



STATEMENTS AND SPEECHES

54219
5

INFORMATION DIVISION
DEPARTMENT OF EXTERNAL AFFAIRS
OTTAWA - CANADA

No. 63/1

THE CANADIAN ECONOMY IN 1962

Address by Mr. George Hees, the Minister of Trade and Commerce, at the International Business Management Course, Waterloo University College, Waterloo, Ontario, January 14, 1963

....What I would like to do tonight is outline for you some of the highlights of the Government's programme in the economic and trade field, with particular reference to the accomplishments and future plans of my Department on both the domestic and international scene. I shall follow this with a review of Canada's economic progress during 1962, and a look at the prospects for the year ahead. I am sure this will illustrate clearly how our programme, which has been carefully worked out and energetically executed, is being translated into more jobs and a better living for all Canadians.

During 1962 the Department of Trade and Commerce continued to expand its activities to assist businessmen to increase production and to achieve greater sales, both at home and abroad.

On the domestic front, the Department, through its Domestic Commerce Service, has successfully directed its activities towards helping Canadian industry take advantage of new production opportunities.

Aid to Secondary Industry

At the present stage of Canada's economic affairs, it is widely recognized that our secondary industry must be given all possible assistance to expand and thereby provide more employment opportunities. To this end, the Department has worked successfully with the business community through a variety of programmes. The Industrial Promotion Branch of the Domestic Commerce Service has now been organized into industry divisions and these divisions maintain constant contact and liaison with their respective industrial sectors to assist businessmen with information and advice. Through its programmes of import analysis and industry studies, the Branch has been able to provide industry with leads to new production opportunities. In co-operation with our trade representatives in the United States and abroad, it has initiated an enlarged programme to promote licensing arrangements between foreign and Canadian firms. In the past the Department has found that licensing arrangements are an excellent method of bringing new production to Canada and with our expanded programme we are hopeful of making further substantial gains in new production.

The success of our activities in the industrial-promotion field depend, however, to a considerable degree upon the initiative and resourcefulness of Canadian industry itself. For this reason, during the past six months the Department has sponsored a series of industrial-expansion conferences in various regions of Canada. A National Industrial Expansion Conference was held in Ottawa last September and, following this, regional conferences were held in Montreal and Hamilton. A Prairie Regional Conference will be held in Winnipeg next month, and tentative plans have been made for an additional conference in Vancouver. The purpose of these meetings has been to discuss directly with businessmen ways and means of achieving greater production and procurement in Canada. Not only has the business community responded warmly to these meetings, but the practical suggestions and ideas that have come from these sessions have been very helpful, both to the Government and to businessmen themselves.

Last year the Department also embarked upon a widespread programme for the improvement of design in Canadian industry. In the struggle for markets today, design can be as important a factor as price in determining sales. For this reason, the Design Branch of the Department, in co-operation with the National Design Council, has been bringing to the attention of businessmen everywhere the vital importance of good product design.

Development Boards

During 1962 the Government introduced a number of pieces of legislation which will be major factors in achieving Canadian economic expansion. In particular, I would like to refer to the legislation establishing the National Economic Development Board and the Atlantic Development Board.

The essential task of the National Economic Development Board will be to study economic trends, particularly the possible longer-term developments of the economy and, in the light of these assessments, to advise the Government on policies for overall economic growth.

The Atlantic Development Board was established to perform similar functions with respect to the economic development of the Atlantic Provinces. The Government feels that it must devote special attention to those areas of Canada, which for various reasons, have not kept pace with the growth of other regions. For this reason, the Atlantic Development Board will advise on policies to assist and encourage new resource exploration and development, the development of secondary industry and other ways and means of achieving greater economic growth in the Maritime Provinces.

With the establishment of these boards, the work of the National Productivity Council has become even more important. Consequently, amendments to the National Productivity Council Act were introduced in 1962 to strengthen the Council's ability to implement its enlarged programmes.

Making Industry More Competitive

During the past two years, the Council has successfully undertaken a very comprehensive and extremely useful programme to assist Canadian industry to become more competitive in home and in world markets. It has

sponsored courses of work study. It has played an important role in encouraging improved management techniques, and the use of training and re-training programmes. It has examined the extent of industrial research in certain sectors of Canadian industry, with a view to considering ways and means of encouraging more research throughout all sectors of industry. But one of its most important tasks has been the promotion of labour-management co-operation. Its series of labour-management seminars, at which labour and management leaders have discussed their problems frankly, have been extremely successful. Through these discussions, labour and management have come to understand the viewpoints of the other, and have realized that they have a great deal in common.

