



STATEMENTS AND SPEECHES

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
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No. 59/20 THE MANUFACTURING INDUSTRY IN CANADA

An address by Mr. Gordon Churchill, Minister of Trade and Commerce, at the eighty-eighth annual general meeting of the Canadian Manufacturers' Association, St. Andrews by-the-Sea, New Brunswick, on June 8, 1959.

... Your practice of holding your annual meetings from time to time in various parts of Canada is highly commendable. There is no better way of developing a broad national point of view, no better way of learning at first hand of the problems and the opportunities in our diverse areas. Your choice of the Atlantic region this year is particularly appropriate, for thereby you draw increased attention to an area that has recently been exhibiting an upsurge of industrial activity that promises well for the future. I hope that the establishment of new industries here will be one of the results of this convention and of your tour of the Atlantic provinces.

The Atlantic provinces have long been of economic importance for pulp and paper, fish processing, primary iron and steel, sawmills, railway rolling stock, petroleum products, sugar refining, shipbuilding, agriculture, and many other manufacturing and processing activities. According to the latest Dominion Bureau of Statistics' figures available, manufacturing establishments number about 3,400, employing over 65,000 persons with a payroll of about \$180 million dollars. Basic to the development of industry are fuel and power and in recent years the Atlantic provinces have been adding to their productive capacity by enlarging their means for the production of power. I am sure that this process will continue and that, on the firm foundations already laid, the Maritimes will play their full part in the economic advance now proceeding throughout Canada as a whole.

During the 88 years of the existence of your association the manufacturing industry in Canada has grown tremendously. The motto of your convention, "Build Industry - Build Canada", is very appropriate for you have been builders of Canada. On the

government side, the national policy of Sir John A. Macdonald's day has been followed by successive governments irrespective of party, with the result that mid-way through the twentieth century we find ourselves one of the great industrial nations of the world.

Measured by income originating in manufacturing, Canada ranks sixth among the countries of the world, being surpassed only by the United States, the U.S.S.R., the United Kingdom, West Germany and France, all of which have populations greatly in excess of ours. Manufacturing contributes more to the Canadian economy than any other Canadian industry in terms of employment, income, export trade and capital investment.

Numbers Employed

According to the Dominion Bureau of Statistics, last year there were twice as many Canadians employed in manufacturing as in agriculture. Even more impressive is the figure which shows fifty per cent more people in manufacturing than in all the primary industries combined, that is, in agriculture, fishing and trapping, mining and quarrying and forestry operations. Many of those in the primary industries are dependent for their employment on the purchases of their goods and services by the manufacturers.

In 1958 the domestic manufacturing industry provided jobs for one-quarter of Canada's workers, contributed about 28 per cent to the nation's gross domestic product, accounted for almost two-thirds of the country's commodity exports and was responsible for about one-eighth of the nation's total expenditures on new capital facilities.

Problems of Industry

However, the Canadian manufacturing industry has not achieved its present eminent position in our economy without encountering difficulties. In the main these problems appear to be rising costs of production, increased foreign competition at home and abroad, the need for larger markets and the lack of adequate financing for export sales.

There is a belief in some quarters that rising costs are pricing Canadian manufactured goods out of world markets. This may be true in some particular fields but is not true as a generality; our export trade, which achieved a record in 1957, was maintained at practically the same dollar level in 1958 and with a slight increase in volume. For the first four months of 1959 our exports have approached the figures of the preceding year, and with the renewed tempo of activity are likely to establish a new record by the year's end. Fully manufactured and partially manufactured articles which account for about 67 per cent of our export trade are continuing to maintain their position.

I notice that your programme has provided for a discussion of this problem of costs and that your Association recognizes that there can be no sharp division between the management side and the labour side in this matter. There should be a clear understanding that our fortunes hinge upon keeping our economy competitive for, with one out of every five Canadians dependent for livelihood on our export trade, we are all concerned.

In foreign markets, opportunities open to Canadian manufacturers have been limited during the entire postwar period by a variety of factors beyond the control of our exporters. Continuing exchange difficulties have required foreign countries to restrict the import of dollar goods in an effort to conserve their exchange holdings and to protect the value of their currencies. Other factors that have placed Canadians at a disadvantage in world trade have been the arrangements by various nations of barter deals by state-trading agencies, more liberal export financing facilities, the extensive use of subsidies for exports, along with lower labour rates and increased manufacturing activity.

Foreign competition has been felt not only in the export field. The home market has also been affected. New modern plants built since the war, the use of the latest techniques resulting from intensive research, lower labour rates and large volume runs have enabled manufacturers in West Germany, the United Kingdom, The Netherlands and Japan to invade successfully the domestic markets of both Canada and the United States. This challenge of foreign competition has been met by a response by Canadian industry and government.

The Canadian manufacturing industry has a well-merited reputation for being far sighted in its outlook. In addition to the creation of new capacity, plants have been improved, new equipment - much of it automatic - has been introduced and research has received increasing emphasis. These activities have caused a significant rise in productivity with a corresponding fall in unit costs of production. Very heavy capital expenditures over the last decade have equipped the Canadian manufacturing industry to compete effectively in world markets. That expenditure is estimated to have been \$10 billion, half of which has been spent in the last four years. Heavy electrical machinery and equipment is being sold abroad in substantial quantities and our trade continues to reach well over one hundred foreign countries.

