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DEGREE FOR WHICH THESIS WAS PRESENTED...Master of Arts.....
YEAR THIS DEGREE GRANTED...1972.....

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CREATING THE
EXPORT DEVELOPMENT CORPORATION

BY

MANUEL K. PAUMANN

A thesis submitted to Carleton University in
partial fulfillment of the requirements for the
degree of Master of Arts in Public Administration.

School of Public Administration
Carleton University
Ottawa, Canada,
June, 1972

The undersigned recommend to the Faculty of
Graduate Studies acceptance of the thesis
Creating the Export Development Corporation

submitted by Manuel K. Paumann
in partial fulfilment of the requirements for the
degree of Master of Arts in Public Administration.

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Date: June 27, 1972

ABSTRACT

Against the historical role of exports in the Canadian economy, this thesis traces the main institutional arrangements the federal government has established down through the years to support and encourage Canadian exports. In particular, the thesis focuses on the Export Development Corporation (EDC) which was formed during 1968-9.

The various forces which resulted in the decision to create the Export Development Corporation and the policy and legislative processes that brought about its establishment are analyzed.

The thesis indicates that the major role in the policy process from which the Export Development Corporation evolved was played by the Department of Trade and Commerce (latterly Industry, Trade and Commerce), with lesser roles being played by other interested departments, the Export Credits Insurance Corporation (EDC's predecessor), and the Canadian business community.

Given the dynamic and changing environment of the international marketplace, the thesis emphasizes the need for more attention to the long term planning of EDC's program and activities in terms of both the operation of the planning process, and whether the primary responsibility for the planning function lies with the Corporation or essentially with the Department of Industry, Trade and Commerce.

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CHAPTER I

THE SITUATION UP TO THE 1960's

Exports have played a fundamental role in Canada's economic growth. Canada has throughout its history essentially been a trading nation and its export performance has through the years been the pace setter for the development of the Canadian economy. It has been because of the profound effect of exports on Canadian economic development that the federal government has from its inception given attention to the matter of export trade. This attention and involvement with exports on the part of the government has increased down through the years with the growth and diversification of Canadian foreign sales and the growing complexity inherent in international trade.

This chapter explains how foreign trade in the northern part of North America began, and how the Canadian authorities first obtained a voice in determining their own foreign trade policy. With the advent of Confederation, the newly created federal government, recognizing the importance of the country's growing foreign trade began, slowly at first, to give increasing attention to export matters. Initially the main federal institution having responsibility for exports was the Department of Finance which was

created in 1869. In 1892 the Department of Trade and Commerce was established. This Department carried the primary responsibility in the area of exports from 1892 until 1969 when it was merged with the Department of Industry to form the present Industry, Trade and Commerce Department which inherited Trade and Commerce's functions in the export field. In 1944 the government created the Export Credits Insurance Corporation - the predecessor to the Export Development Corporation - to provide additional specialized facilities in support of foreign trade. The introduction and role of these institutions will be examined. It will become evident that one can identify a theme of gradually increasing influence and involvement by the federal government in the area of Canadian export trade.

The beginning of export trade in the northern part of North America is really the beginning of Canadian economic development. From late in the fifteenth century when Europeans first set foot upon what is now Canada, it was the demands on the part of several European countries for a number of staples that resulted in the sporadic but, nevertheless, continuous settlement and expansion that occurred in the northern part of the hemisphere. The nations of Europe badly need these raw materials which were readily available in the newly discovered continent.

The sale of fish from the waters off Newfoundland was the first phase involving the purchase of goods on a substantial scale from the new world. While not appearing to be as enticing at the time, compared to the search for gold and silver that lured the Spanish and Portuguese explorers to the terrain further south, fish, nevertheless, represented an item that was in great demand in Catholic Europe, and was readily available at reasonable prices. Fishing off the east coast remains today an important economic activity.

The advent of the trade in fish was soon followed by the fur trade, which eventually resulted in Canada's first commercial activity that took place on a transcontinental basis. The fur trade lasted for about three hundred years and contributed in an important way to the growing community in the new world.¹

The timber trade, which developed during the fur trade's closing decades, again resulted from demands by European countries, particularly Britain. The trade in timber lasted from the seventeenth to well into the nineteenth century. As is explained by W.T. Easterbrook and H.T.J. Aitken in their Canadian Economic

¹For a comprehensive treatment of the fishing and fur trades, see H.A. Innis, The Cod Fisheries, University of Toronto Press, Toronto, 1954, and The Fur Trade in Canada, University of Toronto Press, Toronto, 1956.

History, a number of political and economic factors in Britain in the 1840's combined to bring about a fall off in timber shipments to Britain and a boom in exports to the United States.¹ These factors led, in part, to the Reciprocity Treaty of 1854 between the United States and the British North American provinces which lasted for a period of twelve years.

Up to this point in the development of Canadian foreign trade, while the elected legislators in the Canadian provinces had been able to gradually increase their influence, the final arbiter of colonial commercial policy was still the British government. Indeed, the Reciprocity Treaty, though truly North American in its economic and political effects, was negotiated by British and American representatives.² However, a significant event in Canadian foreign trade policy occurred shortly before the Treaty was to be terminated.

It took place in 1865 and was in the form of a gathering referred to as the Confederate Council of Trade. The purpose of this conference, which was held at the suggestion of the home

¹W.T. Easterbrook and Hugh G.J. Aitken, Canadian Economic History, Toronto: MacMillan Co. of Canada, 1965, pp. 202-3.

²For a full account of the development of Canadian commercial policy, including the development of Canadian autonomy in this area, see O.J. McDiarmid, Commercial Policy in the Canadian economy, Harvard University Press, 1946.

government and attended by delegates from the British North American provinces, was to advise the British government in respect of the Reciprocity Treaty and in regard to other commercial agreements should reciprocity not be renewed. This marked the first formal recognition on the part of the home government that the provinces had a voice in the negotiating of commercial treaties affecting them, and thus represents the first instance that Canadian authorities exercised a direct role in the determination of their own commercial treaties, and hence their own foreign trade policy.¹

An interesting development which occurred as a result of a resolution passed at this conference was that a commission was sent to the West Indies and Latin America to report on Canadian export opportunities. This exercise, in a sense, represented Canada's first official trade mission.

During the period immediately following Confederation, the newly established federal government was essentially concerned with consolidating the new nation and did not give a great deal of attention

¹Norman McL. Rodgers, "The Confederate Council of Trade", The Canadian Historical Review, Vol. 7, No. 4, December 1926, pp. 277-284.

to promoting export trade. It was only gradually in the years after Confederation that the government began to focus on the furthering of Canadian exports. "Such attention as was required was the task of the Department of Finance..."¹ which was established in 1869 and given wide powers in the financial field.² Its basic duties were that of having

Supervision, control and direction of all matters relating to financial affairs and Public Accounts, Revenue and Expenditures of the Dominion, which are not, or in so far as they are not, by law, or by order of the Governor in Council assigned to any other Department....³

In 1875, the government decided to dispatch a special agent to the West Indies to explore trade opportunities and to report as to ways and means of increasing trade between these islands and Canada.⁴ In 1892, additional special agents referred to as commercial agents were assigned to the West

¹See address by T.R.G. Fletcher, Director, Trade Commissioner Service, Department of Trade and Commerce, to members of the School of Public Administration Carleton University, November 23, 1959, p. 1.

²The new Dominion inherited four cabinet posts from the four founding provinces of which the Minister of Finance was one, the others being a Minister of Inland Revenue, the Minister of Customs, and a Receiver General. It was not until June 22, 1869, that the federal government established its own Department of Finance and gave it broad powers in the area of financial affairs. The duties of the other existing Treasury Departments, however, were not changed at that time.

³An Act respecting the Department of Finance, section 2. (Assented to June 22, 1869.)

⁴Order in Council, number 216, March 8, 1875.

Indies and other locations to carry out similiar duties.¹ These agents, who reported to the Minister of Finance, were the fore-runners of what later became the Trade Commissioner Service of the Department of Trade and Commerce, which today has approximately eighty foreign posts in fifty-seven countries around the world.

In 1880, the first High Commissioner to England was appointed, the office being given to Sir Alexander Galt, with instructions to keep a "...watchful eye over Britain's commercial treaties"², and to generally look after Canadian interests. There had actually been some commercial intelligence work carried out even before that date as officials of the Dominion Agency of Immigration, which had been established in Britain since 1868, had been spending some of their time encouraging trade.³

This attention, though of a limited nature, to export trade essentially on the part of the Department of Finance is important, as it represents the initial involvement by the federal government in Canadian foreign trade.

¹First Annual Report of the Department of Trade and Commerce covering operations to June 30, 1893, Ottawa, 1894.

²Professor J.T. Saywell, History of the Department of Trade and Commerce From the Beginning to 1911, (unpublished manuscript), p. 15.

³Ibid., p. 14.

It was not until about twenty years after Confederation during a time when world economic conditions were depressed, that the federal government felt the need to create a special ministry exclusively for foreign trade and commercial matters. It was in 1887 that the government set out to bring about such a ministry by introducing a bill to establish a Department of Trade and Commerce. On June 10 of that year, the Prime Minister, Sir John A. Macdonald, told the House of Commons :

The Government has come to the conclusion that with the rapidly and largely increasing trade of Canada... it is necessary...that there should be a Minister whose time and attention and energy should be applied to... everything connected with our trade and commerce, whether it be home or foreign trade. ¹

Macdonald went on to say :

Hitherto that branch (dealing with foreign trade) of the public service has been attended to principally by the Minister of Finance, and it was thought that the time has now arrived when the duties of that branch might be separated. I have had the opportunity of discussing this subject with Sir Leonard Tilley who held the office of Minister of Finance for a good many years, and, I believe, with general acceptance, and his opinion coincided with that of the boards of trade and commerce of all parts of the Dominion, namely, that the duties of this service might properly be separated....²

¹ Canada, Debates of the House of Commons, June 10, 1887, p. 862.

² Ibid., p. 5516.

He explained:

One (the Finance Minister) will consider the question of the tariff purely as a matter of revenue; and the other (the Trade and Commerce Minister) will consider it from the standpoint of trade and commerce.¹

Although some opposition members were not satisfied with the adequacy of the government's explanation as to what the exact duties of the new Minister would be, the opposition was, in the main, favorably disposed to the creation of the proposed Trade and Commerce Department. The chief opposition spokesman during the debate on the bill stated:

I have no doubt whatever that in carrying on the Government for a period of twenty years many changes have been suggested by experience and practice, which, if adopted, would increase the efficiency of the public service... I have no objection to the appointment of a Minister called a Minister of Trade and Commerce... it seems to me that there have been demands in the country, demands that are reasonable, for a Minister of Trade and Commerce, ... Some of the duties thus proposed to be performed by the Minister are no doubt, duties that might be legitimately and properly transferred to the Minister of Trade and Commerce.²

Later in his speech the chief opposition spokesman

¹Canada, Debates of the House of Commons, June 10, 1887, pp. 862-3.

²Ibid., pp. 865-6.

indicated his support for the Bill in even stronger terms by stating: "I believe a Minister of Trade and Commerce would be of immense importance to the people of this country."¹

From a reading of the relevant passages in the Debates of the House of Commons, it is found, not surprisingly, that business reaction to the creation of a Trade and Commerce Department was favorable.

In its issue of May 6, 1887, the Canadian Manufacturer and Industrial World said:

We are glad to see that it is the intention of the Government to create a new portfolio establishing a Department of Trade and Commerce. Such a step was advocated in these columns as far back as 1883, when we then ventured to prophesy that within a few years it would be found to be a necessity. Time has vindicated the correctness of our contention....²

Said the Toronto Empire in an editorial on December 2, 1892, the day before the Act establishing the Department was proclaimed:

Should the creation of a Minister of Trade and Commerce be determined, the proposal will meet

¹Canada, Debates of the House of Commons, June 10, 1887, p. 866.

²Canadian Manufacturer and Industrial World, May 6, 1887.

with general approval. During the past few years the need of such a Minister has been evident¹

The subsequent establishment of a separate ministry in 1892² dealing exclusively with exports is significant because it was a decision by government, a decision which was supported by the country, that a greater priority and consequently greater resources in terms of money and man-power be allocated to the furthering of Canada's foreign trade. The creation of the Department of Trade and Commerce, therefore, clearly represents an important landmark in what, in effect, was an increasing involvement by government in Canadian export trade.

In retrospect, the early 1890's was a difficult time for the government to launch a new Department as economic conditions were generally unfavourable and political uncertainty continued.³ The year 1893 was one of commercial disturbances and financial depression as wheat and timber sales experienced

¹The Toronto Empire, editorial, December 2, 1892.

