

Holloway, R. G.

Article — Digitized Version

Canada—A neglected market

Intereconomics

Suggested Citation: Holloway, R. G. (1968) : Canada—A neglected market, Intereconomics, ISSN 0020-5346, Verlag Weltarchiv, Hamburg, Vol. 03, Iss. 8, pp. 246-250, <https://doi.org/10.1007/BF02930562>

This Version is available at:

<https://hdl.handle.net/10419/138004>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

books provided, and participants trained, at first glance appear impressive but need to be interpreted in terms of what could have been accomplished if the aid program had emphasized economic development.

Predominant among Vietnam's problems is internal insecurity which has had serious political and economic effects. As the strength of the Vietcong increased, disaffection grew on the part of the peasants with a regime that couldn't provide security. Political insecurity has inhibited agricultural reform efforts, has confined the industrial development program to the metropolitan area of Saigon, has disrupted public administration in the provinces, and has slowed down the movement of agricultural produce to Saigon. Until the security program improves, further economic progress will be seriously jeopardized if not blocked.

Vietnam — a Permanent Patient

From an economic as well as a political point of view, the tragedy of the past 17 years is that both American aid and Vietnamese effort have been de-

icated to military defense and to the maintenance of consumption levels rather than to the objective of economic growth. Granting the necessity of military aid at its present levels, it is apparent that economic aid has not been employed effectively as an instrument of national development. Whatever else has been accomplished, Vietnam today remains the prototype of a dependent economy, its level of national income as dependent on outside forces as was the case when the country was a French colony. After 13 years of large-scale American aid, Vietnam is becoming a permanent patient. If aid were eliminated tomorrow, there would be an unpaid and unfed nation.

While there is little question that the urgent need to improve the economic health of Vietnam is great, it is also a fact that the US economic structure has increasingly felt the strain of rising expenditures in support of Vietnam.¹³

¹³ For a sound assessment of this strain see: Committee for Economic Development, *The National Economy and the Vietnam War*, New York, April 1968, *passim*.

International Trade

Canada — A Neglected Market

by R. G. Holloway, London

Canada buys annually over \$US 10,000 million worth of goods from other countries but the European countries of OECD supply only 14 per cent of these imports. From the standpoint of the European businessman, this is very much a neglected market.

Canada is a rapidly growing and sophisticated market, with the fourth highest standard of living in the world. GNP per head totalled about \$US 2,808 in 1967 compared with \$ 2,022 in West Germany. It is exceptionally well-endowed with natural resources and the Canadian people are highly energetic, skilled and adaptable. Development has, moreover, been stimulated by proximity to the American market. The economy is structurally advanced with the rapidly developing service sector providing more than half the gross domestic product and with secondary industries providing slightly more than a third. The primary industries—agriculture, mining, forestry, fishing and hunting—are of minor importance in relation to total income and employment but provide the staples of the country's export trade.

American Challenge

The dominant theme of Canada's economic history—and the main characteristic which distinguishes the country from its smaller but more densely populated

neighbour—has been a heavy dependence on international trade and an inflow of foreign business investment. From the early days of French and British settlement the pattern of economic development has been one in which resource-based exports and imported capital have played an important role. Though Canada has always been substantially affected by events in the world at large, and British trade and investment are still fairly important, the paramount factor in Canada's external economic relations today is the country's dependence on the American market, American capital and American technology and the increasing influence of American tastes.

Canada has always been a large net importer of capital except during periods such as the last war and the immediate postwar period when conditions abroad were exceptional. But there has been concern over the growing extent of foreign ownership and control. More than a third of the capital employed by the mining, manufacturing, construction, power and transport industries and merchandising, taken together, is foreign owned; and foreign ownership is dominant in mining and manufacturing. Two points of particular interest emerge from a detailed study of foreign investment in manufacturing. The first of these is the extreme degree of foreign ownership in a number of more narrowly defined activities. The

second is the extent to which foreign ownership is surpassed by foreign control. The problem of foreign ownership and control is, however, essentially a problem of American ownership and control.

