yukon and the Northwest Territories - The northern territories have extensive untapped potential for development in the longer term. In addition to major pipeline construction requirements, opportunities exist which could have a significant impact not only in the territories but throughout western Canada and the country in general. Continued exploration and development of mineral deposits and gas and oil reserves in various areas of the territories suggest that extensive investment activity may occur in the future. In addition, in the more accessible areas of the north, opportunities exist to expand other resource industries and tourism. However, the impact of large development projects in the north could dramatically change current northern lifestyles unless precautions are taken to counteract the detrimental side effects of development.

Constraints to Western Development

35. Many physical, human and institutional constraints could hinder western development. Substantial commitments of public funds over the medium term will be required to lessen these constraints and permit the west to realize its development potential.

36. Labour - Western development will require an expanded supply of labour. If the average rate of growth in the western labour force since 1966 continues through 1990, employment will grow by nearly 45 per cent, rising by 1 228 000 jobs to over 4 million persons. Further, nearly 260 000 direct and indirect person-years of employment, may be generated from major development projects believed to be incremental to the long-run trend. These anticipated conditions are predicted to produce a shortfall of 650 000 workers by 1990, even taking into account expected foreign in-migration and a rising participation rate. Alleviating this shortage would require an annual domestic migration to the west of nearly 58 000. These migratory flow are likely to be achieved through lower unemployment rates and higher wages and salaries in the west relative to the rest of the country. Western labour requirements can thus offer opportunities to the unemployed in other regions of Canada. In addition the buoyant labour market could increase opportunities for native people to breach the substantial barriers to their participation in the economy.
37. Labour shortages are expected to be most severe in the skilled occupations. For example, craftsmen who entered the Canadian labour market during the period of postwar migration from Europe are now approaching retirement age. Huge projects in pipeline, refinery, mining and utility construction will create demands for high-pressure welders and other highly skilled tradesmen that go well beyond the scope of available manpower resources and the capacity of existing training facilities. In the more remote northern areas, the tight supply situation is expected to be exacerbated by the continuing lack of community and social amenities which are key elements in attracting highly mobile and skilled workers in a modern economy.
38. Water - Development in the prairies depends on adequate water supplies. The prairie provinces have the lowest run-off of all Canadian regions, and the lowest precipitation except for the north. The prairie economy is highly sensitive to water shortages. As recently as 1977, a winter and spring drought severely affected agricultural and industrial output, municipal services, hydro-electric generation and the forestry sector.

If the 1977 drought had persisted into the summer and fall, water shortages would have cost the agriculture and related sectors an estimated \$5 billion. Despite the timely late spring rains, the actual costs to hydro companies alone exceeded \$100 million. Currently, 1980 is emerging as another exceptionally dry year.

39. Western Canada's potential for growth and industrial diversification suggests a growing demand for water. British Columbia expects to continue to rely on hydro-electricity for domestic use and will require more infrastructure to deliver water for industrial and mining uses. Alberta's population expansion, increasing demands for thermal electricity, the development of enhanced recovery techniques for conventional oil and gas, and new demands from in situ heavy oil and oil sands plants may lead to increased pressure for interbasin transfers to prevent water shortages. Similar water supply constraints could affect Saskatchewan's development of coal-generated electricity in the southeast and uranium mining and refining in the central and northern parts of the province. Manitoba's requirements are based upon its need to improve water management in the south-central part of the province and to ensure a secure future water supply for Winnipeg. In all provinces, increased demands from both industry and municipalities will require the extensive use of pollution-control techniques to maintain high standards of water quality.

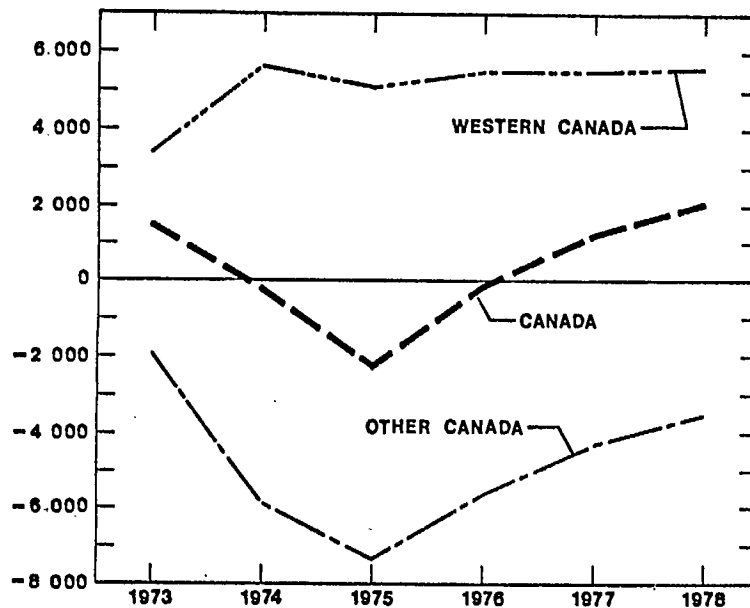
40. Bulk-Handling Systems - Improvements in the western transportation system are needed. The scope for improvement goes well beyond the issue of future Crow rates to include new bulk-handling facilities, upgrading and expanding of rail and road networks and changes in the basic organization and communications network. In addition to increased exports of grain, the potential exists for rapid expansion of coal exports. Canadian metallurgical coals would appear to have a market potential in Pacific Rim countries. Meeting even half this potential would require additional bulk terminals on the west coast as well as the opening up of the British Columbia northeast and/or changes in institutional factors governing the exploitation of the Dominion Coal Blocks in southeastern British Columbia. In Alberta, the development of the Cold Lake in situ oil sands project will require the