²The reason why the government waited nearly five years to proclaim the Trade and Commerce Act has not yet been clearly explained. Probably the answer lies in a combination of factors, including that of the difficulty involved in the selection of a person who would be politically acceptable as Minister, that there was a depression in effect and the government did not consider it a good time to increase government spending, and that the machinery of government seemed, for the most part, to move somewhat slowly during Macdonald's last years.

³Between 1892 and 1896 Canada had four Prime Ministers.

hard times. The establishment of the Department at that time should really, therefore, be viewed as an attempt by the government to "get things going" by way of putting additional efforts behind foreign sales of Canadian goods and services. It was, as much as anything else, a vote of confidence in the future.

With the establishment of the new Trade and Commerce Department vigorous efforts were undertaken to obtain more export business. In 1893, the first Minister of the Department, Sir Mackenzie Bowell embarked on a one-man trade mission to Australia. This was Canada's first official trade mission and represented a prototype of the almost countless subsequent missions sponsored by the Department in succeeding years.

During its early years the Department, particularly through its representatives abroad, searched assiduously for export opportunities. It also administered certain Acts concerning the regulation of trade, a responsibility which rests today with the Standards Branch of the Department of Consumer and Corporate Affairs. By 1898, the Department was putting out monthly reports on trade figures and tariff information. These represented the

beginning of a practice which has resulted in the preparation of the comprehensive statistical data produced by the Department today. Some of the earlier functions undertaken by the Department have since been converted into separate entities. These would include the activities now carried out by the National Research Council and the Canadian Travel Bureau which, after some years, was returned to Trade and Commerce.

From its beginning to the First World War, the Department grew and its activities expanded steadily with the continued rise in Canadian export trade. In this period new trade offices were set up in an increasing number of countries as Canadian trade interests spread into new markets. Channels of communication between the Department and the Canadian business community were improved and the reports issued on trade matters became more frequent and substantial. By 1884, an Exporters' Directory was published which comprised a list of all Canadian exporters and their products, and by 1910 the Department had available for interested Canadian businessmen information regarding foreign tariffs of all countries.

During the First World War years, the Department undertook many special activities relating to the emergencies that occurred. Crops that could not be sold abroad had to be

dealt with and special requisitions required overseas had to be co-ordinated and shipped to their destinations. In 1916, the Department sponsored a mission composed of businessmen to study post-war trade possibilities on the continent. It was during 1918 that the Dominion Bureau of Statistics was formed.

The 1920's saw the Department picking up and expanding its pre-war activities in the field of export promotion as Canadian trade steadily expanded. It represented a period when throughout the country attempts were made to increase Canadian foreign trade. Government policy during the depression years of the 1930's saw the Department of Trade and Commerce expending special efforts in finding desperately needed markets for Canadian produce and new trade agreements were negotiated with some fifteen countries.¹ During these difficult times a few commodity specialists were appointed to assist in the export drive. These represented the forefathers of what are today the important industry sector branches of the Department.

¹While the primary responsibility for negotiating commercial treaties still rested with the Department of Finance during these years, Trade and Commerce was involved in these initiatives and consultations between Finance, Trade and Commerce, and other interested

The coming of World War II once again saw the Department assuming special tasks. It was responsible for such war-time agencies as the Canadian Shipping Board, the Export Permits Branch, the Canadian Export Board, etc. Many of the Trade Commissioners were occupied with advising the government on questions of supply. One of the basic functions of the Department during those years was to ensure that available Canadian supplies were equitably distributed among the nation's traditional foreign customers.

It was during the latter years of the War that a blue print for a post-war Departmental re-organization and expansion was conceived. The plan included the subsequent formation of a division which would study the future needs of foreign countries in the light of the anticipated availability of Canadian supply. A unit dealing with imports was set up, additional commodity specialists were appointed, and a new division concerning itself with foreign tariffs was created, as was a unit to focus on industrial development matters.¹

(con'td) departments, took place on matters relating to Canadian commercial policy during this period.

¹For a detailed account of the growing activities of the Department of Trade and Commerce during its first sixty years of operation, see Foreign Trade, "1892-1952" May, 1952.

The result of these changes, implemented towards the end of World War II, was a re-organized and bigger Department with expanded functions and having a structure which was to remain essentially unchanged until Trade and Commerce's merger with the Department of Industry in 1969; this merger brought about the formation of the present Department of Industry, Trade and Commerce which inherited Trade and Commerce's role in the export field.

In retrospect, it can be seen that the steadily expanding functions of Trade and Commerce from its inception until the end of World War II, functions represented by policies and programs that have become more numerous, pervasive and sophisticated since the War, have resulted in a sharp step-up in the involvement by government in the area of export trade. When viewed together with the earlier and much more limited attention given to exports by the Department of Finance, a gradually increasing involvement by the federal government in the nation's foreign trade since Confederation is clearly discernible.

It is appropriate at this point to focus on another initiative taken by the government aimed at enhancing Canadian

exports, an initiative taken towards the end of World War II, which was to result in the formation of the Export Credits Insurance Corporation.

As the War drew to a close, it became apparent that after the cessation of hostilities, attention would have to be given to the finding of markets for what would be a much larger economic output than had existed prior to the conflict. It was foreseen that a number of countries would emerge from the War with their financial resources greatly impaired, and that the anticipated lack of liquidity would likely result in the frequent demand for deferred payment arrangements on the part of Canada's foreign customers. Yet it was essential that Canada should be able to sell her goods abroad, particularly the output from what was becoming a significantly larger industrial base, if a successful transition from a war-time to a peace-time economy was to be brought about.

Not unnoticed was the reality that some eighteen countries had already, in one form or another, set up institutions that were making it possible for their exporters to offer extended payment arrangements to their customers.¹

¹The fact that this was recognized at the time is evident from a review of the Export Credits Insurance Corporation files in the Public Archives of Canada.

It was because of the foregoing factors that in the summer of 1944 the then Minister of Trade and Commerce, the Honourable J.A. Mackinnon, stated to the House of Commons:

That it is expedient for the purpose of facilitating and developing trade between Canada and any other country to introduce a measure:

1. To incorporate the Export Credit Insurance Corporation for the purpose of entering into contracts of insurance with exporters to insure against the risk of loss involved in contracts for the export of Canadian-produced goods.¹

Under this part of the Bill, an exporter wishing to effect a foreign sale, but being concerned about the risk of non-payment, insolvency, etc., on the part of the foreign buyer would request assistance from the Export Credits Insurance Corporation (ECIC). The Corporation, after examining the prospective transaction and assessing the risk involved, including the creditworthiness of the foreign buyer, economic and political conditions in the buyer's country and other factors, would, if it considered the transaction was one that could be insured, develop a contract of insurance between ECIC and the exporter.²

¹Canada, Debates of the House of Commons, 1944, Vol. VI, p. 5442.

²The exporter pays a small premium for such insurance policies, normally less than 1%. Contracts include a co-insurance principle, usually incorporating an 85:15 ratio whereby in the case of default by the foreign buyer, the exporter receives 85% of the invoice price charged to the foreign customer, the 15% being for his own account. From the beginning it has been the intention that the export credits insurance facility be operated on a break-even basis over the long term.

In the second part of the legislative proposal authorization was requested for the Governor in Council, on the recommendation of the Minister of Finance and with the concurrence of the Minister of Trade and Commerce, to make loans or provide guarantees to governments of foreign countries or their agencies, so that they would be able to place orders with Canadian companies. It was the intention that this latter facility would be in effect for only three years, as it was thought that the main need for such direct credits would be during the unsettled conditions of the transitional post-war years. After conditions became more stabilized greater reliance could be put on the export credits insurance provisions as a means of maintaining and encouraging foreign sales.¹

Most opposition members were in favor of the proposal to establish the Export Credits Insurance Corporation and the opposition leader, early in the debate, said:

I think that most members of the house will be anxious that whatever can be done by the government to facilitate our export trade should be done. I do not think there will be any disagreement over that either in this house or in the country.²

¹Canada, Debates of the House of Commons, 1944, Vol. VI, p.5581. The direct credits were in fact suspended after a three year period.

² Ibid., p. 5516.

Notwithstanding the Leader of the Opposition's opening remarks, rather extensive debate took place, mostly in the form of questions by the opposition members as to how the legislation would actually work in practice. In reply to one member of the opposition, who was not in favor of the Bill, the Minister of Trade and Commerce stated:

There has been a very general demand on the part of Canadian producers and exporters and from members of the manufacturers' association for this legislation, and, as I said yesterday, there is a great deal of satisfaction in these quarters that this legislation is being introduced.¹

The Bill to create the Export Credits Insurance Corporation was finally approved by the House and the Senate with only minor amendments and received Royal Assent approximately one month after its introduction.

The establishment of ECIC, a crown corporation, in late 1944 was important in that it represented a decision by government to provide additional specialized facilities in support of exports, and because it marked a further milestone in the continuously growing involvement by government in Canadian foreign trade.

¹Canada, Debates of the House of Commons, 1944, Vol. VI, p. 5773.

In early 1945, at a time when the Corporation was becoming fully operative, an article in Canadian Business entitled "Financial Assistance for Your Export Trade" stated that

...in penetrating new markets there is little doubt that a scheme of export credits insurance will be of great assistance to Canadian firms. Coming at this critical time in Canadian economic history, the Export Credits Insurance Corporation can play an important part in maintaining a high level of export trade, for, although the amount of credit insurance business done may only be a small proportion of the total trade, it is all gain. ...the Export Credits Insurance Corporation stands a good chance of being a success in the promotion of Canadian export trade in the challenging years ahead.¹

From a review of the rather few relevant files that exist in the Public Archives of Canada, it can be seen that the early preparatory work which led to the creation of ECIC was carried out by officials of Trade and Commerce. During the last two to three years of the War, these officials, having noted what had taken place within other countries, had been giving consideration as to whether there would be a need in Canada for an export credits insurance agency and if so, what kind of

¹Douglas R. Annett, "Financial Assistance for Your Export Trade", Canadian Business, January, 1945.

facility would best meet Canadian requirements. As was explained by Mr. H.L.E. Priestman, the first Chief Executive Officer of the Corporation,¹ the day after the Export Credits Insurance Act had been proclaimed, the Department of Trade and Commerce during the three preceding years had built up

...a considerable case history of examples where Canadian exports were being affected, if not prevented, in various markets, by the inability of the Canadian exporter to accept the credit risk, as against the exporters from other countries who had a measure of assistance in the way of export credits insurance.²

It is also evident from the files that those involved in the creating of ECIC paid particular attention to the export credits insurance facility in the United Kingdom and that country's lengthy experience in the field.³ Speeches given during the early years of ECIC's existence by Mr. H.T. Aitken,

¹ Previous to his appointment Mr. Priestman had been with the Trade Commissioner Service of the Department of Trade and Commerce.

² Address by H.L.E. Priestman, Chief Executive Officer, Export Credits Insurance Corporation, to the Canadian Conference of Business Newspaper Editors of the Business Association of Canada, Montreal, November 22, 1944, p. 3.

³ For a thorough discussion of the similarities between the British insurance plan and the subsequently created Canadian facility, see Douglas R. Annett, "Financial Assistance for Your Export Trade", Canadian Business, January, 1945.

who succeeded Mr. Priestman, attest to this point.¹

An example of how certain features of the British practice were carried over to the Canadian scene is to be found by an examination of the ECIC Advisory Council and its British counterpart. The ECIC Advisory Council, like its British equivalent, was composed of bankers, industrialists and other representatives from the business community who could provide advice to the Corporation management. Throughout its existence the ECIC Advisory Council remained an important body and rendered much valuable advice to the Corporation.²

The documentation covering those early years reveals that not only did Trade and Commerce carry out the preparatory work leading to the creation of ECIC, as indicated previously, but also that Department, in all likelihood, played the main rôle in the policy process out of which ECIC came into being. Other federal institutions that were involved were External Affairs,

¹See, for example, speeches given to the Canadian Credit Institute on November 14, 1945, and to the Canadian Manufacturers' Association on June 4, 1946.

²Conversation with Mr. A.W. Thomas, Former Vice-President, Export Credits Insurance Corporation, December 15, 1971.

the Bank of Canada, and Finance. The latter, in particular, had an important role in the establishment of the Corporation as is evident from the fact that under Part II of the Act, the Finance Department could, under certain conditions, make loans and provide guarantees to foreign governments and their agencies in connection with the purchase of Canadian goods.