The Federal Government gives no financial assistance to foreign investors but, through its overseas offices and the various divisions of the Department of Trade and Commerce in Ottawa, is able to give advice concerning the problems of establishing manufacturing subsidiaries in Canada and to afford introductions to Canadian industrialists. Financial assistance is available from some of the provincial governments and municipalities and there are the usual sources of finance through the Industrial Development Bank, joint-stock banks and investment houses.

Expanding Labour Force

Canada's population has crossed the 20 million mark and is expected to approach 22 million by the end of 1970. The labour force is expanding at a remarkably high rate. The present rate of growth is near the highest ever attained and far exceeds the recent and current rates of growth of all other major industrialised countries. The anticipated growth of the Canadian labour force up to 1980 exceeds by over half a million the increases expected in Britain, West Germany and Italy combined, and almost equals the entire existing Swedish labour force. There will also be significant favourable changes in its age structure. The increase in the labour force due to the high birth rates and improved educational and vocational training together imply a substantially reduced reliance on immigration for supplies of skilled and professional manpower. The exceptionally rapid growth of the labour force is the main factor contributing to growth potential. The growth in productive potential has been estimated by the Economic Council of Canada at an average annual rate of 5 per cent for the period 1965 to 1970 and $4\frac{3}{4}$ per cent for the succeeding five-year period, 1970—75¹.

Transport Problems

The physical and demographic characteristics of Canada present unusual difficulties from the standpoint of transportation. The country extends 4,000

miles from east to west and its main topographic barriers run in a north-south direction. Large sections of the country are cut off from one another by water barriers, by rough and rocky forest terrain, or by mountain ranges; and the population is unevenly distributed along the narrow southern border strip with only a few hundred thousand people in the more northern areas. With a population so dispersed and producing for export as well as for consumption in distant parts of Canada itself, the provisions of extensive and efficient transport facilities for the bulk movement of primary commodities and for other uses is a basic necessity which continues to absorb a high proportion of capital expenditure.

All modes of transport have participated in the increase in inter-city freight movement but the composition of movement has changed significantly. The share of rail carriers has fallen to less than half and the share of road carriers has also fallen while the share of water carriers has remained roughly constant. The big compensating increase has been in the share carried by pipeline—including oil but, more especially, natural gas. These pipelines constitute the only means of providing economic marketing of these products to the main consuming areas of Canada and the United States. The percentage of freight movement carried by air has remained negligible; though, with the construction of new airports and greater familiarisation with air travel accompanied by rapid technical developments which increase its speed and reduce its costs, the number of air passenger revenue-miles has increased considerably, becoming the main means of public inter-city passenger movement. Nearly nine-tenths of total passenger movement expressed in inter-city miles is, however, accounted for by the automobile of which Canada has more per head than any other country in the world except the United States.

Increased competition from the St. Lawrence Seaway and from other forms of transport has resulted in the revision of rail freight charges and the closure of a number of uneconomic services though, with the construction of lines to resources, the total track mileage has not greatly changed since the 1920's. The railways have also improved their equipment. The change from steam to diesel and electric locomotion has been completed and specialised carriers have

Continued on page 250

¹ The Canadian Economy from the 1960's to the 1970's, Ottawa, The Queens Printer, September 1967.

VEREINSBANK IN HAMBURG

Established 1856

HEAD OFFICE: HAMBURG 11, ALTER WALL 20—30, TELEPHONE: 361 061
47 BRANCHES AND AGENCIES IN HAMBURG, CUXHAVEN AND KIEL

GERMAN PRISM

Highest Degree of Price Stability since 1959

In June consumer prices have been rising slightly due to seasonal factors, while from January to May their increase by 0.1 per cent had only been a minor one. Producer prices even declined slightly. As measured by the development of living costs, the highest degree of price stability since 1959 has been reached in these months. At that time, 1959, just the same as in the current year, consumer prices proved to be extremely stable during the boom, while in the preceding phase of cyclical decline they first continued climbing. Price increases in certain sectors were opposed by compensatory price cuts in other fields. The rise of apartment rents was again particularly pronounced. From January to June they have been rising by 3.6 per cent. Prices of services and repairs, which rose most strongly in January, increased but slightly since then. To a large extent this development has been balanced by seasonal price reductions of fuels and by slightly declining prices of foodstuffs. On the whole in the first half of 1968 consumer prices surpassed those of a year ago by 1.2 per cent.