exploitation of new thermal coal reserves for power generation and the development of related transportation facilities. Potash will require more bulk-handling facilities as the effects of Saskatchewan's \$2.5-billion expansion to double output are realized.

National Significance of Western Trends

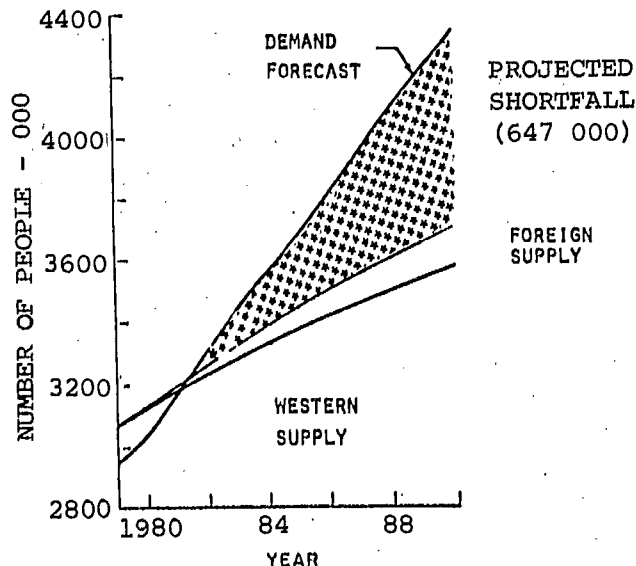
41. The western economy is increasingly providing the development dynamic for the national economy. Growth in the energy sector has already made major contributions towards national security and the foreign trade balance in fuel products. Even during the national trade deficit on current account that occurred between 1974 and 1976, the west continued to contribute positively to the national trade balance (see Figure 3).

FIGURE 3
WESTERN CANADA'S CONTRIBUTION
TO CANADA'S TRADE BALANCE
(\$ MILLION)



42. Currently, despite a depreciated dollar, Canada anticipates a trade deficit in finished manufactured goods of nearly \$17 billion in 1979. Barring major exports of energy, the national trade balance is not expected to improve. This will be compounded by a major deficit in services that had already exceeded \$5 billion in the first half of 1979. To maintain the dollar at existing levels has required a significant depletion of reserves in the Bank of Canada: they fell from \$5.8 billion in October 1976 to \$3.9 billion by October 1979. Continuing development of western resources for export and the expansion of the west's resource service, supply and manufacturing industries can contribute significantly to the reduction of the trade account deficit.
43. In the 1980s, the western regional rate of job creation may again contribute to lower national unemployment rates. In absolute numbers, the west alone will not be able to supply all the labour required for its growing economy. In order to accommodate these needs, the west's labour market will have to be augmented by migrants from other regions of Canada and/or from foreign sources (see Figure 4). Nearly 650 000 labour force participants may have to migrate from elsewhere in Canada if demand and foreign migration proceed as expected.