For a period of twenty-five years commencing in 1944 and continuing until 1969, when it was succeeded by the Export Development Corporation, ECIC, operating under government direction, provided an indispensable and increasingly important service in support of Canadian export trade. As a crown corporation, the responsibility for ECIC's performance rested with the government, which exercised direction over Corporation policy through its Board of Directors¹ composed of senior officials from the public service, including the Deputy Minister of Trade and Commerce who by tradition has been Board Chairman. The government was, therefore, able to ensure that ECIC's activities were integrated with broader government export policy, and with the government's overall economic objectives.

¹The Board of Directors of ECIC, as per the Export Credits Insurance Act, consisted of the Deputy Ministers of Trade and Commerce and Finance and the Governor of the Bank of Canada, and not more than four other Directors one of whom was the Chief Executive Officer of the Corporation. The four other Directors were appointed by the Governor in Council from the public service.

During twenty-five years of the Corporation's existence its enabling legislation was amended many times to make way for policy changes necessitated by changing conditions and practices in international trade. A few of the more noteworthy developments that took place are the following.

In 1946, ECIC joined the Berne Union (L'Union d'Assureurs des Crédits Internationaux) which provided the Corporation with continuous contact with all other similar agencies in the export credits insurance field and made available up to date credit information on a world wide basis. Shortly thereafter, branch offices were opened up in Toronto and Montreal so as to better serve policy holders and to allow for improved liaison with banks, trade associations and the business community in general. In 1948, ECIC with the approval of the Governor in Council was permitted to insure on government account transactions in excess of what the Corporation could normally undertake on its own resources. In the mid 1950's services were made eligible for insurance coverage. ECIC in 1960 became the administering authority for a new long term financing facility under which loans in the form of government funds could be made to foreign buyers

for the purchasing of Canadian goods and services. During 1966, ECIC was given authorization to enter into agreements for the re-scheduling of debts owing to the Corporation. On a number of occasions during its existence ECIC's liability ceilings and capitalization were increased by the government, so as to make it possible for the Corporation to undertake a continuously growing volume of business.

The importance of export credits insurance as provided over the years by ECIC, an agent of government, to the furthering of Canadian export sales and its contribution to international trade should not be minimized. It has often been said that the three developments that have done more to facilitate the growth of international trade throughout history have been the emergence of marine insurance which came into use about two thousand years ago, the use of the bill of exchange which has been an integral part of the commercial world for several hundred years, and the introduction of export credits insurance which has been with us for about fifty years.¹

¹Conversation with Mr. A.W. Thomas Former Vice-President, Export Credits Insurance Corporation, December 15, 1971.

However, the growing intensification of competition and the new demands in the international market place brought about by the process of industrialization occurring throughout the world, resulted in a growing number of new techniques and practices in foreign trade. One of the practices that became more frequent was that of buying on credit. The facilitating of international business by the increasing use of credit was in one way or another, in the developed countries, supported by governments. In Canada, this was exemplified by the federal government's introduction in 1961 of the long term export financing facility administered by ECIC. In most developed countries this kind of assistance was made available primarily for foreign sales of manufactured goods, because of the obvious benefits that accrue from this kind of export.

Canadian exporters were not untouched by these new trading techniques which included the increasing use of credit. Exporters thus required competitive accommodation from government with respect to export credit and insurance in order for them to remain on an equal footing with those in other countries. The intensification of competition in international markets

and the growing importance of the credit factor in foreign trade led to the federal government reviewing its support facilities in the area of export insurance and financing, a review which eventually resulted in the creation of the Export Development Corporation.

CHAPTER II

CREATING THE EXPORT DEVELOPMENT CORPORATION

The establishment of the Export Development Corporation (EDC) in the fall of 1969, in succession to the Export Credits Insurance Corporation, was significant in that it marked a further commitment by government to encourage the expansion of Canadian export trade, a policy that began to emerge shortly after Confederation.

This chapter examines the policy process¹ from which the Export Development Corporation evolved. In analyzing the process a simplified model is employed. The model (see Appendix A) consists of the demand-input stage, the transformation phase, and the output.²

The chapter begins with a consideration of the period and the developments signaling the beginning of the process that

¹Several definitions of the "policy process" have been put forward by such writers as Harold Lasswell, Richard Snyder, Charles Lindblom and others. For the purpose of this paper the author accepts the definition of Austin Ranney which defines the policy process as "The actions and interactions that produce the authorities ultimate choice of a particular policy over its rivals."

²The literature in public administration contains a good deal concerning models. The model employed for purposes of this exercise is not dissimilar in nature to the models developed by Lasswell, Ranney,

eventually resulted in establishment of the EDC, including the influence exerted by the business community and the significance of a private consultant's report which reviewed the adequacy of the then existing government support in the area of export credit and insurance. The roles that interested departments played in the policy process are analyzed and their interactions are examined. The subsequent legislative process is considered. To illustrate the steps in the policy process from which the EDC evolved, a network diagram is attached (Appendix A).

The 1960's, as previously explained, witnessed an intensification of competition in international markets. During this period the developed countries, including Canada, endeavoured in a number of ways to increase their export trade, particularly in manufactured goods, and adopted policies towards this end. Incorporated within these policies was the provision of additional export credit and insurance assistance to existing and potential exporters in increasingly sophisticated and varied forms.¹

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Lindblom and others. A helpful model is contained in The Canadian Political System by J.R. Van Loon and M.S. Whittington, Toronto: McGraw-Hill Book Co., 1971.

¹For a history of the development of export credits and a description of the systems in effect in developed countries, see Export Credits and Development Financing, United Nations, New York, 1967 and Export Credits and Development Financing: National Export Credit Systems, 1969, United Nations, New York, 1969.

In Canada, by 1966-67, there had developed a feeling on the part of a significant number of exporting companies that in certain situations the government's facilities in the sphere of export financing and insurance did not provide for adequate and competitive support.

According to Mr. E.C. Hill, Vice-President and General Manager, Dominion Road Machinery Company Limited:

In those days we found that our competitors sometimes appeared to be able to incorporate more flexible credit terms and conditions in their tenders than we could, and it seemed easier for them to line up the credit requirements being requested by foreign customers than it was generally for Canadian exporters.¹

Such allegations by the business community became more numerous during this period, and were supported (usually orally) by examples where Canadian firms had, in their estimation, lost important export contracts on account of uncompetitive assistance by government. It was not easy for Canadian exporters to document these cases and consequently interested officials found

¹Conversation with Mr. E.C. Hill, February 2, 1972. Mr. Hill has for many years been Chairman of the Canadian Export Association's Advisory Council on Export Financing.

it difficult to verify the alleged inadequacy and uncompetitiveness of Canadian government support.¹

Visits by representatives of Canadian firms to ECIC personnel and to Trade and Commerce officials, as well as to the Minister of Trade and Commerce as the Minister responsible,² asking for more flexible or additional accommodation from government, became more frequent. These representations related to several aspects of government policy, as expressed by ECIC, in the area of export financing and insurance. They dealt with such issues as the high cost and lack of adequate availability of credit from private sources for medium term (2-5 years) export transactions, the need for more flexibility in the government's long term export financing program, including the possibility of incorporating costs incurred in the buying country in financing agreements, the requirement for a government

¹Reference to a few such alleged cases are found in the confidential files of the Department of Industry, Trade and Commerce. The author, an official of the Department, was at that time concerned with government policy in the area of export credit and insurance, and thus is familiar with the representations that were made by exporters during that period.

²The Honourable Robert Winters, the Minister of Trade and Commerce at the time, took a direct and personal interest in overall ECIC policy. Thus, the author disagrees with the statement regarding crown corporations made by R.J. Van Loon and M.S. Whittington in The

facility to insure Canadian investments in foreign countries, etc.¹

On December 16, 1966, the Minister of Trade and Commerce, The Honourable Robert Winters, wrote to 6,600 Canadian companies asking them to reassess their export targets for 1967 and to establish whether their exports could be increased. In his letter Mr. Winters wrote: "I would welcome your suggestions and advice about how the Department of Trade and Commerce can be of help to you and to the cause of export".² A significant number of replies pointed to the difficulties that were encountered in the financing of Canadian foreign sales.³ Also, it was generally known at the time that the question of export financing was discussed during confidential meetings of the Export Advisory Council to the Minister of Trade and Commerce.⁴

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Canadian Political System that "The minister, however, does not in any way direct the activities of the corporation and conversely, he is in no way responsible for the activities of the corporation." p.427.

¹The author at that time was involved in the analysis of these representations.

²Letter from the Minister of Trade and Commerce, December 16, 1966 to 6,600 Canadian companies.

³These replies are on record in the confidential files of the Department of Industry, Trade and Commerce.

⁴The Export Advisory Council consisted of about fifteen leading Canadian businessmen who met at regular intervals with the Minister

There was, thus, evidence that difficulties in the financing of Canadian exports existed.

It was felt, therefore, by Trade and Commerce officials, to be desirable that a thorough review be undertaken as to the adequacy of the Canadian system of support in the area of export credit and insurance. After some deliberation it was recommended to the Minister that it would be preferable to ask an outside consultant to carry out such a review because someone from the private sector would likely be best able to evaluate government export financing and insurance support in an objective way. It was considered essential that the person in question should have both experience and stature in order for his views to be helpful to the government and respected by the business community.

The person subsequently asked to undertake the study was Mr. J. Douglas Gibson, a former Executive Vice-President of the Bank of Nova Scotia.

Shortly after Mr. Gibson's appointment, the Minister of

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of Trade and Commerce and provided him on a continuing basis with advice and recommendations in respect of the furtherance of Canada's export performance.

Trade and Commerce wrote to the heads of the Canadian Export Association, and the Canadian Manufacturers' Association, to the members of his Export Advisory Council, and to members of the Export Credits Insurance Corporation Advisory Council. In his letter Mr. Winters explained:

Having in mind the importance to the Canadian economy of improved export performance, I have concluded that a comprehensive study needs to be made of our financial facilities supporting the export of Canadian goods and services to determine whether they are competitive with those of other countries and flexible enough to meet changing and growing requirements.¹

He indicated that Mr. Gibson would

...examine and make recommendations concerning the availability, terms, conditions and cost of financing from commercial sources and government agencies in support of export.²

He also asked the foregoing associations and persons to extend their co-operation to Mr. Gibson in respect of his assignment.

Mr. Gibson held a series of meetings with representatives of these associations, as well as with a number of Canadian exporting companies. He also had discussions with the Canadian

¹Letter sent by the Minister of Trade and Commerce on November 15, 1967, to the Canadian Export Association, the Canadian Manufacturers' Association and to the members of his Export Advisory Council, and to the Export Credits Insurance Corporation Advisory Council.

²Ibid.

chartered banks. He travelled to the United Kingdom, to some Common Market countries and to the United States, to examine the type of accommodation being extended to exporters in those countries. As Mr. Gibson proceeded with his investigations he kept in close touch with Trade and Commerce officials.

The decision to have a study of this kind undertaken represented a commitment by government to a review of its support programs in the field of export financing and insurance and demonstrated, once again, the government's continuing involvement in Canadian export trade. The retaining of a private consultant marked the first time that the government had called upon someone from outside the public service to evaluate, in an official way, existing government facilities in the area of financing, insurance and guarantees, in support of export.

The Gibson Report, as it came to be known, was presented to the Department of Trade and Commerce in the spring of 1968. The report thoroughly analyzed and evaluated the Canadian export insurance and credit system in relation to those in other developed countries.

In brief, Mr. Gibson made the following points. Exports deserve a high priority by government, given Canada's evolving economy, particularly exports of manufactured goods. The giving of a high priority to exports is essential if progress in other directions is to be made. Only with an internationally competitive industrial sector can further welfare measures be paid for. "In terms of export credit and insurance, giving exports a high priority means that adequate and competitive facilities should be available and actively promoted...."¹ "Apart from long term government loans, the Canadian system does not really result in any noticeable priority for export finance, either in availability rate, or in lending attitude."² Most exporters, he reported, felt that more should be done by ECIC and the government in providing insurance and credit support. Gibson stated that generally exporters did not believe Canada was sufficiently extending itself to meet competitive accommodation in this area. Most Canadian exporting firms, he indicated, felt ECIC to be "...too conservative and not sufficiently export orientated."³ They were also critical of the banks for a number

¹Douglas Gibson, Report on Canadian Financing Facilities for Export, Summary, p. 2

²Ibid., p. 2.