A downward trend is prevailing as regards producer prices of industrial manufactures. Only prices of capital goods remained unchanged. Prices of basic materials declined above average by -2.9 per cent. The increase of the added value tax rate from 10 to 11 per cent (or 5 to 5.5 per cent, respectively) from July 1 on will probably initiate but minor price rises. On the assumption that the tax increase will lead to a corresponding rise of gross prices demanded by enterprises, consumer prices may rise—arithmetically—by about 0.7 per cent. The actual effect should, however, be smaller, since many enterprises made allowance for this increase already at the beginning of the year, or a complete passing-on of the tax will not always be possible due to the market or the world trade situation.

Mannesmann Constructing a Water Pipeline in Senegal

The water supply of Dakar, the capital of Senegal, is secured now after negotiations lasting for many years. Recently the government of Senegal and Mannesmann Export GmbH signed an agreement on the construction of a water pipeline. While the sector Thiès-Dakar has been put up for tender in the six EEC-states and is being financed by

the European Development Fund, Mannesmann is constructing the 200 km long sector from Lac du Guiers, a lake fed by the Senegal-river, as far as Thiès, where a large store-reservoir is being built. The order comprises the supply of a conduit in pipes with a diameter of 1020 mm and 916 mm, and their laying, in which a Senegalese syndicate will participate. The French firm Puech & Chabal, Paris, will prepare the water and make it drinkable. This will be financed by France. The engineering will be done by the German engineering firm Rhein-Ruhr. The total contract value of this German-French cooperation amounts to about DM 97 mn, the share of Mannesmann in this will be DM 76 mn.

The financing of this contract has been made possible by the generous aid of the Federal Government, that placed DM 25 mn as earmarked aid at the disposal of Senegal. The first construction work will probably start at the beginning of November, 1968, after the rains.

Savings Encouragement or the Way of Least Resistance

After the economic recession has obviously been overcome the employed and their organisations make their demands more emphatically. Since in the present situation wage claims would hardly be appreciated by the public, one concentrates on other fields. Thus the German Trade Unions Federation demanded the extension of qualified management partition that so far has been valid for the shrinking sector of the coal, iron and steel industries alone. The appointment in equal numbers of employers and employed to the supervisory board, and participation of the employed in the executive board is planned for all those joint stock companies (excluding banks and insurance companies), that meet two out of three conditions: a staff of at least 2,000 employees, DM 75 mn balance sheet total or an annual turnover of DM 150 mn. True, this plan of the German Trade Unions Federation has hardly any more chances of realisation this year than it had 20 years ago. In view of the approaching general elections, Government and political parties seem prepared to make concessions only with regard to the less ticklish matter of property formation by the employed. Since their participation in earnings by means of wage increases, which have to be reinvested, and profit distribution on the level of one or more companies will hardly meet with the approval of the entrepreneurs involved, after long discussions an agreement has

been reached on improved property formation through an expansion of savings encouragement. Small incomes are favoured most, while with growing income the benefit decreases gradually. This saving promotion programme concentrates above all on building loan agreements and agreements for saving by specified instalments. Moreover, for 1969 the introduction of a new long-term form of saving—the Federal Savings Certificate—is provided for. The expenses of this promotion measure are to be borne by the Treasury.