FIGURE 4
LABOUR FORCE DEMAND AND SUPPLY
PROJECTIONS FOR WESTERN CANADA

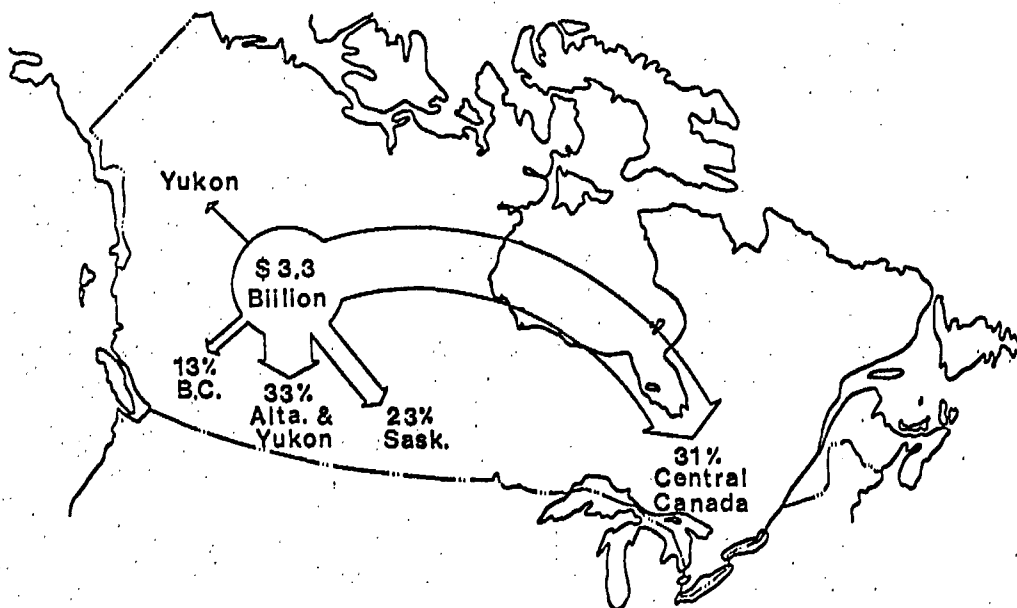


44. The historical economic ties established between the west and central Canada have strengthened. From 1967 to 1974, trade ties in manufactured goods between the west and east increased by 12 per cent in real terms. Significant manufacturing and service benefits from the western resource boom will be generated nationally. For example, earlier analysis of the potential regional distribution of benefits arising from the 1979 Alaska Highway gas pipeline proposal suggested that 31 per cent of material inputs costing \$3.3 billion could be sourced in central Canada (see Figure 5). Western expansion and the continued strengthening of existing interregional linkages can provide new markets for central Canadian industries as they adjust to higher energy costs, lower tariff barriers and stiff competition from manufacturers in Third World countries.
45. Western development trends are significantly changing the balance of power between federal and provincial governments. Western provinces, particularly Alberta, are increasingly able to unilaterally influence national economic development through their control of the pace of resource expansion, their growing independence from federal fiscal and monetary measures and their willingness to aggressively use innovative economic development instruments to achieve provincial priorities. Recent federal-provincial discussions on oil pricing have clearly been central to national and provincial economic policies in all regions of Canada. Accordingly, the increased use of federal-provincial planning mechanisms to better reconcile both federal and provincial development priorities within the economic policy-making process is assuming a critical importance for Canadian economic development and for national unity.

A REGIONAL DEVELOPMENT FRAMEWORK

46. The emerging economic trends in western Canada offer an unprecedented range of opportunities for regional and national development. Western resource developments, primarily energy related, constitute a major source of growth at a time when the Canadian and United States economies are close to recession. Industrial development opportuni-

FIGURE 5
ESTIMATED DIRECT NATIONAL INDUSTRIAL BENEFITS
ALASKA PIPELINE DEVELOPMENTS



ties arising from western expansion have the potential to substantially ameliorate some of the long-standing spatial and structural economic problems of the region. Nationally, these trends could improve the current balance of payments position, alleviate, in part, national unemployment, counteract some of the adverse effects of the industrial reconstruction process under way in central Canada and contribute significantly to federal revenues.

47. Fundamental regional development problems persist in western Canada. These include structural imbalance, a volatile, resource-dependent economy, significant social and economic disparities, and substantial natural and institutional constraints to development. The resource dependence of the provincial economies, although less pronounced than that of the territories, can be expected to become greater despite the continuing efforts of both senior levels of government to assist industrial diversification in the west. However, the available economic development opportunities have the potential to ameliorate these basic regional problems and to contribute to national economic goals.
48. Harnessing these opportunities for national and regional development purposes, while recognizing emerging western economic and political power, requires a positive but flexible federal economic development framework that can:
 - (i) maximize long-term western and national economic potential by encouraging:
 - (a) regional and national economic integration to strengthen existing linkages between western growth sectors and industries and services located in other areas;
 - (b) natural resource expansion in new and existing areas and sectors; and
 - (c) industrial diversification through expansion of the region's capacity to efficiently process resources and supply machinery, equipment and services to the resource sectors, and

development of industries in which the region has a comparative advantage;

- (ii) remove development constraints to expansion, diversification and economic integration throughout the west by:
 - (a) assisting in the provision of selected infrastructure related to western resource development;
 - (b) improving the efficiency of the western bulk-handling transportation system;
 - (c) developing more secure, long-term water supplies on the southern prairies; and
 - (d) assisting the private sector and provinces in the alleviation of growing labour shortages in western Canada; and
- (iii) reduce social and economic disparities in the west by:
 - (a) continuing efforts to increase the participation of native people in the western economy; and
 - (b) undertaking special development measures in the slower growing areas of western Canada.

49. The framework recognizes the need to balance efforts to foster western development for national and regional purposes with efforts to assist those areas and groups of people who may not derive an equitable share of the benefits from development. It argues for a flexible federal-provincial approach based on mutually acceptable development objectives which recognize the differences in fiscal capacities, economic prospects, industrial structures and the social and political priorities of the governments involved.