One of the most worthwhile projects of the Council in this field was its mission to Europe, whose members were drawn from labour, management, education and government. The Council, in sending this mission, believed that it was very desirable to obtain a better knowledge of the experience of other countries in undertaking economic activities designed to expand employment. In each of the countries visited, the mission held detailed discussions with leading representatives of national labour and management organizations, government economic agencies, and with labour-management-government consultative bodies. There is little doubt that labour-management-government co-operation has contributed greatly to the general economic growth of Europe. Naturally there are other factors which have also contributed to this expansion. But without co-operation between these three key sectors, the task of achieving economic growth is increased greatly.

This domestic economic programme has been built in the space of the last two years. It is now exerting a major influence on the growth and diversification of our economy, which is the key to our competitive strength, both at home and in foreign markets.

International Trade

Canada's economic development and prosperity also depend to a very great extent on international trade. We stand fifth among trading countries of the world in terms of total volume, and first among the major trading nations in terms of per capita trade. One-fourth of our income is derived from exports. Naturally, in these circumstances, any significant development in the trade field is bound to affect in some way the economic and social progress of Canada.

From the point of view of the expansion of total world trade, 1962 has been a favourable year; but I think that 1962 will be particularly remembered as the year which set the stage for far-reaching and promising trade developments in the years immediately ahead. Following the notable expansion of world trade in 1961, trade in 1962 is expected to show a further important step forward. The figures for the first six months of 1962 indicate that world trade will reach an unprecedented high level.

Similarly, for Canada, 1962 trade will probably reach the highest levels ever recorded, and we can reasonably expect an export surplus for the second year in a row.

These results are in no small part due to increased and sustained efforts on the part of Canadian industry to respond effectively to the challenges and opportunities of world trade. They are also influenced by the terms of access for Canadian exports in our markets abroad. Our policy has been directed to consolidating these results, and to creating more favourable conditions in the face of fundamental changes on the international scene. In Britain, which is our second-largest market, a large group of our exports would be confronted with imposing barriers should her negotiations to join the European Economic Community be successful.

Canada and the EEC

We have kept the British Government fully aware of the importance we attach to this trade and, in their negotiations with The Six, they are pressing for adequate safeguards for traditional Canadian interests. In this connection, we have been assisting the British by providing the fullest details of Canadian trade interests. The Commonwealth prime ministers' conference of last September was particularly successful in that regard. We are going even further. Our efforts are also directed to ensuring the best conditions of rapid growth in our export trade in the event of a united Europe including Britain.

Regardless of the problems which may confront Canada as a result of British accession to the EEC, some of which would have evolved in any case, the world trading community is confronted with a series of problems arising mainly from the creation of the European Common Market, the aspirations of the less-developed countries for immediate economic and social progress and the chaotic situation of agriculture in international trade. A challenging opportunity for some solutions to these problems has been recently provided by promulgation of the United States Trade Expansion Act. In a letter to the President of the United States, the Prime Minister of Canada welcomed and warmly endorsed this initiative by the United States, and put forward proposals for the holding of a world conference of like-minded countries. A proposal to that effect, sponsored jointly by Canada and the United States, has been accepted by member countries of GATT, and a special ministerial meeting will be convened early in 1963. Its purpose will be to consider a programme for effective liberalization and expansion of trade. The benefits of this initiative will be shared by industrialized and under-developed countries alike.

Also of great importance to Canada in the international-trade field is the recent decision by the United Nations to convene a world trade conference early in 1964, particularly devoted to finding ways and means to increase the export income of the less-developed countries.

Undoubtedly, 1963 will be an eventful and decisive year for the free-world trading community. I am confident that, through the implementation of proposed world-wide initiatives in 1963, we will assist in a substantive

and early movement towards the reduction of tariffs and other barriers to trade, and secure easier access for Canadian products into the markets of the world.

Attention to Tourist Industry

In line with the Government's drive to sell more Canadian goods abroad and to earn more money for Canada, the Travel Bureau - which made impressive strides under my colleagues, Douglas Harkness, Alvin Hamilton and Walter Dinsdale - was recently returned to the Department of Trade and Commerce (which it left 14 years ago).

Canada's income from visitors has risen steadily in recent years. The tourist industry is now probably the biggest single "export" industry in this country. Tourism means income to all parts of Canada, and a very substantial contribution to the assets side of Canada's international balance of payments.