³Ibid., p. 3.

of reasons, including their lack of active promotion and development of their export financing facilities. Gibson's investigations in other countries led him to conclude that there was justification in many of the contentions made by Canadian exporters. In a key paragraph of his report he said:

With a view to meeting this objective (giving a high priority to exports) more fully and effectively, it is recommended that the national effort in the sphere of export credit and insurance be centralized in one government body which might be described as the Export Development Corporation. It would be responsible for credit insurance, credit and investment guarantees, and lending. It would deal with the Canadian business community and would be the focus of export financing interest in the Government.¹

The board of the proposed corporation, Mr. Gibson suggested, should be broadened and should include the Governor of the Bank of Canada, the Director-General of the External Aid Office (now the Canadian International Development Agency), and two or three persons from the private sector. He felt it essential that a "...fresh look be taken of the policies and procedures in the area of export insurance and credit."² The government should try to obtain a more involved participation from the chartered

¹Ibid., p. 5.

²Ibid., p. 9.

banks in the financing of Canadian exports and contacts between such government representatives as the Minister of Trade and Commerce, the Minister of Finance, the Governor of the Bank of Canada and the heads of the chartered banks, should take place frequently.¹

It can be appreciated from the above why the Gibson Report was viewed at the time as, and still is considered to be, an important document. The thrust of the conclusions of Mr. Gibson's report called for a further involvement by government in the Canadian export effort through the provision of improved and more extensive support to Canadian business in its pursuit of foreign contracts, particularly for manufactured goods. Much of what was in the Gibson Report in the form of suggestions and recommendations was eventually incorporated into the legislation creating the Export Development Corporation.

In summary, the Gibson Report recommendations proposed that government should make available additional funds for export financing and be prepared to assume increased liabilities in the area of insurance and guarantees in order to further

¹Ibid., p. 10.

Canadian foreign trade. The recommendations carried with them significant policy implications, as they called for a substantial increase in the form of a financial commitment by government, at a time when the government had in effect a policy of financial restraint aimed at holding back inflation. These recommendations came forward during a period of austerity within government when requests for additional funds for programs, no matter how much merit they had, were looked upon as demands that should be turned down if at all possible.

Notwithstanding the unfavourable climate in government for proposals with substantial cost implications, Trade and Commerce officials sent copies of the Gibson Report to Finance, External Affairs, Industry, Treasury Board, the Bank of Canada, the External Aid Office and ECIC. It was carefully studied by officials in those departments concerned with government policy relating to export insurance and financing. The report was also sent to a number of trade associations, individual firms and other interested parties, and later provided to the members of the House of Commons' Standing Committee on Finance, Trade and Economic Affairs. In this way the philosophy and contents of the Gibson Report became widely known.

Another not unrelated development that had been intermittently in process since late 1966 - before the commencement of J. Douglas Gibson's work - should now be examined (see Appendix A). It concerns the subject of insurance for Canadian investments abroad.

During the latter part of 1966, consideration was being given within the Department of Trade and Commerce to the establishment of a foreign investment insurance plan which would insure investments abroad by Canadian companies against non-commercial risks. The three types of risk against which Canadian firms would be covered were expropriation, inability to transfer funds, and damage as a result of insurrection or war. The principal idea behind this type of government support was to provide assistance to Canadian companies in preserving or expanding their export markets. The measure had been proposed as it had become evident that Canadian firms were finding it necessary in an increasing number of cases to set up assembly, processing, or manufacturing operations abroad either to cope with foreign competition or to satisfy national interests.¹

¹ In formulating its foreign investment insurance proposal Trade and Commerce officials studied carefully those schemes already in place in other countries. These included the long existing U.S. scheme, the Japanese and German plans created in 1956 and 1959 respectively, and the Australian facility established in 1965.

Canadian firms, it was thought, would in the case of certain types of foreign projects, benefit from both the proposed facility and the government's existing long term export financing program. Each facility would increase the utility of the other. A secondary consideration at the time was that an insurance plan which would encourage Canadian investments abroad could also be expected to help developing countries in their efforts to further industrialize and thus would contribute to Canada's official aid program.

Most developed countries already had foreign investment insurance schemes in operation, or were considering implementing such measures. While Trade and Commerce officials felt that government support in the form of a foreign investment insurance facility had much merit in terms of Canada's economic interests and while such a scheme had been requested by the Canadian Export Association,¹ the proposal did not elicit any real enthusiasm with officials in other parts of government at that time, and thus was put to one side.

¹Letter from Canadian Export Association to the Honourable Robert Winters, Minister of Trade and Commerce, January 18, 1967.

The idea of insurance for Canadian investment aboard was revived towards the end of the first half of 1967 by the External Aid Office which put forward a somewhat similiar proposal as a measure intended to increase Canada's aid contribution.

In a sense, Trade and Commerce had put the idea forward essentially in response to a demand or problem while the External Aid Office regarded the measure essentially a way to increase Canada's aid effort.¹

While there now seemed to be increased interest within government in moving ahead with an investment insurance program, at issue was whether such a plan should be trade or aid orientated. Viewed as a trade oriented program, it would have the effect of increasing Canada's official aid contribution and allow Canada to meet more quickly its aid target of 1% of G.N.P. The question was important in terms of philosophy and its resolution was meaningful in that it would determine the logical location and Ministerial responsibility for the proposed facility.

¹Charles E. Lindblom in The Policy-Making Process, Prentice-Hall Inc., Englewood Cliffs, New Jersey, 1968, chap. 3, elaborates the idea that new policy initiatives result not only from demands, but also from opportunities.

It had not been overlooked during the inter-agency negotiations that the two seemingly rival objectives could, to a certain extent, be complimentary if, as was subsequently agreed, the facility would normally be restricted to developing countries. It was a program having this dual orientation that eventually, after protracted inter-departmental discussions,¹ received concurrence by Trade and Commerce and External Aid Office officials, as well as those of Finance, External Affairs and ECIC.² Finally, it was also agreed at the level of officials that ECIC would be the logical agency to administer a foreign investment insurance program, because of the facilities already existing within the Corporation and its experience in the area of export credit and insurance. This agreement was reached having in mind the contents of the Gibson Report and the likely necessity of amending or replacing the Export Credits Insurance Act within the foreseeable future, at which time an investment insurance scheme could be included within the legislation that would be devised.

¹For a helpful treatment of the mode and techniques employed in inter-agency negotiations, see Charles E. Lindblom, The Policy-Making Process, Prentice-Hall Incorporated, 1968, Chap. 11. Also R.J. Van Loon and M.S. Whittington, The Canadian Political System, McGraw - Hill Book Co., 1971 and J. E. Hodgetts, "Public Power and Ivory Power," Agenda 1970: proposals for a creative politics, Toronto: University of Toronto Press, 1968.

²The author took part in these inter-departmental negotiations.

A proposal recommending the establishment of an investment insurance facility having the above two objectives and which would be administered by ECIC was submitted to the Cabinet jointly by the Minister of Trade and Commerce and the Secretary of State for External Affairs.

The resulting decision by Cabinet that a foreign investment insurance plan should be implemented marks a further landmark in the continuing theme of government involvement in Canadian export trade. The decision brought into being a new and additional facility through which government would be able to provide assistance to Canadian business in a manner intended to further Canada's export performance.

While much of the policy work at the level of officials, as indicated earlier, had been carried out in late 1966 and during 1967, Cabinet did not approve the investment insurance scheme until mid-1968. Appendix A illustrates the time relationships between the process leading up to this approval and the period of the Gibson study and the consequent inter-agency deliberations.

The circulation of the Gibson Report to interested Departments created a climate which provided the opportunity for Trade and Commerce officials to initiate a process of inter-departmental consultations, the aim of which was to obtain

concurrence, at the level of officials, for a proposal formulated by officials of that Department. This policy submission recommended that because of the importance of improving export performance and in the light of intensified competition being faced by Canadian exporters, particularly with respect to export financing and insurance, a more comprehensive set of support measures in this area were required.¹ Rather than once again amending the Export Credits Insurance Act, it was deemed preferable to bring forward new legislation in the form of an Export Development Corporation in succession to the existing Export Credits Insurance Corporation. The Corporation would administer improved and expanded facilities in the area of export insurance, guarantees and financing. This policy proposal incorporated many of the suggestions and philosophy carried in Douglas Gibson's Report.

Included in the submission were the following: That

a) the existing insurance and guarantee programs be widened and a number of associated new financial measures added to further facilitate competitive financing of Canadian exports; b) additional

¹The reason why Trade and Commerce officials took this initiative despite the prevailing policy of austerity within government was that it was their judgement - and subsequent events proved them to be correct - that concurrence from other departments would be forthcoming in view of the need to provide Canadian exporters with competitive accommodation and because such additional assistance would result in increased economic activity within Canada of a value many times greater than the additional funds so allocated.

funds for the government's long term export financing facility be made available and a number of technical changes brought about; c) a program be established to insure Canadian companies investing abroad against certain non-commercial risks; and d) any new legislation agreed upon take into account the anticipated need to operate on a larger scale in order to meet expected future demands and opportunities.¹

A process of inter-departmental consultations ensued during which the Departments of Finance, External Affairs, Industry, as well as the Treasury Board, the External Aid Office and ECIC considered and reacted to the policy submission put forward by Trade and Commerce. Many meetings (chaired by Trade and Commerce) took place and many policy papers were circulated. As these inter-agency deliberations proceeded progress reports both orally and in written form were submitted to Mr. Winters.² Likewise officials of other Departments reported to their respective Ministers.

While work in connection with the proposed Export Development Corporation was given priority by Trade and Commerce,

¹The contents of this paragraph are based on data within confidential files of the Department of Industry, Trade and Commerce.

²Mr. A.C. Abbott, Executive Assistant to the Honourable Robert Winters, the Minister of Trade and Commerce at the time, during a conversation with the author in late March, 1972, confirmed, as has been previously indicated (page 32, footnote 2) that Mr. Winters took a personal interest in overall ECIC policy and how the Corporation could be made into a more effective organization.

not all Departments concerned placed the same emphasis on the matter. For this reason and because the issues were complex and far reaching and proposed a substantial additional financial commitment by government during a period of austerity, the inter-departmental deliberations could not be pressed unduly.

It became apparent to Departmental representatives after the first month or so of inter-agency consultations, that it would take an appreciable amount of time to obtain the concurrence of interested Departments in respect of all aspects of a policy proposal that might eventually be placed before Cabinet. It was therefore felt desirable to seek 1) the approval of Cabinet with respect to the basic thrust and intent of the policy submission under consideration and 2) authorization to proceed towards certain proposed objectives agreed upon at the level of officials.

A proposal to this effect was submitted to the Cabinet by the Honourable Jean-Luc Pepin, who succeeded Mr. Winters as Minister of Trade and Commerce after the federal election of June, 1968. The proposal was approved by the Cabinet in July of

of that year (Appendix A).

This approval by Cabinet made it possible for the inter-departmental deliberations to continue. It was during the ensuing several months that the substantive inter-agency negotiations took place. It was in this period that the many policy issues were debated and the essential organization structure of the proposed Export Development Corporation and its basic powers eventually hammered out.¹ While these discussions were in process reports summarizing developments to date were put before Ministers from time to time.

The Departments that took part in the inter-agency deliberations continued to be Trade and Commerce, Finance, External Affairs, Industry, Treasury Board, the Bank of Canada, the External Aid Office and ECIC. The momentum and the driving force was provided by the Department of Trade and Commerce. It was the Department that put forward the policy proposals to which other departments and agencies reacted. According to an External Affairs

¹The subject of the inter-agency negotiations is discussed by Charles E. Lindblom in The Policy-Making Process, Prentice-Hall Inc., Englewood Cliffs, New Jersey, 1968, chap. 11; see also R.J. Van Loon and M.S. Whittington, The Canadian Political System, Toronto: McGraw-Hill Book Co., 1971, and J.E. Hodgetts, "Public Power and Ivory Power", Agenda 70: proposals for a creative politics, Toronto: University of Toronto Press, 1968, pp. 258-9.

official who had been involved in the inter-agency deliberations:

It was only right and proper that Trade and Commerce was the prime mover in the attempt to provide for a fully competitive Canadian system of support, utilizing both public and private facilities, for the financing of Canadian exports. The primary responsibility for bringing that about clearly was Trade and Commerce's. Other interested Departments, such as ours, were helpful and provided inputs where appropriate, but ours was not, and should not have been, a major role.¹

Important roles were played by the Finance Department in view of the financial implications of nearly all of the measures in question and also by the Treasury Board as the government was being requested to assume substantial additional financial commitments. The industrial development aspects were given attention by the Department of Industry. The Bank of Canada was intimately involved in connection with those proposals relating to the chartered banks, and the External Aid Office took a special interest in the foreign investment insurance measure. ECIC, of course, took an active part in the inter-departmental deliberations throughout.