PROVINCIAL-TERRITORIAL DEVELOPMENT PRIORITIES

50. A clear understanding of western provincial development priorities and the willingness of both senior levels of government to recognize the legitimate concerns of each party are prerequisites to the effective application of this framework. Although certain key regional development themes and issues can be identified, the diversity of circumstances, opportunities and jurisdictions across the region suggests a continuing need to identify the development priorities in each province.

Manitoba

51. Manitoba needs policies and programs aimed at stimulating industrial and resource sectors in which the province has a competitive advantage. Provincial strengths centre around Manitoba's manufacturing and resource base. The province has experienced above-average performance from food and beverage, metal fabricating and light machinery manufacturing. Agricultural commodities have dominated performance improvements in the natural resource base. There are good prospects for Manitoba to expand its role as a regional manufacturing service centre for the new western resource and energy projects. The realization of Manitoba's opportunities requires attention to the maintenance of both quality and quantity of the province's labour force. The improvement of skills and participation of northern and native people, many of whom are migrating to urban centres, is important to the province's productivity. By 1990, it is estimated that one eighth of the people of labour force age in Manitoba will be of native ancestry.
52. Programs provided through DREE arrangements aim to stimulate growth through expansion of selected industrial sectors and resource commodities. In the Canada/Manitoba Subsidiary Agreement on Industrial Development, the province has presented its priorities to expand its manufacturing base, particularly in food products, health care products, light machinery, transportation equipment and aerospace electronics. Efforts under the industrial agreement will be supplemented by improved water supply systems. Industrial

growth and new exports of electricity to the United States constitute potential avenues for increased production of electricity from the Nelson River. As the centre of manufacturing activity in Manitoba, initiatives to strengthen Winnipeg's economic base hold particular significance for provincial development. Increased grain exports may also strengthen Winnipeg's service function for this industry.

53. The Manitoba government continues to be concerned with the development of centres outside of Winnipeg and with measures designed to increase the participation in economic activity of people in remote areas. The existing value-added crops production, and tourism development subsidiary agreements and the proposed water development agreement all have provisions to reduce constraints and encourage development in rural areas and secondary centres. In the more remote northern areas, the continued use of Special ARDA and the northlands subsidiary agreement to improve both the opportunities for native people and the climate for basic resource development, particularly hydro, indicates provincial concern for a balanced approach to northern development.

Saskatchewan

54. Major provincial economic development policies are designed to achieve stable economic growth through development of provincial resources, industrial diversification, rural stabilization, and an increase in the geographic and social distribution of benefits commensurate with a fair economic return to private and public investors as well as to residents. These policies have been pursued through a combination of taxation and revenue-sharing schemes, Crown corporations, and heritage fund investments.
55. Participation in opportunities provided by economic growth has been encouraged under Saskatchewan's General Development Agreement. Subsidiary agreements are in place for planning, iron and steel, mineral exploration, northern and native initiatives, productivity/technology transfer in agriculture, water development and drought proofing, Qu'Appelle Valley development and forestry. Together with the RDIA program, PFRA, the Agricultural Service Centres program, and

Special ARDA, substantial assistance is being extended to resource, industrial, agricultural, rural and urban development.

56. In order for Saskatchewan to realize even a small portion of the resource-related economic opportunities emerging in western Canada, a large expansion in the province's manufacturing and industrial services base will be required. Incentives for entrepreneurial development, increased research, and establishment of attractive and competitive industrial and manufacturing environments will be important. A cohesive government-business effort could capture the opportunity to develop an international level of expertise in resource development, particularly in uranium, potash and heavy oil engineering and production technology. All of these suggest the need in the near future to focus federal and provincial attention on resource development policy, broad provincial industrial development, rural development, service sector development, high-technology industrial support, and urban native adjustment initiatives.

Alberta

57. The development priorities of the Government of Alberta centre upon economic diversification to alleviate overdependence on energy resources and to redress spatial and sectoral imbalances. Spatially, balanced growth is encouraged through decentralization of government services, incentives for businesses to locate outside the Edmonton-Calgary corridor and infrastructure and financial assistance to smaller communities. On a sectoral basis, diversification focuses on areas of comparative strength, including renewable resources such as agriculture, forestry and tourism as well as high-technology research and development. Processing of primary resources to increase value-added and improve export markets are key strategies pursued in the government's efforts to diversify the economy. The development of a world-scale petrochemical industry is a notable example of private sector-government cooperation. Resource revenues have given Alberta great financial strength but the province has been cautious in its use of both general revenues and the Heritage Savings Trust Fund. Investments have stressed

high-technology initiatives, agricultural and medical research and oil sands development.