Over the next five years, as we prepare to welcome the world to Canada in 1967, the Government will continue to expand the Travel Bureau's programme, and to mesh its efforts more closely with those of Canada's trade commissioners and posts abroad. Travel promotion is a vital part of our drive for export dollars.

The Trade Commissioner Service is continuously extending its wealth of assistance to Canadian industry. The Service is one of the media through which Canada keeps pace with rapidly changing conditions in markets abroad. In 1962, the Department recruited 16 new officers, the largest new class in its history.

The trade-promotional strength and the experienced activity of our Service is highly regarded by the businessmen of Canada. Preliminary figures for the first ten months of 1962 indicate that over 800 new agency agreements, involving sales of more than \$47-million worth of Canadian exports, were directly influenced by our offices abroad.

A Year of Missions

During the past year, 175 businessmen and representatives of organized labour, on 20 Canadian trade missions, have been sent abroad by my Department. The export interests of these missions include capital and consumer goods, industrial materials, chemicals, forest products, agriculture and fisheries products. The markets covered were Britain, Europe, the United States, Latin America, the West Indies, the Middle East, Australia and New Zealand.

The outstanding success achieved by these missions has far exceeded our original expectations, not only in direct selling, but also in laying foundations for future sales of Canadian products in world markets. Among the important results of the trade mission has been the personal introduction of Canadian businessmen to foreign markets. For example, only four

of the 14 members of one mission had previously visited that particular area. Since the mission's return six months ago, ten of its members have made one or more successful trips overseas! Their experience has made them enthusiastic disciples of the "get-out-and-sell" technique.

Canadian manufacturers are more than ever aware of the exceptional export opportunities afforded by trade fairs, where buyers and sellers come together to discuss the actual products on display. The Department's 1962 trade-fair programme covered such world markets as Britain, the United States, Ghana, Nigeria, West Germany, France, South Africa, and Czechoslovakia.

The increased programme of participation in 37 foreign fairs, almost double the number in 1961, introduced many firms to export selling for the first time, and took Canadian products to new and promising markets.

Canada-U.S. Trade

In the highly-sophisticated markets of the United States, Canadian exhibitors have enjoyed spectacular success. At a machine-tool exhibition held in Los Angeles in October, one participant closed an initial order totalling more than \$200,000. Among the many successful exhibitors at a recent instrument-automation conference and exhibition, a Canadian electronic manufacturer is negotiating for orders totalling over one and a quarter million dollars.

1962 was the year of the samples show. This novel form of trade show brought Canadian exporters into personal touch with buyers from the United States. It was an extremely successful innovation. During the year, my Department sponsored four regional samples shows, in Toronto, Montreal, Winnipeg and Vancouver; the latter two were joint ventures with the provincial governments. A total of 356 Canadian firms exhibited their wares to 373 United States buyers and merchandise managers, who represented major retail outlets in the United States.

U.S. Views on Samples Shows

The success of these shows greatly exceeded our expectations. Millions of dollars of business has resulted. Here are typical comments by United States buyers:

"I did not realize Canada made such a variety of consumer goods with such a high degree of design".

In the words of a New York executive "The samples show gives the buyers an opportunity to examine products instead of catalogues".

And now let me tell you of our massive trade-promotional plans for next March and April - "Operation World Markets". This has four consecutive phases:

1. World Markets - Machinery

In the last week of March we are bringing to Canada about 200 senior engineers and technicians of industry and government from countries all over the world, to study at first hand, and to observe for themselves, Canada's heavy-equipment industry. When they return to their own countries they will carry with them a first-hand awareness of Canadian capacity to manufacture and export machinery of many types.

2. National Canadian Samples Show

The success of the regional samples shows more than warrants a national show for all Canada. This will present the products of over 400 Canadian manufacturers, and thus be a major attraction to buyers of consumer goods. It will give Canadian manufacturers, at nominal cost, an opportunity to obtain the reaction to their products of 600 buyers from the United States, Britain, Europe and the West Indies, who will be in Toronto on April 2 and 3.

3. Trade Commissioner Conference

After the National Canadian Samples Show, more than 120 trade commissioners, from our posts all over the world, will meet in Ottawa to exchange ideas and to hold discussions with departmental officials on ways and means of expanding Canadian overseas trade.