¹ Conversation with Mr. F. G. Livingston, Department of External Affairs, January 27, 1972.

The following were the main measures recommended by officials.¹

General

The proposed Export Development Corporation, the establishment of which had already been approved in principle by Cabinet, was to be the focal point of the government's interest in the financing, insuring and guaranteeing of Canadian sales of goods and services to foreign markets, and with respect to the insuring of certain Canadian investments abroad.

Organization

The general direction of the new Corporation was to be the responsibility of the expanded Board of Directors, twelve of whom would be from the public service and four from the private sector, all to be appointed by the Governor in Council. This provision also included the appointment of a Chairman² from amongst the public service Directors, and that of a President who would be the Chief Executive Officer, both to be appointed by the Governor in Council.

¹The following information is based on working papers in confidential files of the Department of Industry, Trade and Commerce.

²It was suggested that in view of the broad industrial and trade considerations that should be brought to bear on the Corporation's direction that the Deputy Minister of Industry, Trade and Commerce be appointed Chairman in the first instance.

The Board would differ in a number of important respects from the existing ECIC Board. While there were no members from the private sector on the ECIC Board, the EDC Board would have four, who would be chosen from the exporting and financial communities. Also, it was proposed that no longer would the Cabinet be asked to approve all long term export financing transactions for the account of the Corporation. This would henceforth be the responsibility of the Board of Directors. Under the new arrangement, only when a transaction would be for the government's account, as distinct from the Corporation's, would Cabinet approval be required.

It was also the feeling that there would be no further need for the continuation of the ECIC Advisory Council in view of the proposed addition of private sector representatives to the Board and, more importantly, because of the intention to reconstitute and to broaden the terms of reference of the Export Advisory Council at the occasion of the anticipated merger of the Departments of Industry, and Trade and Commerce.¹

¹When the Department of Trade and Commerce was subsequently merged with the Department of Industry to form Industry, Trade and Commerce, the Export Advisory Council was reconstituted to reflect the wider mandate of the new Department, its membership enlarged, and its name changed to that of the Advisory Council of the Minister of Industry, Trade and Commerce. The function of this Council is that of providing advice to the Minister in respect of the policies and programs of the Department in the light of changing conditions in Canada and abroad.

Insurance and Guarantees

It was felt that the proposed EDC should aggressively try to sell its insurance services in a trade promotion sense and should use advertising and public relations techniques in support of this objective. This recommendation marked an important departure from the existing ECIC policy which was that the Corporation's role was not that of a development or promotional organization and that it was up to Trade and Commerce to undertake the selling and promotion of the Corporation's services and facilities.

Also recommended was a widening of the powers of the proposed Corporation in the insurance field, so that any type of desirable export transaction could be insured.

The restriction that guarantees could only be extended to banks in connection with medium term (2-5 years) export transactions was to be eliminated and it was to be possible to provide guarantees in respect of other kinds of export contracts, and to other than Canadian chartered banks, and in connection with sales not covered by insurance.

Export Financing

A number of technical improvements were proposed. In addition, a new measure was recommended through which the government could directly provide financing for an export transaction that represented too large an amount for the Corporation to carry on its own books, when such a course was desirable in the opinion of the Board of Directors and was recommended by the Minister. It was also proposed that in future major technical service contracts be considered eligible for long term financing support on their own, rather than only when associated with an equipment sale as had been the case in the past.

It was suggested that the prospective legislation provide for authority to eventually establish a rediscount facility which would be implemented at some time in the future when interest rates would be lower and other conditions favoured its usage.

Liaison with Banks

A major feature of the policy submission was the recommendation that the further participation and involvement of the chartered

banks be sought in the financing of Canadian export trade.

(This had been strongly recommended by J. Douglas Gibson in his report.)

It was urged that the Minister of Industry, Trade and Commerce in conjunction with the Minister of Finance and the Governor of the Bank of Canada introduce the new EDC proposal to senior bankers and meet with them from time to time to sustain their interest and involvement, and that Corporation personnel follow up such an approach so that a comprehensive and continuing liaison program between the Corporation and the head offices and branches of the chartered banks be maintained.

Foreign Investment Insurance

The foreign investment insurance facility, already approved by Cabinet, was to form part of the overall program of support and the plan was to be administered by the EDC, as the focal point of the government's interest in the area of export credit and insurance.

Financial Considerations

To provide for a larger volume of business to meet anticipated needs and opportunities, it was proposed the capitalization of the new Corporation be increased from \$20 million to \$50 million, the \$50 million

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to be in the form of \$25 million in authorized capital and \$25 million in capital surplus, it being understood that the capital surplus would be paid up fully only as required, though the \$25 million in authorized capital be made available immediately.

Increases in the ceilings with respect to most of the facilities under existing legislation were recommended and it was suggested that \$50 million be made available for the proposed new foreign investment insurance measure. (For a comparison of the eventual financial limits and capacities of EDC, which closely resembled the figures recommended by officials at this time, to those of ECIC, see Appendix B.)

A policy submission recommending the establishment of the EDC based on the above measures was approved by the Cabinet in February, 1969. As the Cabinet had approved in principle the creating of an Export Development Corporation in July of the previous year, it can be seen that a seven month period of inter-departmental consultation had been required to formulate the final organization structure and powers of the new Corporation.

Since officials of the Department of Justice had commenced, in co-operation with officials of the sponsoring Department,¹ with the preparation of the accompanying legislative proposals in July, 1968, (the time when Cabinet gave approval in principle to the EDC proposal) it was possible to seek and obtain the approval of Cabinet in respect of the legislative proposal about two weeks after Cabinet had approved the policy submission (see Appendix A).

This decision by Cabinet approving the detailed EDC proposal marked an important milestone in the policy process from which the Export Development Corporation eventually came into being. This decision by the Cabinet was, as has been shown, the result of a series of developments that had commenced more than a year ago in the form of demands from the business community that government make available additional and more flexible support in the area of export credit and insurance. A demand (represented by the demand-input stage in our model as illustrated in Appendix A) that had been made of the government, had been

¹Usually Trade and Commerce officials were supported by ECIC personnel and also, from time to time, by officials of other Departments as required.

transformed by officials into a policy proposal which was subsequently approved by the Cabinet (shown as part of the transformation phase in the model).

One cannot help but note the active role played by Trade and Commerce officials in the policy process up to this point, though this really should not be that surprising since the representations of the business community were, quite properly, made to that Department and to ECIC. It was that Department which recognized the need for a review of existing government support in connection with the financing of Canadian exports when it appeared that exporters were facing difficulties. The strategy of contracting a private consultant having the required prestige and experience and whose subsequent recommendations would be viewed in a credible way both by the government and the business sectors, was likewise conceived by officials of Trade and Commerce.

Of significance also is that the initiating role and momentum during the approximately eight months of interdepartmental deliberations were supplied by Trade and Commerce officials who submitted most of the detailed policy suggestions.

Again this should not be viewed as anything unusual as the primary responsibility for export policy came under the mandate of that Department. For this reason it was the Minister of Trade and Commerce who submitted the two EDC policy proposals to the Cabinet. (The only aberration from the pattern occurred when the Secretary of State for External Affairs and the Minister of Trade and Commerce jointly sponsored the investment insurance scheme because of the strong interest both organizations had in the matter.)

In short then, it can be said the EDC proposal was formulated by officials as a result of demands by the business sector, with the benefit of the advice of a private consultant, and subsequently approved by the Cabinet.

On March 21, 1969, less than one month after the policy and legislative submissions had been approved by the Cabinet, Bill C-183, an Act to establish the Export Development Corporation, was introduced in the House of Commons by the Honourable Jean-Luc Pepin, Minister of Industry, Trade and Commerce.

On April 14, the Honourable Otto Lang, Acting Minister of Industry, Trade and Commerce, in Mr. Pepin's absence, moved that Bill C-183 be read the second time and referred to the Standing Committee on Finance, Trade and Economic Affairs. At that occasion Mr. Lang explained in some detail (his comments covered six pages in the Debates of the House of Commons) why the government was proposing the establishment of an Export Development Corporation.¹ He stressed:

The Government regards sustained and improved export performance as a basic element in maintaining and developing the sound growth in the Canadian economy which in turn is necessary too if we are to have the capacity to develop our social programs, provincial or federal, welfare and cultural standards, to afford the investment required to narrow our regional disparities.²

The importance of exports to Canadian economic growth and as the source of revenue from which other activities could be financed was, it will be recalled, one of the basic tenets put forward by J. Douglas Gibson in his report. Also, as proposed in Mr. Gibson's report, Mr. Lang went on to state what, in fact, had been the policy of successive federal governments since Confederation when he indicated:

¹Canada, Debates of the House of Commons, April 14, 1969, p. 7473.

²Ibid., p. 7474.

In the interest, then, of optimum growth of the economy and of employment opportunities, stimulation of exports, particularly of manufactured goods, should have a high priority at this stage of our economic development.¹

The contents and tenor of Mr. Lang's speech clearly illustrated the government's objective of providing the kind of assistance to the business community which would maintain and enhance Canadian foreign trade when he declared:

Provision is made for operations on a more comprehensive scale geared to anticipated growth of trade, and a number of technical changes will simplify administrative procedures and will make the new corporation more responsive to exporter's needs and to competitive situations.²

Representatives of each of the opposition parties spoke briefly on the new Bill during the short debate that followed Mr. Lang's introductory remarks. An analysis of their remarks suggests that while some appear to have studied the Bill, others did not, or seemingly did not understand its contents.

Speaking for the Progressive Conservatives, Mr. Hales expressed the wish that the Minister would have given "...the

¹Ibid., p. 7474.

²Ibid., p. 7475.

House some concrete examples of how the provisions of this new Act are going to operate"¹, notwithstanding Mr. Lang's extensive introductory remarks and the fact that the Bill clearly enunciated the purpose and powers of the proposed Corporation. In spite of Mr. Lang's detailed explanation that in view of the proposed many changes and additional measures, it was preferable, rather than again amending the ECIC Act, to bring forward new legislation, Mr. Hales indicated he was "...at a loss to know why we need a new fancy-named Act."² He asked "...why it was necessary to bring in this Bill when the Export Credits Insurance Act has done a remarkably good job."³

Mr. Saltsman, the New Democratic spokesman, did not appear to appreciate the fact that the basic thrust of the legislation was that of promoting Canadian exports when, in addressing himself to the question of the composition of the Board, he stated that besides public servants and businessmen

...there is also a need for someone...who is directly involved in government policy, a government representative, a political representative to ensure the Board operates in the best interests of those other nations that it seeks to serve.⁴

¹Ibid., p. 7479.

²Ibid.

³Ibid.

⁴Ibid., p. 7481.

Mr. Saltsman went on to refer to the "... myth in the minds of the members of the Cabinet that we must export and that our life depends on exports."¹ The government should not artificially stimulate exports, but allow exports and imports to flow naturally. He felt the more we export the more we must import. In his view "it creates ... many disadvantages... and it makes us enormously vulnerable to what goes on in other parts of the world."² He added that while there is some truth in that increasing exports leads to increased rationalization, only a very limited degree of rationalization can be achieved this way. He felt that far more than the EDC was necessary to bring about the kind of rationalization required in Canadian industry, which should be the chief concern of the government.

The Ralliement Crditiste spokesman, Mr. Laprise, was opposed to the philosophy of the Bill. He questioned why special efforts should be made to increase exports. He indicated his disagreement with the Minister of Regional Economic Expansion's view that "The first imperative of social justice is to provide enough jobs."³ In support of his different view Mr. Laprise quoted

¹Ibid., p. 7482.

²Ibid.

³Ibid., p. 7484

from the First Report of the Christian Doctrine Wealth Committee
on the Congressional Union of Scotland of May, 1962:

The notion that it is better to hold any position than none at all has made its way just as the other one that the first goal of the economic system is to offer employment.... The purpose of production is consumption (not employment) and, generally speaking although man's work is a means whereby to achieve such purpose, it must not be considered only in the light of production.¹

Mr. Laprise then quoted from a brief presented to President Johnson on the Triple Revolution in progress in the U.S. which said:

An adequate distribution of the potential abundance of goods and services will only be carried out when we understand that the main economic problem is not to know how production will be increased but how abundance will be distributed.²

Mr. Laprise ended his intervention by saying:

The legislation brought before us by the Minister of Industry, Trade and Commerce constitutes a residue of puritanism which no longer has its place in a world dominated by cybernetics and characterized by affluence.³

¹Ibid., p. 7486.

²Ibid.

³Ibid.