58. DREE's role in the province, while small in program dollars, has been generally supportive of provincial priorities. The Alberta north and nutritive processing assistance subsidiary agreements as well as RDIA have contributed to sectoral and spatial diversification. Also, PFRA is continuing to play an important role in soil and water conservation. Alberta has indicated an interest in future joint programming initiatives in tourism, agriculture and possibly forestry. In a broader context, the removal of development constraints has long been a goal of the Government of Alberta and is an area where federal action is urgently needed. Priority items are more favourable trade arrangements for agricultural products and petrochemicals, resolution of transportation and bulk-handling problems for grain and other bulk commodities, and alleviation of potential skilled labour shortages and material bottlenecks arising from construction of major energy projects.

British Columbia

59. On balance, the environment for development in British Columbia is very positive. A strong, pro-development stance by the provincial government, a rich and varied natural resource base including a number of energy options, and access to Pacific Rim markets combine to overshadow any negative factors. The private sector is seen as the principal engine of growth in the economy, with the public sector assuming a facilitative role. There is strong provincial government support for small business. Major private sector resource developments have been encouraged. At the same time, industrial diversification away from the strong dependence upon primary industries is an objective. The role of government in the economy centres on fiscal responsibilities, resource management, trade development, and support for viable economic enterprises and major developments where government is required to play a catalytic role. In this latter context, the provincial government has persistently sought a larger share of federal economic program funding. Subsidiary agreements under the General Development Agreement

have addressed a number of key sectors, development opportunities and constraints.

60. In the medium term, circumstances are favourable for most sectors of the provincial resource economy. The outlook is also favourable for manufacturing and processing. Much of the positive environment for development is linked to export trade. Pacific Rim markets are being cultivated, and consideration is being given to the adequacy of the overall transportation system and port facilities, particularly for bulk handling. A large, affluent local market is concentrated in the southwest. Elsewhere there are constraints to industrial development. The industrial development subsidiary agreement is designed to mitigate these constraints and realize opportunities. Small business activity has been notably successful. Tourism, British Columbia's third largest industry, has also been recognized for its development potential.
61. Although the overall environment for development in British Columbia is strong, there are stumbling blocks -- a reputation for difficult labour/management relations, native land claims, expensive industrial land and the high cost of accessing resources in remote and mountainous regions. Also, in the short term, a number of extraneous factors such as high interest rates and slow growth in international economies may curb the level of economic activity in British Columbia.
62. A high provincial development priority at the present time is a British Columbia economic infrastructure subsidiary agreement to establish a framework for both senior levels of government to assist major resource development initiatives through the removal of significant constraints. Such an agreement would establish criteria for support and planning of major developments and ensure that all relevant departments and agencies have a chance to participate. Early initiatives could be the design and construction of road access to bulk port facilities on Ridley Island and consideration of support for northeast British Columbia metallurgical coal developments. Later initiatives might involve the further development of Ridley Island port facilities. Other current development priorities include an expansion of programming under an intensive forest management

agreement, a possible joint initiative aimed at import replacement and export development for the manufacturing and processing sector, and ocean industries programming emphasizing research and development.

Yukon

63. Yukon's economy remains vulnerable to the whims of international mineral markets. The territorial government's priorities can generally be related to the strengthening of the mining sector while at the same time broadening the economic base through tourism and industries linked to resource exploration and extraction. Growth may be fostered through the joint General Development Agreement as well as existing job creation and other program activities carried on by federal government departments. Affirmative action programs to enable people of Indian ancestry, who constitute a significant proportion of the permanent population, to reap some of the benefits which are expected to result from major projects must continue to be encouraged. Further joint initiatives in Yukon can also assist the move toward provincial status. Joint development mechanisms can serve to enhance and expand the capabilities of the territorial government to deal with the complex institutional and regulatory environment inherent in the modern resource development process.

Northwest Territories

64. The oil and gas potential of the Arctic as well as developments associated with major mineral deposits could stimulate rapid change in the Northwest Territories during the mid to late 1980s. However, equitable development strategies for the north must take account of the unique human and natural resources of the region. A major effort must be made to achieve balance in development between renewable and non-renewable sectors and between conventional employment opportunities and traditional activities in order to provide residents with a realistic choice between the two lifestyles. This balance can be improved by promoting the development of linkages between and within the two economies.