Export Trade

The evidence is to be seen in the volume and the nature of our export trade. In 1958 fully or partially manufactured articles were sold abroad to the amount of \$3.2 billion. Recent sales of Canadian transport aircraft to the United States indicate success in that highly competitive field.

The present Government has not been inactive in its desire to protect our manufacturing industry against unfair foreign trading practices and to promote the diversification of Canadian manufacturing as well as to assist our export trade. After careful consideration and full consultation with business and industry, the Canadian Government is proposing to provide new facilities which should enable Canadian exporters to compete on even terms with exporters from other countries, where they are competitive in other respects. The new powers proposed for the Export Credits Insurance Corporation are not as far reaching as some of the interested parties suggested, but they are considered appropriate to conditions in Canada at this time. Briefly, the proposal now before Parliament will amend the Export Credits Insurance Act to enable the Corporation, when authorized by the Governor-in-Council, to provide direct guarantees to lenders on approved export transactions. The amendment will also authorize the Corporation to buy, sell, and make loans on guaranteed export paper.

Home Market

In so far as the home market is concerned, the Government has passed anti-dumping legislation designed to defend Canadian producers against certain foreign trade practices. The legislation provides that the value of imported goods for duty purposes shall not be less than the cost of production plus a reasonable allowance for selling cost and profit.

The home market is vital for our manufacturers. It has always been and will remain the most important for our industry. In 1958 manufactured goods purchased in Canada amounted in value to over 22 billion dollars. Of this total, Canadian manufacturers supplied 81 per cent. The ability to supply such a large proportion of our domestic needs is of particular importance since the Canadian market is expanding more rapidly than that of any other industrialized country. By 1975 our population may reach 24 million and our gross national product is expected to exceed 53 billion dollars. In fifteen years the domestic market for Canadian manufactured articles will have almost doubled in volume and in value.

In January I mentioned investment intentions of Canadian manufacturers and said at that time that these estimates which were based on a survey during the fall of 1958 were likely to be revised upward this year. This is proving to be correct. In response to better business conditions in Canada and abroad, a new feeling of confidence is surging through the Canadian economy. Once again the tempo of new plant construction and the installation of new equipment is rising.

The diversification of Canadian manufacturing is another field in which both industry and government have a part to play. Part of the emphasis that our department is placing

on investment in Canada is toward the development of manufacturing of lines not now produced in our country. Our imports of fully-manufactured articles exceed our exports by hundreds of millions of dollars annually. This is a fertile field for business enterprise and for national growth.

Foreign investors are looking with increased interest to Canada. Information reaching me from our field men abroad and from foreign visitors indicates a keen awareness of the opportunities for successful investment, not only in established industries in Canada, but in new enterprises. The government will continue to stimulate the broadening of our industrial base.

Government policy has been directed along several lines - the shielding of the domestic market against disastrous dumping practices, the sponsoring of trade missions abroad, the promotion of Commonwealth economic conference, the steady development of our export trade by the maintenance of an active trade commissioner service in 45 foreign countries, the closest co-operation and consultation with our largest trading partner, the United States. These are the measures and the policy whose effect is evident in the maintenance of Canada's position as the fourth largest trading nation in the world. That position can be strengthened by continued effort and by close co-operation between government and business. The objective for both is the same - the development of Canada.

Future Prospects

The prospects for Canadian manufacturing in the future appear to be bright. One year ago the Prime Minister addressed your annual meeting. He mentioned the period of economic adjustment through which we were passing. He drew attention to the sharp economic set-back in the United States. He pointed out the adverse effects on Canada as a major world supplier of minerals and forest products. But he indicated his optimism based on the traditional enterprise of Canadian businessmen as a stabilizing factor and on the government measures aimed at stimulating the economy. His optimism of a year ago was fully justified. We are now viewing steadily rising economic activity in Canada, in the United States and throughout the world. We have seen our export trade make a good recovery during the last few months, with a prospect now of establishing a record for the year. We are observing signs of increasing activity every month on the domestic scene.

We are a nation of pioneers. We have moved in the last two hundred years from a small population engaged in fur-trading, fishing, lumbering and farming to a position of importance as a world trader and an industrial nation destined to greatness. The pioneer of the canoe and the oxcart has been replaced in the 20th century by the pioneer of industry. The

scientists who have unlocked the treasures of the earth, the engineers who have constructed the roads and the seaways and the great buildings have prepared the way for the industrial pioneers who are transforming Canada from the position of a primary producer to that of a leader of industry.

Each in his own way is a nation builder, whether he be farmer or fisherman, miner or lumberman, construction or transportation worker, factory or office employee, salesman or manager. Your association yields place to none other in the contribution you are making to Canadian life. Your vision, your enterprise, your courage are part and parcel of the enduring pioneering heritage that has passed down from generation to generation of Canadians. In your hands in large measure lies Canada's future. May continuing success attend your efforts in nation building.

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