The Bill was then referred to the House of Commons Standing Committee on Finance, Trade and Economic Affairs where it was considered on a clause by clause basis. The Committee met on four different occasions to take up the Bill. Officials of the Department of Industry, Trade and Commerce and ECIC were asked by the Committee to testify at the hearings, and invitations to appear before the Committee were sent to the Canadian Manufacturers' Association (CMA), the Canadian Bankers' Association, and the Canadian Export Association (CEA). The CMA declined the invitation to appear, but submitted a memorandum. The Canadian Bankers' Association did not appear before the Committee and did not send any comments in writing, though they sent one or two bank officials as part of the CEA delegation which appeared before the Committee. The CEA delegation consisted of the Chairman of the Board of the Association, the President, the Chairman of the Association's Advisory Committee on Export Finance, and a number of officers from Canadian exporting companies.¹

Very little of consequence came out of these hearings. A great deal of time was taken up in the form of explanatory comments by Industry, Trade and Commerce and ECIC officials.

¹Minutes of Proceedings and Evidence, Standing Committee on Finance, Trade and Economic Affairs, May 13, 1969, p. 2413-14.

This would suggest that Committee members either did not study the Bill carefully in advance of the hearings, or its contents were too technical in nature to be understood by laymen.

After meeting on four different occasions, three of which involved sittings lasting for most of the day, the Committee made its report to the House recommending three minor amendments to the Bill as drafted. (The Committee's report took up a little over a half a page.)

The most important of the proposed amendments concerned the duties of the Board in the event that it would be necessary to appoint an Acting President. The amendments suggested the addition of the phrase "... and to fix the terms and conditions of his appointment and his remuneration"¹ with the intention of further clarifying that the Board of Directors in appointing an Acting President could provide for his remuneration.

The fact that the Bill underwent very little change while it was being considered by the full House and by the House's Standing Committee on Finance, Trade and Economic Affairs suggests

¹Report to the House Standing Committee on Finance, Trade and Economic Affairs, Nineteenth Report, May 20, 1969, p. 47.

that officials had, at an early stage, fully consulted with all interested parties in the business community in preparing this legislative measure. Another explanation might lie in the consideration that the Bill was rather technical in nature and while of interest to the business community at large, only those intimately involved in the negotiation of certain types of export contracts would be able to completely comprehend its contents and implications. This possible explanation would be consistent with J.E. Hodgetts' view:

The knowledge possessed by our lay representatives in Parliament has long since ceased to keep pace with the multiplicity and complexity of problems that burgeon on all sides. Their 'intelligence' services are antiquated, still relying on the formal contact with constituents which were just barely adequate in a less complex age and at a time when the geographic basis for representation provided a method of tapping a more homogeneous set of interests, geared largely to an agrarian, local economy.¹

There was no further debate on the Bill when it was taken up again by the House for third reading and it subsequently received approval by the House on June 19, 1969.

¹J.E. Hodgetts, "Public Power and Ivory Power", Agenda 70: proposals for a creative politics, Toronto: University of Toronto Press, 1968, pp. 258-9.

The Bill then went to the Senate where it was passed without debate.

On June 27, 1969, the Bill received Royal Assent and on October 1, 1969, the Act was proclaimed.

A number of concluding observations can be made regarding the policy process from which the Export Development Corporation came into being.

Firstly, the process can be seen, as illustrated in the model, to have three distinct stages: the demand-input stage, the transformation phase, and the output. The demands put to government by the business community initiated the first stage in the policy formulation process, i.e. the demand-input stage in our model. In response to the expressed needs by business, officials, with assistance from a private consultant, evaluated the existing system of support (the beginning of the transformation phase) and brought forward a policy proposal recommending that a new Corporation be established. The proposal was approved by Cabinet, passed by Parliament without substantial amendment, and given Royal Assent. The Act establishing the new Corporation was

subsequently Proclaimed (the commencement of the output period in our model).

Secondly, one cannot help but be impressed, as suggested earlier, by the major role played by officials, especially those of Trade and Commerce, in the policy process from which the Export Development Corporation evolved. The key role of officials in policy formulation has been recognized by a number of writers. J.E. Hodgetts, for instance states that

...the balance of power has ... shifted to the permanent bureaucracy to such an extent that its senior members must occupy themselves more than ever before with the identifications, refinement, and formulation of policy objectives.¹

In the same vein, R.S. Van Loon and M.S. Whittington suggest that "it is now generally recognized that the bureaucracy in Canada has a significant and positive role in the policy process."² They go on to argue:

The bureaucracy is the core institution at the formulation stage of policy making in Canada ..., (and that) the actual formulation of specific policies is accomplished by the Departments of the Public Service.³

¹Hodgetts, "Public Power and Ivory Power", Agenda 1970: proposals for a creative politics, pp. 262-3.

²Van Loon and Whittington, The Canadian Political System, 1971, p. 407.

³Ibid., p. 408.

Hodgetts, Van Loon and Whittington relate the dominant role of the public officials in the policy process to the ever increasing specialized knowledge and expertise in technical and financial areas within the public service. Hodgetts draws attention to the "...growing awareness on the part of the bureaucrat of the de facto power which he commands by virtue of his knowledge."¹ Van Loon and Whittington suggest:

Such control over information is the critical source of bureaucratic policy influence and, as the technological and quantitative complexity of our society increases, the reliance on bureaucratic specialists by political decision-makers will increase commensurately.²

The policy process which resulted in the establishment of the EDC unequivocally supports their views.

Thirdly, concomitant with the increasing influence of departmental officials on policy formulation is the reduced role of the legislature. It will have been apparent to the reader that the legislative branch did not effect any substantial inputs into the process which resulted in the creation of the Corporation. Gone are the days when it can justifiably be stated

¹Hodgetts, "Public Power and Ivory Power", Agenda 1970: proposals for a creative politics, p. 264.

²Van Loon and Whittington, The Canadian Political System, 1971, p. 408.

that:

No Cabinet which keeps in constant touch with this body can be very far removed from the fluctuations in public opinion, for the House is always acting as interpreter and forcing this opinion on the attention of its leaders....¹

The impact of the legislature on public policy has been decreasing steadily over the years. In real terms its role today in the policy process is "...as a policy scanner and scrutinizer...."² and it was this kind of a function that it exercised with respect to the decision-making process which resulted in the formation of the EDC. A number of writers have analyzed the continuing decrease in the role of the legislature in government policy-making and there is no need to dwell on the issue within this paper, though it is of some interest to note that at the request of the executive branch an academician has been retained in order to explore how the effectiveness of the legislature might, at least to some extent, be restored.

¹R. MacGregor Dawson, The Government of Canada, Toronto: University of Toronto Press, 1970, p. 304.

²G. B. Doern and P. Aucoin, (eds.), The Structure of Policy-Making in Canada, Toronto: MacMillan Co., 1971, p. 277.

Two additional points of interest apropos the creation of the EDC should be made.

Firstly, it should be pointed out that the merger between the Department of Trade and Commerce and the Department of Industry took place while the policy work in connection with the EDC was in train. The preparatory activities in respect of the proposed merger took place during the latter half of 1968 and the beginning of 1969. The official date of the creation of the new Department of Industry, Trade and Commerce was April 9, 1969, after final Cabinet approval of the Export Development Corporation occurred, but before the Bill received Royal Assent (see Appendix A).

Thus the merger of the two Departments had no real significance in terms of the EDC policy process.

Secondly, it should be mentioned that the unit in the Department of Trade and Commerce (latterly Industry, Trade and Commerce) which provided the primary input and initiative in the inter-agency consultations leading to the formulation of the EDC proposal was the Financing and Aid Branch (latterly the International

Financing Branch) and while the work involved in the development of the EDC proposal became its overriding preoccupation, the Branch, nevertheless, was responsible for carrying out its regular functions and activities.¹

Of significance here is that the policy work which led up to the creation of the EDC was not assigned to an organizational unit set up for the purpose, but was done by a unit that was already in existence having on-going responsibilities.

One final observation in the interests of perspicacity is required.

While the establishment of the Export Development Corporation represented an important decision by government, one should not overlook the necessity of viewing this decision as nothing less, yet nothing more, than another landmark in the continuing policy by government of supporting and encouraging Canadian export trade, a policy which began to emerge shortly after Confederation.

¹The essential responsibilities of the International Financing Branch were, and still remain, the co-ordinating and bringing to bear of industrial and trade interests in the formulation of government policy in the fields of export credit, export insurance, and related aids to export, investment insurance and bilateral and multilateral external aid programs; including such international financial institutions as the World Bank, the Inter-American Development Bank, the United Nations Development Program.

CHAPTER III

A LOOK INTO THE FUTURE

In this final chapter, the focus will be on the future. Some comments will be offered as to why we should concern ourselves with the future and endeavor to approach it in a wilful and systematic way. The evolution of planning and the extent to which it is being practiced today will be briefly reviewed.

Given the dynamic and changing environment of the international marketplace and the degree to which long range planning is being carried out by the Department of Industry, Trade and Commerce in the area of trade and industrial development, it will be argued that there is need for more attention to the long term planning of EDC's program and activities in terms of both the operation of the planning process and whether the primary responsibility for the planning function lies with the Corporation or essentially with Industry, Trade and Commerce.

It will also be argued, in view of the increasing interdependence between government and business and the likely continuation of the growing involvement by government in the

nation's export trade, that EDC's long term planning should be developed in consultation with the private sector to as full an extent as is possible.

In recent years, the future has, for the first time in history, become an area of serious and systematic study. During previous centuries the study of the future was of interest only to the prophets, and in latter times, to the science-fiction writers. Today there is a growing interest and concern about the future. Society, at least in the western world, is now committed to "doing things for the future". As Daniel Bell points out in his Introduction in the book The Year 2000, nearly everywhere society is wilfully committed to achieving something in the future, be it economic growth, better housing, less pollution, etc. The realization of these objectives requires the planning and controlling of social change.

Bell goes on to explain that the earlier writings about the future were rather fanciful and written in a subjective vein. These works were characterized by a certain lack of seriousness. To a large extent they were written to offer intellectual stimulation and to provide good reading. Almost none of these earlier books

tried to make any sociological predictions.

The futures studies now under way, he indicates, are very different to the earlier attempts. Current studies examining the future are much more sophisticated in their methodology. Use is made of statistics; there is a recognition of trends; likely developments are extrapolated; time-series and models are employed. The Dephi method and other techniques are utilized.¹

The objective of these studies as Bell points out is,

"...not an effort to 'predict' the future, as if this were some far flung rug of time unrolled to some distant point, but the effort to sketch 'alternative futures' - in other words, the likely results of different choices, so that the politicians can understand the costs and consequences of different desires."²

Canadians are becoming increasingly aware and knowledgeable, and their concern about the future way of life in this country is growing. There is a greater inclination than ever before to question current practices and existing policies.

¹Herman Kahn and Anthony J. Wiener, Introduction by Daniel Bell, The Year 2000, MacMillan of U.S.A., 1968, pp. XXI - XXVII.

²Ibid., p. XXVI

With more and more of our society's efforts being expended in terms of future objectives, there is every reason why increasing attention should be given to the planning of tomorrow's world.

In our political system, policy formation is the task of government. It is government, therefore, that carries the responsibility for the formulation of policies that determine our way of life in the years to come. Yet in spite of the fact that an ever increasing amount of knowledge is becoming available policy-making is becoming more difficult and not easier as time goes on.

Government must, nevertheless, continue to govern, and governing requires the making of policy choices, no matter how difficult the decisions involved become. Given that policy formation in government is becoming increasingly complex and consequential in terms of the future, it is essential that government approach decision-making as it affects the future in a systematic way.

However, as is pointed out by Ronald Ritchie in his

study for the federal government which provides proposals for the establishment of an institute to assist government in its long range planning:

Neither government nor the public in Canada are well-equipped for the major difficulties of this task. There is wide consensus on this among politicians, senior government officials, scholars, and all who have thought seriously about the needs of public policy decision-making for today and the future. Our lack is in knowledge, in methodology and in the organized provision of expertise for the task.¹

The need for better ways of making decisions has led to exploratory work in several different, but related areas. The approaches adopted in these different areas have, nevertheless, had the common purpose of trying to find improved ways and means through which better decisions can be made.

A number of these new approaches are now well known and terms such as goals and priorities, social reporting, futures forecasting, systems analysis, etc., are familiar to many of those in policy-making positions.²

¹Ronald S. Ritchie; An Institute for Research on Public Policy, A Study prepared for the Government of Canada, 1971, p. 2.

²For a consideration of these and other new approaches to decision-making, see Economic Council of Canada, Eighth Annual Review - Design for Decision-Making, September, 1971, Chapter 3.