4. The Second Export Trade Promotion Conference

The Export Trade Promotion Conference in Ottawa in December 1960 was an outstanding success. It brought 1,365 Canadian businessmen together with 110 trade commissioners for a total of 10,502 personal interviews. Canadian businessmen are again invited to come to Ottawa and discuss their problems with individual trade commissioners in similar personal sessions. We anticipate that more than 2,000 of them will take advantage of this tremendous opportunity, and we are preparing for more than 20,000 interviews. This conference has been described as the quickest possible tour of export markets at the world's most reasonable travel rates. It costs a two-day visit to Ottawa between April 16 and May 3.

During 1962, we took additional steps to help Canadian businessmen finance their export sales. This was done through amendments to the Export Credits Insurance Act.

Export Credits

The Export Credits Insurance Corporation, which is responsible for the administration of the Export Credits Insurance Act, operates in two main fields -- export-credits insurance, and long-term financing. It has just completed its biggest year since starting operations in 1945. A total of \$900 million is now available for direct assistance to exporters, of which \$600 million is earmarked for insurance, and \$300 million for direct financing of export sales on a long-term basis. The 1962 amendments to the Act dealt specifically with these limits, which were previously \$400 million for insurance,

and \$200 million for long-term financing, so that an extra \$300 million has been added to further assist Canadian exporters.

Financing totalling more than \$57 million has already been made available to Canadian exporters, covering large capital-goods projects involving six foreign countries. In addition, commitments have been given to Canadian exporters totalling a further \$100 million, covering transactions in seven foreign countries, and all of these deals are nearing a point of completion. Of the \$157 million already authorized for this long-term financing programme, more than half was approved during 1962.

Progress of the Economy

So much for the programme itself. Now let's take a look at the results in terms of the progress of our economy.

1962 has been a year of strong advance. The quickened pace of business activity which took hold in 1961 has continued in the current year. As a result, the economic gains realized in 1962 are among the largest of the post-war years. On the basis of statistics now available, it is estimated that Canada's gross national product, which is the sum of all goods and services produced in Canada, increased by 8 per cent between 1961 and 1962. The gross national product in real terms, - that is, with the effects of any price increase removed - is up by about 7 per cent. The comparable increases in national output for the same period in other major industrial countries, based on estimates now available, are as follows. (The statistics are all based on official figures of the Dominion Bureau of Statistics, the U.S. Government and the European Economic Commission. They cover the nine months from January to September 1962. The final quarter in each case has been estimated according to standard procedures.):

<u>Country</u>	<u>Percentage Increase In National Output</u>
Canada.....	7 per cent
United States.....	5 per cent
United Kingdom.....	1 per cent
Germany.....	4 per cent
France.....	5 per cent
Italy.....	6 per cent
Belgium.....	3 per cent
Netherlands.....	3 per cent
Sweden.....	4 per cent
Japan.....	4 or 5 per cent

In the case of Japan only, the increase of 4 or 5 per cent is based on U.S. Department of Commerce and Japanese Government figures. It covers the eight months January to August, and the final four months have been estimated according to standard practice.

It is apparent from these figures that, in terms of the rate of growth in national output, Canada leads the major industrial countries of the free world. Moreover, within Canada's recent history, this rate of growth has been exceeded in only three of the past 17 years.

This expansion is all the more notable in that it has been achieved in the face of increasingly competitive world conditions, which is in sharp contrast to the buoyant demand situation of earlier post-war years.

Main Growth in Goods Production

The growth in output between 1961 and 1962 has been more pronounced in goods-producing industries than in services, and a major part of the gains have been realized in sectors of industry which are highly exposed to foreign competition. Figures available to date show industrial production in total up by more than 8 per cent. A number of secondary industries have contributed materially to this advance. Approximately 500,000 motor vehicles were produced in Canada in 1962, 30 per cent more than in 1961, and surpassing the previous record levels of the mid-50's. Production of electrical apparatus increased by 15 per cent, appliances by 15 per cent and textiles by 9 per cent. Rising activity in durable-goods industries and in construction kept Canada's steel mills running close to capacity.

On the basis of figures so far available, the materials which have shown substantial production gains so far this year compared with last include the following:

	<u>Percentage Increase</u>
Steel	10
Petroleum and equivalent	17
Natural gas	44
Iron Ore	44
Lumber	12
Cement	11

Expanding industrial activity has brought a substantial increase in new job opportunities. In the first 11 months of the year, 177,000 more persons were employed, on average, than in the same period of 1961. The rise in employment has exceeded the growth in the labour force, and there have been 85,000 fewer persons unemployed. In 1962 there were 5.9 per cent of the labour force unemployed, compared with 7.2 per cent in 1961 and 7.0 per cent in 1960.