Government Agreements on German Financial Aid to India

On July 10, 1968, government agreements on German financial aid to India have been initialled in the Federal Ministry for Economic Affairs at Bonn. The agreements reify the promise—given by the Federal Government within the India-Consortium—of a total of DM 250 mn as aid for the Indian financial planning year 1968/69. They are particularly providing for a goods credit for urgent civilian imports including fertiliser imports from the Federal Republic, which are to support the Indian Government in its policy of import liberalisation and higher foodstuffs production. Furthermore, the Federal Government intends to grant loans to development banks, earmarked for the promotion of small and medium-scale enterprises, and credits for the financing of projects. For the first time Western Germany participates, within the framework of the total aid of DM 250 mn, in the debt-service aid measures of the World Bank's India-Consortium. This it does by granting DM 110 mn through the postponement of payable redemptions, interest facilities and untied aid in products. The agreements are to be signed at New Delhi.

Federal Republic Advanced to Second Place in Development Aid

As regards its development aid efforts, the Federal Republic advanced from the 7th to the 2nd place. This ensues from a provisional compilation made by the Development Aid Committee of OECD, that annually calculates the development aid contributions of its 16 member states in their proportion to their national income. The members are Canada, the USA, Japan, Australia, Scandinavia, and the West European nations. In 1967 Western Germany paid 1.25 per cent of its national income (DM 4,600 mn) to countries of the third world. France ranks first with 1.64 per cent.

In 1966 Western Germany still lagged behind France, the Netherlands, Italy, Belgium, Britain, and Portugal, although it ranked before countries such as the USA, Australia, Japan, and Canada. From 1966 to 1967 the German contributions were raised from 0.81 to 1.25 per cent of the national income. This high increase is to be attributed above all to the private sector, including export credits with a term of more than one year insured with HERMES. In absolute terms the Federal Republic's contributions hitherto ranked

fourth behind the USA, France and Britain. In 1967 Western Germany advanced to the third place and with its net contributions (aids less return flows) it surpasses Britain's performance by about DM 720 mn for the first time.

From 1950 to 1967, Western Germany contributed a total of no less than DM 36,200 mn to development aid, of which sum total DM 20,900 mn came from public funds and DM 15,300 mn from private sources.

German Industrial Exhibition at Berlin with New Accents in 1968

After an interval in the past year, the 18th German Industrial Exhibition at Berlin, lasting from September 27 to October 6, 1968, will have another tenor this time. This exhibition, belonging to the major standard performances of Berlin's exhibition programme, is organised under the device "Quality through Research and Development". Under the chosen motto science and industry will show the results of their cooperation.

The following industrial groups will display their products: motor vehicles, electronics, radio and TV, chemical works, plastics processing industries, iron and steel, copper industry, optics and fine mechanics, mechanical engineering and apparatus construction, machine tool manufacture, wood processing, and the packing industry. For the first time the number of exhibitors will be higher than 1,000. International participation in the German Industrial Exhibition at Berlin will be as numerous as ever.

Connected with the Industrial Exhibition will be again the import exhibition "Partners of Progress", which displays goods from more than 50 countries in Africa, Asia and Latin America.

Again More Than One Million Foreign Labourers in Western Germany

In the Federal Republic more than 1 mn foreign labourers are employed. This figure is revealed by the newest survey of the Federal Institution for Labour Exchanges and Unemployment Insurance. According to this survey the number of foreign persons employed in Western Germany rose by 64,400 to 1,014,900 in the 2nd quarter of 1968. However, in spite of this further increase in foreign labour the number of foreigners working in Germany at present is still by 8,900 lower than a year ago.

Among the 1,014,900 foreign persons employed in the Federal Republic at the end of June, 1968, there were 287,500 Italians, 139,400 Turks, 136,200 Greeks, 111,900 Spaniards, 99,800 Yugoslavs, and 18,700 Portuguese. The number of Italians, Turks, Yugoslavs and Portuguese was already above, that of Greeks and Spaniards, however, below the preceding year's corresponding figure. Almost one third of all foreign labourers working at present in Western Germany are females.