FEDERAL AND PROVINCIAL DEVELOPMENT INSTRUMENTS

65. The mechanisms available to governments to influence economic development have become increasingly diverse and complex. Federal policies and programs in such areas as energy pricing, export quotas, grain handling and tariffs continue to have a significant effect on the pace of western development. Federal Crown corporations and agencies such as Eldorado Nuclear, Export Development Corporation, Wheat Board, Prairie Farm Rehabilitation Administration, Petro-Canada, Air Canada, and Canadian National Railways remain important factors in priority western development sectors.
66. Direct federal initiatives probably have most impact in the two northern territories where expenditures by the Canada Employment and Immigration Commission, National Defence and the Department of Indian Affairs and Northern Development are the largest components of the territorial economies. In addition, the Northern Pipeline Commission will also have an impact, until its mandate ceases with the completion of the Alaska Highway gas pipeline. However, as the territorial governments expand their responsibilities, the degree of direct federal control can be expected to diminish in favour of relationships more in keeping with current federal-provincial arrangements in southern Canada.
67. Across the west, provincial ministries of economic or industrial development offer financial incentives and a wide range of support services to industry. Provincial involvement in economic development is also pursued through Crown corporations in Manitoba (Manitoba Hydro), in Saskatchewan (SaskOil, Saskatchewan Mining and Development Corporation, Saskatchewan Economic Development Corporation, Potash Corporation of Saskatchewan, etc.), and in British Columbia (British Columbia Railway and B.C. Hydro). In addition, governments of all political persuasions have opted for direct or indirect equity participation in strategic areas of economic development (e.g., Alberta Steel, Alberta Energy Company and British Columbia Resource Investment Corporation).

68. Revenues from energy resources are providing an expanding source for economic development expenditures in Alberta, British Columbia and Saskatchewan. In Alberta and Saskatchewan, heritage funds have been established to offset, by public investment in diversified economic activities, the long-term fiscal and economic vulnerability of their natural resource economies. As part of their development policies, provinces are utilizing the accumulated resource revenues for equity and debt investment. By the mid-1980s, assets in these development funds are expected to reach approximately \$30 billion in Alberta and \$5 billion in Saskatchewan.
69. Joint federal-provincial programs have long played a modest but catalytic role in priority areas for western development. In 1935, the Prairie Farm Rehabilitation Administration (PFRA) was established to deal with critical soil drifting and drought conditions on the prairies. Since then, the agency has continued to make substantial contributions to western development through soil and water conservation programs, construction of irrigation and water supply projects and the provision of engineering services. The introduction of federal-provincial agreements under the provisions of such mechanisms as the Agricultural and Rural Development Act (ARDA) and the Canada Water Act led to important rural development and water basin management initiatives in the 1960s and early 1970s.
70. Since 1974, the General Development Agreements (GDAs), signed between Canada and each western province, and since 1978 with the territories, have provided a cooperative and coordinated focus for joint federal-provincial/territorial economic development initiatives. These agreements focus upon the need to diversify each province's economic structure and to equitably distribute the benefits of economic development to provincial residents and sub-provincial areas. Subsidiary agreements have been negotiated under the GDAs to deal with each western province's or territory's economic development priorities. To date, these agreements have fallen broadly into three main areas of programming: northern and native development, rural initiatives, and industrial growth and diversification. The experience gained through these agreements provides a basis for the

utilization of such federal-provincial/territorial mechanisms to deal with a broad spectrum of both the national and regional interests associated with future western expansion.

REGIONAL DEVELOPMENT PRIORITIES

71. The foregoing review of provincial and territorial priorities illustrates the diversity of opportunities, constraints and program instruments within the west. This diversity and the compelling growth momentum evident in the western economy reinforces the need to recognize strategic provincial priorities within federal regional development policy. Nevertheless, some common priorities exist and provide a firm basis to approach implementation of the regional development framework.

Native Development

72. The most commonly shared and persistent socioeconomic disparity problem in the prairie provinces and northern territories, and to a lesser extent in British Columbia, arises from the lack of native participation in the economic development process. The social and economic circumstances impeding the full participation of native people in western economic expansion were outlined earlier. In addition, there are also important institutional considerations which must be addressed by both governments and native leaders.
73. For many western and northern natives, economic development revolves around questions of land claims and control of resources. Natural resources represent both an historic and cultural legacy and a significant mechanism to improve the quality of life for native people. Unresolved native land claims will likely impose serious impediments to economic expansion, particularly in northern areas and for non-renewable resource development. Provincial and territorial views on this subject vary substantially. In Saskatchewan, the provincial government is formally committed to working with federal and native representatives to settle claims. In British Columbia, the provincial government has taken the position that the issue is purely a federal matter. Other provinces and

territories have views which fall between these two positions. The controversy surrounding these issues and the resulting uncertainty has created a negative investment atmosphere for commercial and industrial development. Native land claims are thus viewed by some as disruptive to major economic development rather than as an opportunity for native people to become more directly involved in and to have greater control of their own development.

74. Federal and provincial program initiatives addressing the native economic development process are numerous and complex. Federally, the Department of Indian Affairs and Northern Development (DIAND) is the key agency involved in providing assistance to Treaty Indians. Programs designed to assist economic development are numerous and include grant and loan financing, sector development initiatives, infrastructure assistance and vocational and professional training measures. In addition, there are numerous other federal and provincial agencies providing assistance to primarily, but not exclusively, Métis and non-Status Indian people. Initiatives include housing programs, job-creation and employment programs, and federal-provincial socioeconomic development agreements such as Special ARDA and western northlands.
75. Attempts to coordinate the various agencies concerned with native economic development have met with only limited success. This has led to periodic conflicts in program activity and made community and area planning in more remote regions difficult. As major development projects proceed in many parts of the northlands and native peoples seek employment opportunities in the north and the larger centres of the south, the need for more coordinated and appropriate program responses will increase dramatically.