One form of systems analysis that has been adopted in both the U.S. and Canada in the area of government decision-making is Planning, Programming, Budgeting, now usually referred to as PPB.

The system was put into effect in all U.S. federal departments in 1965 by Presidential edict following extensive work and refinement of the technique in the Department of Defence, the Bureau of the Budget and the Rand Corporation. "Despite shortcomings and difficulties... PPB introduced new dimensions into the decision process of the U.S. government"¹ and brought about an improved method of allocating and managing public funds.

One of the basic purposes of PPB was that of providing a new and better way of developing both short and long term plans.

The introduction of PPB into the Canadian government was not the result of the same pattern of developments as took place in the United States.

As pointed out by G.Bruce Doern and Peter Aucoin in The Structures of Policy-Making in Canada,

¹Ibid., p.41.

...the essential Canadian inspiration for the development of PPB can be linked indirectly to the Glassco Royal Commission on Government Organization which reported in 1962-3. While the Glassco Commission did not speak of Planning Programming and Budgeting, it did refer to the sterility of an entire government budgeting on the basis of standard objects of expenditure. It therefore urged the government to develop budgeting techniques on a program basis. Such techniques would be more output orientated. The initial impact of such a recommendation was felt in 1963 when four departments were selected to implement the Glassco recommendations regarding financial administration. Later, four other departments were introduced to some of these concepts....¹

Since that time the PPB system has been gradually put into effect in an increasing number of government organizations and is now being utilized in all federal departments.

PPB concerns itself with resource allocation - both in terms of the present and the future. Its introduction into the federal government has, therefore, resulted in the beginning of formal short and long term planning. Indeed, one of the features of the PPB technique is that it is possible to produce and recombine data in such a way that planning for the future in a systematic way becomes possible.

¹ G. Bruce Doern and Peter Aucoin, The Structures of Policy-Making in Canada, Toronto: MacMillan Co. of Canada, 1971, p. 87.

There has been some probably unavoidable confusion in federal departments over the real purpose of PPB. Some feel that having in place a form of systems analysis is a good thing in itself and that having at hand the data that is made available is sufficient reason for adopting the system. Others believe that the process itself will produce decisions for management. Neither is the case. PPB is in essence a management tool; it is a process which makes available certain data allowing for better planning as a result of improved decision-making by management.

The adoption of PPB has contributed in a major way to the improving of financial management within the Canadian government. However, of even greater significance, in the view of the author, is the fact that the implementation of PPB represented a decision by government that it would try to plan for the future in a systematic and comprehensive way. Inherent in the decision is that it is the responsibility of government to influence and direct social change in order to achieve certain pre-determined goals. This surely must be the most fundamental and hopefully will be the most rewarding long term result of the adoption of PPB within the Canadian government.

It is appropriate at this point to note briefly the extent to which long range planning is being practiced within the U.S. and Canadian business sectors, after which attention will be focused on planning within Canadian crown corporations, particularly the Export Development Corporation.

A substantial amount of literature has been developed in the U.S. on both the concept of planning and the extent to which planning is being practiced within U.S. business. Much knowledge about the planning concept has been accumulated in that country, and planning techniques are being used in most major U.S. business corporations.

Holden, Pederson and Germane, for example, in their useful study entitled Top Management, analyze the managerial practices of a number of successful U.S. corporations. They report that:

Forward planning is accepted practice today in well-managed industrial enterprises. The men in top management have a keen awareness of their corporate obligation to plan for the future and to do so with an unmistakable seriousness of purpose. There are, of course, significant differences among companies in their depth of experience with the process, the degree of sophistication developed, and the means of implementation applied.¹

¹Paul E. Holden, C.A. Pederson and G.E. Germane, Top Management, McGraw Hill Book Company, 1968, p. 3.

In referring to current trends in long term planning the authors point out that there appears to be a tendency to go to a ten year planning cycle. In their opinion

...there is little doubt that ten year long range planning will be an established practice in an increasing number of industrial enterprises. After all, projecting operations for half that period was a bold venture not many years ago.¹

In conclusion, Holden, Pederson and Germane state that

...there is no question but that long range planning as a vital corporate activity is here to stay. In many companies one-fourth to one-third of the income dollar is spent with a view to the future - research and development, management training, new facilities, advertising ventures into new areas, and acquisitions. If such expenditures are to be purposeful and prudent it is axiomatic that intelligent planning be applied.²

The ready availability of the extensive American literature in the planning field explains, in large measure, in the view of J.H. Goodwin, Senior Consultant, Corporate Planning, Ernst and Ernst,³ why relatively little has been

¹Ibid., p. 54.

²Ibid., p. 56.

³Mr. Goodwin was Chairman of the recent International Conference on Corporate Planning held in Montreal.

written on the subject in this country.

Goodwin adds that while a number of Canadian companies are practicing planning in as sophisticated a way as are leading U.S. corporations, on a global basis Canadian business is significantly behind its American counterpart. Almost no research, Goodwin points out, has yet been done on the extent to which planning is being carried out within the Canadian business sector and this is an area where useful research could, and indeed should, be undertaken.¹

It is suggested in what is probably the only Canadian study in this area, that "organized planning appears to be in its primary stages of evolution in Canadian companies."² The study indicates that corporate planning has received widespread acceptance in Canada only since about 1968 and that "Sixty-eight per cent of the companies surveyed started their planning department in the past two years."³ It adds, however, that the trend towards corporate planning is clearly rising in Canadian business organizations.⁴

¹Conversation with Mr. John H. Goodwin, Senior Consultant Corporate Planning, Ernst and Ernst, Montreal, April 10, 1972.

²Raoul M. Elias, State of The Art of Canadian Corporate Planning, Résumé of MBA thesis, McGill University, Montreal, 1971, p. 1.

³Ibid., p. 1.

⁴Ibid., p. 2.

Of some interest is that the study submits that amongst the most critical handicaps to constructive planning is "...the inability to anticipate the likely actions of governments...."¹, a point which will be taken up when focusing on planning within the Export Development Corporation.

Traditionally, within the Canadian federal system, crown corporations, rather than departments, have been created by the government to discharge particular functions. It was felt that crown corporations would have the benefit of government funding plus the advantages that a company in the private sector has in the form of greater flexibility in the area of management,² which includes planning. In the opinion of some, a further reason for the setting up of crown corporations in earlier days was that it was deemed easier to keep track of the exact costs involved in the operations of a crown corporation than a department.³

¹ Ibid., p. 2.

² Most scholars in the field of management generally break the management function down into planning, organizing and staffing, direction co-ordinating and control.

³ Costs borne by crown corporations have always been clearly identifiable

The initiative undertaken by the Treasury Board in the first half of the 1960's, which witnessed the introduction of PPB, resulted in the long term planning function being developed to a more sophisticated degree in departments than is now generally the case within crown corporations.

Nonetheless, within the last few years, some crown corporations have been giving increasing attention to long range planning.

For example, in the case of Polymer Corporation, a company which is involved in a variety of business thrusts and product lines in both the domestic and foreign markets, "long range planning is now in effect throughout the organization."¹ Management has attempted to create an atmosphere throughout the Corporation in which people are planning conscious and where planning becomes an integral part of the job.

Long range planning at Polymer is currently being carried out on the basis of five year forecasts. Formal corporate planning has been in use for a number of years. "The basic purpose

(con'td)

while in earlier years some services and goods provided to departments by others in the federal system were not always shown as costs to the to the receiving department.

¹Conversation with Mr. R.C. Sykes, Corporate Economist, Polymer Corporation, March 28, 1972.

of the planning function in Polymer is to provide the necessary background for senior management to decide how funds should be allocated, given many investment alternatives."¹

At Central Mortgage and Housing Corporation (CMHC) long term planning is having a marked impact on the policy. The planning technique being used at CMHC is not pure PPB. While the Corporation is still developing and perfecting its long range planning procedures, some form of central planning has been going on for several years.

Money and man-year requirements are projected over a five year period and prepared annually, as is a detailed work plan covering twelve months ahead. Forecasting is being done on a ten year basis with respect to some activities, and for even longer periods for such areas as social housing patterns and long term capital requirements.²

In considering what is and indeed what should be done by the Export Development Corporation regarding long term planning in the area of export credit and insurance, it is necessary to

¹Ibid.

²Conversation with Mr. W. Rudnicki, Executive Director, Policy Planning, Central Mortgage and Housing Corporation, March 29, 1972.

firstly note the planning presently underway in the Department of Industry, Trade and Commerce in the broader area of trade and industrial development.

Short and long term planning is being carried out in Industry, Trade and Commerce on an industry sector basis as part of the PPB exercise. This work includes the projecting of export capabilities by industry over a five year period. The preparation of sector plans is essentially the responsibility of the Department's industry sector branches. In some areas, the kind of plans that are being prepared are relatively simple and are, in effect, extrapolations of existing situations. In other cases, such as that of the Textile industry, a framework for the industry has been formulated within which companies can develop long term corporate plans, including long range investment intentions. This framework was co-ordinated by Industry, Trade and Commerce with the substantial participation by other federal departments, provincial governments, industry management and labor organizations. The Textile Policy was significant in that it marked the first time that government and industry in Canada by working together were able to construct a framework within which industry can plan for the future.

Recently the Minister of Industry, Trade and Commerce announced that the government would be embarking upon the preparation of an industrial strategy for Canada. It is an immense task as the objective of such a strategy must be, in one way or another, to provide for goals and priorities for the various sectors of Canadian industry. This undertaking, which is being co-ordinated by Industry, Trade and Commerce will require, as did the development of the Textile Policy, thorough consultation with other federal departments, provincial governments, industry management, and unions. The process is now getting underway.

As has been shown, government involvement in export matters commenced after the coming into being of the federal Finance Department in 1869 which took a limited interest in external trade. This involvement by government rose sharply with the establishment of the Department of Trade and Commerce in 1892 and became more pervasive down through the years. The creation of ECIC in 1944 and of EDC in 1969 were additional examples of the government's further involvement in foreign trade. The decision

to formulate an industrial strategy for Canada (which has, of course, very direct effects in terms of foreign trade) marks yet another and very major landmark in the process. A process that, as we have seen, began to emerge shortly after Confederation.

Given that short and long term planning regarding trade and industrial development is being carried out and work on the formulation of an even longer term industrial strategy has commenced, it is logical that formal long range planning in the field of export credit and insurance should take place.

Where should the primary responsibility rest for long range planning the area of export credit and insurance? Should it lie with the Export Development Corporation or essentially with the Department of Industry, Trade and Commerce?

A good case can be made on either side.

The main reasons for placing the responsibility for the long term planning function with EDC are the following:

- 1) In terms of enhancing the likelihood of the acceptance of the goals proposed and in the interests of good morale,

it is desirable that the long term planning for an organization be carried out within that organization.

- 2) Personnel within a given organization will be more knowledgeable with respect to its objectives and the demands made on the organization than persons external to it. Consequently those within a crown corporation should be better able to carry out the planning function in an effective way than those located outside it.
- 3) A growing number of crown corporations are now undertaking their own long range planning.
- 4) Any commercial organization operating in today's increasing competitive and rapidly changing marketplace should be doing its own long term planning.

The main reasons for placing the responsibility for the planning function with Industry, Trade and Commerce are the following:

- 1) It would be easier to integrate the planning for export credit and insurance activities into the overall trade and industrial planning now being undertaken in ITC.

- 2) Traditionally, overall government planning has normally been the responsibility of federal departments and not crown corporations.
- 3) There is already in existence within ITC a cadre of personnel having expertise in the planning process.

On balance, the reasons why the primary responsibility for planning in the sphere of export credit and insurance should be with EDC outweigh those which favor ITC carrying out this function.

The over-riding factor favoring EDC doing its own planning is that any commercial entity having a role, objectives, and a scale of operations approaching that of the Corporation's must, if it is to be a truly dynamic organization, be primarily responsible for the planning of its future. Not only must EDC be responsible for its own planning, but it also must be fully accountable for the results thereof.

This is not to suggest that EDC should plan in a fashion detached from the trade and industry planning currently being carried out in Industry, Trade and Commerce. Indeed, quite the contrary should be the case. Long term planning within EDC

should be undertaken in close co-operation with the industry sector planning going on within ITC and fully integrated with that broader process.

It should be clearly recognized that it is the responsibility of the EDC Board of Directors to make certain that adequate planning is being carried out within the Corporation. The Board should review regularly and approve, at least once a year, the proposed long term corporate plan, and ensure that it is consistent with long term trade and industrial policy and the government's overall economic objectives.