Foreign Performance

A key feature of the current expansion has been our strong performance in foreign markets. Figures for the first 10 months of 1962 show merchandise exports 9 per cent higher this year compared with last. This follows upon a similar increase between 1960 and 1961. In other words, within the space of two years, Canada's annual sales abroad have risen from \$5.4 billion to something in excess of \$6.3 billion, an increase of more than one-sixth. Items figuring prominently in this year's increase include iron ore, aluminum, petroleum and natural gas, lumber, woodpulp and a number of manufactured products. The continuing growth in exports of highly-manufactured products, such as machinery and equipment, and finished consumer goods, is a particularly significant aspect of recent trade developments. Exports of this kind have increased by more than one-quarter over the last two years.

Strong demand conditions in Canada have resulted in higher imports, which in the first ten months of the year are up 12 per cent. Much of this increase reflects the rise in prices of goods purchased abroad, associated with the change in exchange rate. This means that a relatively small part of the recent growth of real demand in Canada has been supplied from abroad. It is also in sharp contrast to previous periods of strong expansion, when increased domestic demand gave rise to a major upsurge in the volume of imports. In the current situation, a much larger proportion of the rise in domestic purchases is being supplied from Canadian sources.

Underpinning Canada's accelerated growth has been the broad programme of federal measures designed to speed industrial development, and in particular, to strengthen the competitive ability of the Canadian producer. A central feature of this programme has been the action taken to bring the exchange value of the Canadian dollar into line with present needs for economic development. After running at a premium on the U.S. dollar for a number of years, the Canadian dollar was brought to a discount in 1961, and, in May 1962, was pegged at 92½ cents in terms of U.S. currency.

In the prevailing conditions of intensive international competition, an exchange-rate shift of this magnitude provides an important lift to the wide range of industries competing with foreign goods, both domestically and abroad. Moreover, the establishment of a fixed exchange rate removes much of the uncertainty as to future returns which, under conditions of a fluctuating rate, acts as a deterrent to the development of new lines of production in internationally competitive fields.

Reserve Build-up

The resiliency of the economy, and the effectiveness of measures taken by the Government to counteract exchange difficulties that developed last summer, are exemplified by the rapid buildup of our reserves. These stood at \$2.5 billion at the end of December compared with \$1.1 billion on June 24. Furthermore, of the \$1.05 billion obtained by Canada in standby credits from various international sources, only \$300 million is still outstanding to the International Monetary Fund.

Other features of the Government's programme include the provision of more adequate credit facilities for export and other purposes, encouragement to industrial research, greatly increased assistance for technical training and various forms of financial incentives, aimed at industrial expansion.

Proof of the effectiveness of these incentives is the advice I received a few days ago from the vice-president of a large corporation. May I just quote a line from his letter: "Our firm must depend largely upon export, and we are fortunate that our parent company, because of the recent tax incentives for expansion, has seen fit to feed so much of this work to us. This has enabled us to build up an operation to over 1500 strong, more than two-thirds of whom are engaged in production for export".

Response of Producers

The response on the part of Canadian producers has been vigorous. A growing awareness of the need for new initiatives in industry is widely evident throughout the business community. While there are already indications of new gains being made in both the domestic and foreign markets, the beneficial effects of these new initiatives should be increasingly apparent in the period ahead. In fact the further penetration of markets arising from the new competitive strength of Canadian producers should provide a major source of stimulus in the coming year.

While the task ahead is not an easy one, and possibly the roughest part of the road is yet to be travelled, there is every reason for Canadians to look to the future with new confidence. One who does so is Mr. A.T. Lambert, President of the Toronto Dominion Bank. In his annual statement a few weeks ago, Mr. Lambert had this to say about our country's economic outlook:

"The resiliency of production, employment and income; the basic improvement already attained in our balance of payments; the success with which we have weathered the exchange crisis; the stability of our prices, in spite of the depreciation of the dollar -- these are cold facts, not fancies. Surely they give evidence of our ability to resume vigorous expansion, and to continue it through 1963".

And so, let our watchwords for 1963 be energy, determination and confidence. We have made tremendous strides in the year just past. We can make the year ahead an example of progress and prosperity unmatched in our country's history.