Rural Areas

76. The prosperity and viability of the rural western economy is highly dependent upon an efficient bulk export delivery system, an adequate rural labour supply, a network of rural service centres and an expanding reliable source of water for agricultural, industrial and municipal expansion in the dry southern prairies. In addition, there is a

continuing need to focus on those rural areas which exhibit a persistent lack of income and employment opportunities.

77. These elements of rural development are often regional in character. The railway network on the prairies is undergoing a major rationalization as trucks replace trains for short hauls of grain and the system of country elevators is replaced by fewer, more efficient delivery points. Issues such as the Crow's Nest freight rates affect the system's productivity and efficiency. In addition, there are persistent demands to expand the transportation system for new resource development in British Columbia, Alberta, and the territories. Improvements to the western bulk-handling transportation system will require the coordination of a large number of federal, provincial, and private agencies.
78. Absolute constraints to the rural economy are emerging through both the limited labour supply and the availability of secure water supplies. In both areas, the problem and the solution assume a multi-provincial character and involve federal and provincial agencies. Because western rivers generally cross provincial, territorial and sometimes international boundaries, there is a clear case for federal participation. PFRA's unique engineering expertise has a long history of effectively dealing with such multi-purpose water systems. Similarly, rapidly changing settlement patterns will require considerable policy and program attention in order to maintain a minimal and acceptable level of services throughout rural areas. The concentration of activity into metropolitan centres and the decline of smaller settlements has left some rural towns with the increasingly important role of satisfying the commercial and service requirements of the rural economy.
79. Some rural areas continue to experience difficulty in providing adequate income and employment opportunities to rural residents. The degree of disparity varies from area to area and is, in general, less severe than the circumstances experienced in the 1950s. A further dimension of the problem is the increasing pressure to urbanize and specialize which is, at least in part, being fueled by the current western resource boom.

There is a continuing need to recognize these disparate areas and to initiate special measures to alleviate their problems.

80. Rural development in western Canada will continue to require extensive federal-provincial coordination. Federal programs operated by DREE, Agriculture, Environment and Transport are central to maintaining rural productivity. In recent years, federal-provincial subsidiary agreements, often built upon the earlier work of the Agricultural and Rural Development Act (ARDA), have continued federal-provincial cooperation on rural matters. These include value-added crops production in Manitoba, agricultural productivity, interim water development and drought proofing in Saskatchewan, nutritive processing assistance in Alberta, the Agricultural Service Centres agreements across the prairies and agricultural and rural development in British Columbia. In future years, the increasing constraints that may be placed on the development of rural areas by water and labour shortages and the lack of essential infrastructure in key rural communities argue for continued joint actions.

Industrial Development and Diversification

81. The ongoing western impetus for growth, founded upon the primary sector and fueled by accumulated capital funds, is leading to spatial and sectoral adjustments in regional industry. In the west, long-term dependence on a few key resource sectors will simply perpetuate a highly volatile and unstable economic structure. Therefore, western provinces are insistent that this latest resource boom leads to a balanced economy through diversification into resource-related manufacturing and service activities. Nevertheless, both the west and the rest of Canada can benefit from western resource development. Eastern Canadian industry faces increased international competition, rising energy prices and potential increases in the exchange rate due to the capital requirements associated with resource development. Seizing the opportunities available in western markets could moderate the current difficult adjustment process facing central Canadian industry.

82. There are a number of emerging constraints to further expansion of the western manufacturing base. Continued resource development is expected to put pressures on the availability of labour to the manufacturing sector. Industries most likely to be affected by material and labour supply limitations are metal fabricating, machinery, iron and steel, smelting and refining and food processing. These industries represent a significant proportion of western manufacturing. In addition, many areas of western Canada lack essential support infrastructure, industrial planning and coordination services.
83. The strong similarities that exist in the economic structure of several western provinces could lead to considerable overcapacity in specific products spawned by interprovincial competition to capture emerging western opportunities. Balkanization of provincial markets can produce diseconomies of scale and aggravate the limitations inherent in the small and widely dispersed western market. Minimizing the potential for counter-productive provincial competition through intergovernmental cooperation can hold benefits for both Canada and the region. However, at present no formal mechanisms are available to identify, on a multi-provincial basis, the framework and rationale for such industrial coordination.
84. Federal program mechanisms relating to industrial development have traditionally focused on incentives such as DREE's RDIA assistance or IT&C's EDP program. Increasingly, there is the need to take a more comprehensive view of the industrial development process by developing productive industrial environments and participating with the private sector in the planning process. DREE's industrial development subsidiary agreements in Manitoba, Saskatchewan and British Columbia have made important progress in this more cooperative federal-provincial-private sector approach to industrial development. These agreements have encouraged constructive joint economic cooperation and planning in projects such as industrial parks, technology centres, municipal industrial commissions, public/private sector industrial development committees, and small business incentives programs. Major new western industrial opportunities such as northeast coal in British Columbia and steel expansion in Saskatchewan have