Continued from page 247

been introduced while further advances have been made towards integrating the handling of merchandise shipments with other modes of movement.

The completion of the Trans-Canada Highway and the extension and improvement of other highways and urban express-ways have encouraged an expansion in freight traffic on the roads with carrier services operated at high speed and run to regular schedules. Most of the road freight traffic continues, however, to be carried in owner-user vehicles.

Primary Production

With rapid technological advances and heavy capital investment, the numbers employed in primary production have fallen sharply. Most of this decline has occurred in agriculture. This change has involved a substantial movement of population from the farming areas to the cities with major effects on the requirements for housing and social overhead capital. At the same time, a number of mining and forest exploitation projects located at considerable distance from substantial concentrations of labour have been left short of workers, especially of those with the special skills which have been increasingly required. Factors impeding an adjustment of the labour supply within the primary sector have included the relatively low educational level of a large part of the rural work force and the high average age of farm workers.

Government policy towards the primary industries is partly determined by their important contribution to export receipts—along with their associated processing industries, they account for nearly three-quarters of the country's exports. But there is also a need to maintain a regional balance and a need to ease adjustment burdens. While, in agriculture generally, the use of price supports has been modest when compared with practice in many other countries, government-sponsored marketing arrangements have been developed to regulate supply. The aim of maintaining a regional balance has been linked with the crucial importance of transport in such a geographically-dispersed economy and has been supported by such policies as freight assistance, coal subsidies and the building of roads to resources. The family farm structure has led government to accept special responsibilities for agricultural research and extension work, for farm credit, and for grading, packaging and inspection. Similar responsibilities have been accepted for fisheries where the seasonal pattern has also occasioned the special application of unemployment insurance.

The impressive developments in Canadian mining which have taken place in recent years have stretched across the continent and involved extensive participation by foreign interests. The now world-famous discovery of base metals in the Timmins area of northern Ontario was made by an American company. The needs of Japanese industry, represented in the financing, have been the most urgent forces in

the opening of copper, molybdenum and iron ore mines on the Pacific coast. On the other side of the country, a new asbestos mine in Newfoundland combines capital from Canada, the United States, Belgium, Switzerland and other European countries. The exploitation of potash deposits in central Canada has been backed by Canadian, American, German and French interests—the decisive solution of serious engineering problems being made by using a German technique. Price increases in such key metals as copper, lead and zinc have led to higher profits and record dividends which have been sustained by the continuous ploughing back of income into the search for new deposits and improved methods of extraction. And, of course, there has been the natural gas bonanza.

Secondary Industries

Canada's widely-based secondary industries have contributed most of the increase in the value of physical production over recent years and nearly all of this increase in the value of secondary production has been contributed by manufacturing.

A comparison of the value-added figures for manufacturing indicates that roughly half the increase since 1958 has taken place in mineral-using industries while about a third took place in industries based on agriculture and about a fifth in the forest products industries. The mineral-using industries account for more than half the value added by manufacturing while the agricultural processing industries account for about a quarter. Pulp and paper and transport equipment are the most important industries, but miscellaneous manufactures, textiles, chemicals and allied products, and electrical apparatus and supplies have been the fastest growing.

Manufacturing growth is well served by Canada's huge hydro-electric development programme which is supported by the extension of the distribution system and the use of more efficient transmission lines for very high voltages. Canada is also developing nuclear power.

There are, however, two important factors which have increasingly limited gains in Canadian productivity—namely, the scales of output and the application of new technology. In much of the country's secondary industry, scales of output and degrees of specialisation are inefficient by present standards. Canada produces too great a variety of bits and pieces for the domestic market. Here the application of the tariff reductions negotiated in the Kennedy Round will provide new opportunities as well as challenges.

The second important factor limiting productivity growth is the extent to which Canada has depended on other countries for its technology and the capital for its application. The Economic Council of Canada has recently emphasised that the attainment of the country's economic aims now calls for a much larger Canadian effort in research and in the use of the latest available techniques.