been planned and, in the latter case, are now being realized. Tourism initiatives are directed towards exploiting as yet unrealized opportunities and earning much needed foreign exchange while diversifying the region's economic structure. Resource-related agreements (agriculture, forestry, mining) have similarly assisted in diversification of the resource base and capturing an increased level of value-added, often from foreign markets.

85. The diversity of industrial development programs from both federal and provincial sources and federal financial limitations on new economic development initiatives suggests the need for more coordination of existing programs to focus upon the most strategic development opportunities. This approach, in combination with federal assistance to reduce some of the more pressing constraints upon selected industrial opportunities, has the potential to substantially increase western industrial diversification and ensure a better integration of the western economy with other regions in Canada. The broader use of the GDA mechanism, at times involving multi-provincial agreements, represents a potentially important policy tool to eliminate these constraints.

RECAPITULATION

86. This paper has reviewed significant western regional development trends in the context of federal and provincial development priorities and mechanisms. It outlines a framework for further discussions and decisions regarding regional development directions in the 1980s. The experience gained through the GDAs in joint planning, coordination and delivery of disparity- and adjustment-oriented development programming can be applied to growth-oriented development initiatives which are clearly in the regional and national interest.
87. Western economic growth can make major contributions to national economic development in the 1980s. Energy and other resource developments will assist Canada to improve energy security by 1990 and may contribute substantially to the nation's balance of payments. The labour requirements associated with western growth have the potential to reduce both the national and

regional unemployment rates. The supply requirements of western resource development could ameliorate some of the harsher effects of reconstructing and adjusting central Canada's industry to a world economic environment predicated on higher energy costs, lower tariff barriers and stiff competition from manufacturers in emerging Third World countries.

88. In the west, the current round of resource expansion is viewed as an opportunity to address fundamental and long-standing regional development goals of stable growth, economic diversification and the reduction of social and economic disparities. Stable growth and economic diversification can be achieved by encouraging further resource development, assisting the development of the western manufacturing sector, removing constraints to western growth through the establishment of secure long-term water supplies, alleviating a growing shortage of labour, and improving bulk handling, port facilities and transportation systems. The current buoyant environment provides an unprecedented opportunity to reduce social and economic disparities for people of native ancestry to participate more fully in the western economy. The cooperation of senior levels of government, native leadership and the private sector in establishing special measures to assist native people to achieve a greater degree of the benefits of western growth is essential. This matter has significant national implications given the special responsibilities of the federal government with respect to Treaty Indians.
89. These national and regional factors, combined with a clear understanding of diversity of circumstances and priorities in individual provinces and territories, form the basis for the proposed regional development framework that:
- (i) maximizes western economic development potential through resource development, industrial diversification and strengthened linkages between the western and national economies;

- (ii) reduces constraints to development such as tight labour supplies, a lack of secure long-term water supplies, and inadequate transportation systems; and
- (iii) ameliorates social and economic disparities in the slower growing areas of the west and among native people.

90. The framework clearly recognizes that future economic development policy in western Canada must be based upon federal and provincial cooperation. Furthermore, federal regional policies need to achieve a balance between growth or development-oriented initiatives and disparity or adjustment-oriented initiatives, while maintaining flexibility to allow for the very real differences in circumstances, institutional approaches and priorities which exist among the provinces and territories of western Canada. Implementation of this approach to western regional development will require modest increases in federal economic development expenditures for investments in western Canada. However, the significant benefits that are expected to arise from such initiatives will more than offset the increased costs.
91. The 1974 General Development Agreements have allowed both senior levels of government to gain significant experience in implementing complex and broad approaches to regional development in western Canada. These agreements expire on March 31, 1984. Reaffirmation of the federal government's commitment to regional development in the 1980s through the renegotiation of the GDAs can give substance to this framework within which effective regional economic policy initiatives can be undertaken in western Canada.
99. Slow national economic growth and continuing shifts in regional economic performance stress the need for more balanced and integrated economic development within Canada. Opportunities exist for many regions to supply the needs of the expanding western resource market and to develop secure domestic sources of energy and other raw materials with benefits for the entire national economy. It is important, therefore, that western growth be further integrated with that of the rest of the country. However, federal economic policy must also clearly address the west's persistent

regional disparities while removing constraints to development and diversification. Combining these national and regional interests within an effective regional economic development framework represents a major challenge for federal economic policy for the west.