Some planning within EDC is now taking place. As is usual when a corporation embarks upon the activity, planning in EDC began in the financial area.

Presently, the Corporation is preparing financial projections for its major operating areas.

The present practice is that of preparing five year projections regarding the export insurance and financing activities. Attempts are now underway to try to estimate the funds that might be required for the long term export financing program for the

Corporation's account up to the year 1985 with a view to trying to determine the point when the operation would be self-sustaining. Apropos investment insurance, forecasts are being prepared up to a twelve month period, at which time the current ceiling under the Act will likely be reached. All this had been accomplished as of two years ago, when EDC was first asked to prepare annual capital budgets.

Early this year, a small Policy Planning and Research unit of two persons was set up reporting to the Vice-President, Finance. This unit is just becoming operational. In the main, its responsibilities will be that of undertaking policy planning and research in the fields of export financing, foreign investment insurance and related affairs.¹

A description of the duties for this unit has not as yet been written. In order to assist it in establishing the exact duties of the unit, the Corporation has asked the management consulting firm, P.S. Ross and Partners, to submit a proposal setting forth what the unit should be doing and how it should function.²

¹Conversation with Mr. H.T. Aitken, President, Export Development Corporation, April 4, 1972.

²Conversation with Mr. V.L. Chapin, Vice-President, Finance, Export Development Corporation, April 26, 1972.

The creation of a Policy Planning and Research group is, without doubt, a desirable measure. The likely activities of the new Policy Planning unit together with the financial forecasting already being carried out, represent a significant step towards the point where long term planning on a corporate basis becomes possible.

In the light of such considerations as the importance of approaching the future in a wilful and systematic way, the dynamic and changing environment of the international marketplace, the increasing tendency towards the point where long term corporate planning in Canadian industry, including in all likelihood in some firms that are clients of the Corporation, and the fact that planning in the area of trade and industrial development is now underway in ITC, it would now appear timely for EDC to undertake long term planning on a truly corporate basis.

The following guidelines and observations may be helpful to EDC management in the launching of formal long term planning on a corporate basis.

Basic to this planning activity is an on-going review of the Corporation's fundamental objectives and the extent to which

these objectives are being met amidst changing conditions.

In the light of such a review, corporate planning can take place and should involve preparation of annual projections covering five year periods in respect of the three operating areas (lending, export insurance, foreign investment insurance), manpower needs and training, capital expenditures, promotion and advertising, research, and organization structure.

As financial forecasts covering the Corporation's three major operating areas are, as previously indicated, already being prepared, relatively little additional work is required to bring about formal long term planning on a corporate basis.

From the financial projections currently being prepared in the three operating areas, it is possible to forecast the man-years and the kind of personnel that will be required to carry out the projected level of operations. Likewise, the funds required for manpower training, development and education (including language training), can be estimated.

In a similar way, projections can be prepared regarding additional capital expenditures in the form of land, building and materials, as well as for the level of promotion and advertising that is deemed desirable.

An allocation would have to be made to cover the research function. This would involve the review of existing policies and programs, and the search for new ways and means through which the Corporation could further Canadian export interests. This work, as previously noted, is now getting underway with respect to the financing and investment insurance operations.

Similarly, projections should be carried out regarding organizational structure, an aspect that should not be overlooked in the development of a long range corporate plan.¹ In the view of a former Vice-President of the American Management Association, "seventy-five to eighty per cent of the problems brought to the attention of management consultants arise from defects in organizational structure."²

¹For a useful source of additional information as to how to launch formal long range planning, see Formal Planning - The Staff Planner's Role at Start-Up, Stanford Research Institute, California, Report No. 250, 1965; and Formal Planning - The Executive's Role, Stanford Research Institute, Report No. 2206, 1964.

²Dick Carlson, Modern Management - Principles and Practices, Organization for Economics Co-operation and Development, Paris, 1962, p. 47.

The decision to implement long range corporate planning within EDC would require some additional personnel, although by no means a substantial addition.

As formal planning on the financing and investment insurance side is now commencing, the only requirement in the area of the Corporation's operating activities would be in the insurance area where the planning function would possibly require the addition of one officer. It might be preferable for the time being to place the responsibility with an existing staff assistant to the Vice-President, Insurance.

There would, however, be a need for an additional person essentially to:

- 1) provide advice to the various departments in the Corporation regarding the concept of planning and planning techniques;
- 2) co-ordinate the planning inputs from the various departments and integrate these inputs, adding his own contribution, which would be expected to be substantial; and

- 3) formulate a total long range corporate plan for management consideration.

This additional officer would preferably be a person having some knowledge and experience in the planning process and an understanding of EDC's purpose and activities. The person should be given the title of Director, Corporate Planning, or the equivalent, and should, ideally, report to the President.¹

Notwithstanding the foregoing, it should be emphasized that unless there is an appreciation throughout the organization that top management is vitally interested in planning for the future, planning will not be given the priority at all levels that is essential for the planning process to yield worthwhile results. In this connection the attitude of the Chief Executive is of fundamental importance. As stated in a Stanford Research Institute report:

With respect to planning, the Chief Executive thus is the firm's environment-setter, its direction-pointer, and its top manager of

¹An alternative arrangement would be for the person presently in charge of the Policy Planning and Research unit to be given responsibility for the formulation of the corporate plan. Such an arrangement could well be satisfactory for the time being, though eventually it likely will be desirable to appoint a Director, Corporate Planning, who would not be part of another line or staff group and who would report directly to the President.

plan preparation and execution.¹

Holden, Pederson and Germane make the same point in a slightly different way:

There is nothing about an organization more important than its future... In any institution the responsibility for visualizing, initiating, achieving future objectives rests with top management.²

One final consideration requires attention and it relates to the need for EDC to consult fully with the private sector in the development of its long term planning.

There is no doubt that the 1970's will witness a growing interdependence between government and business. This growing interdependence offers both problems and opportunities.

In recent years there has been a communications 'gap' between the two sectors and a lack of mutual trust and confidence, which is of concern to Canadians. Government and business have not been working in unison as is essential if the expectations of the 1970's are to be realized. As

¹Long Range Planning Service, Formal Planning - The Executive's Role, Stanford Research Institute, Report 2206, August, 1964, p. 5.

² Holden, Pederson and Germane, Top Management, pp. 37-38.

pointed out a year ago by J.Duncan Edmonds and M.K. Paumann in their article Business and Government Relations in Canada in the 1970's

...the question of business-government relations has become an increasingly critical issue within our society. It is also apparent that an improvement in the communications between the business community and government and the achievement of a co-operative working relationship between the two forces is paramount if Canada is to realize its potentialities, given the likelihood of the emergence of an increasingly challenging and competitive work in the 1970's. ¹

They added:

There is increasing evidence that the tensions and lack of a basic entente between the private and the public sector so apparent in the 1960's will only increase during the decade of the 70's. ²

Professor Thain of the University of Western Ontario in addressing himself to the problem wrote:

In the conflict that is shaping up, there can be no winners....Government officials will appear to be dictatorial, anti-business, bureaucratic, ill-informed and bumbling. Spokesmen for business will appear selfish, disloyal, anti-government and uncooperative. ³

¹J. D. Edmonds and M.K. Paumann, "Business and Government Relations in Canada in the 1970's, Optimum, 1971, p.30.

²Ibid., p. 24.

³D.H. Thain, "The Coming Crunch in Federal Government-Business Relations", Business Quarterly, Autumn, 1970, p. 23.

In spite of the present difficulties in the relationship between government and business, both parties would welcome a new spirit of cooperation.

The relationship between EDC and the private sector is good. Yet it can be improved and indeed must be, if the Corporation is to provide the kind of support that will be required by exporters as they face the increasingly competitive and complex marketplace of future years.

Only by consulting now, fully and frankly, with their present and would-be customers, and with the Canadian chartered banks in the manner suggested by J. Douglas Gibson, can EDC plan for the provision of the type of support that will be required by Canadian exporters in the years to come. Such an approach would also contribute in an important way to encouraging and facilitating planning by the companies so involved.

The undertaking of what some might call a bold and imaginative initiative, to work closely with the private sector in the development of the Corporation's long term goals would enable EDC to make a significant contribution in narrowing

the communications 'gap' between government and business and enhance the cause of export.

Indeed, only by soliciting and taking into account the advice, ideas, and recommendations from the length and breadth of the Canadian business community will it be possible for EDC to do the kind of long range planning which will enable it to more than just 'keep-up' with its counterparts in other countries, and, in the years to come, be in a vanguard position in the ever evolving and increasingly complex field of export credit and insurance. Only by opting for such a policy and approach can EDC in the future be a truly dynamic export development corporation.

7

APPENDICES

MODEL AND NETWORK DIAGRAM ILLUSTRATING STEPS 1

EXPORT DEVELOPMENT CORP

Model Illustrating Steps
In Policy Process Resulting
In Export Development
Corporation

Demand-Input Stage

Demands By Business

Gibson Study

Network Diagram Illustrating
Policy Process Resulting in
Export Development Corporation

Demands By Business

Foreign Investment Insurance
proposal (Trade & Commerce)

Foreign Investment
Insurance proposal
(External Aid Office)

Interdepartmental Consultations

Appendix A

ILLUSTRATING STEPS IN POLICY PROCESS RESULTING IN
EXPORT DEVELOPMENT CORPORATION

APPENDIX B

APPENDIX B

EXPORT DEVELOPMENT CORPORATION—SOCIÉTÉ POUR L'EXPANSION DES EXPORTATIONS
Limits and Capacities—Limites et Capacités

	EDC—SAC		ECIC—SACE		
	Amount	Section	Amount	Section	
	Montant	Article	Montant	Article	
Capital	million				Capital
Capital stock authorized and subscribed.....	\$25(a)	11 (1)&(2)	\$ 15(a)	10 (1)&(3)	Capital-action autorisé et souscrit
Capital surplus paid in by the Minister of Finance.....	25(b)	11 (3)	5	10 (4)	Excédent de capital versé par le ministre des finances
TOTAL.....	\$50		\$ 20		
Maximum Borrowings.....	\$750(a)	14	\$ 100(a)	15	Maximum des emprunts
Export Credits Insurance and Guarantees:					Assurances et garanties des crédits à l'exportation:
Maximum Liability		28	\$ 200	14	Maximum de la responsabilité
At Corporation Risk.....	\$ 500(b)	23	600	21 (3)	-Au risque de la Société
At Government Risk.....	500				-Au risque du gouvernement
TOTAL.....	\$ 1,000		\$ 800		
Export Loans and Guarantees:					Prêts et garanties pour les exportations:
Maximum Liability of Foreign Customers		30			Maximum de la responsabilité des clients étrangers
At Corporation Risk.....	\$ 600	32	\$ 500	21A (4)	-Au risque de la Société
At Government Risk.....	200				-Au risque du gouvernement
TOTAL.....	\$ 800		\$ 500		
Foreign Investment Insurance:					Assurances des investissements à l'étranger:
Maximum Liability (at Government Risk).....	\$ 50	37			Maximum de la responsabilité (au risque du gouvernement)

NOTES: (a) \$5 million paid up at establishment of Corporation (from ECIC).
 (b) \$5 million paid in at establishment of Corporation (from ECIC).
 (c) \$5 million paid up at establishment of Corporation plus paid-in capital surplus. Borrowing at establishment of Corporation limited therefore to \$150 million.
 (d) 15 times subscribed capital and surplus. Authority never used.
 (e) 10 times subscribed capital and paid-in capital surplus (as with ECIC). Therefore liability at establishment of Corporation limited to \$500 million (10X subscribed capital of \$50 million + paid-in capital surplus of \$5 million - Note (b)).

NOTES: (a) \$5 million libéré à l'établissement de la Société (de SACE).
 (b) \$5 million versé à l'établissement de la Société (de SACE).
 (c) \$5 million libéré à l'établissement de capital versé. A l'établissement de la Société, donc les emprunts ne doivent pas dépasser \$150 million.
 (d) 15 fois le capital-action souscrit et l'excédent. La SACE n'a jamais utilisé cette autorisation.
 (e) 10 fois le capital-action et l'excédent de capital versé (comme SACE). En conséquence la responsabilité de la Société au commerce ne doit pas dépasser \$500 million (10X le capital souscrit de \$50 million + l'excédent de capital versé de \$5 million - Note (b)).

SOURCE: Minutes of Proceedings and Business of the Export Development Corporation in Finance, Trade and Economic Affairs.

APPENDIX C

TRADE OF CANADA - COMMERCE DU CANADA

1

TABLE 1. Summary of the Trade of Canada with ALL Countries, the United Kingdom and the United States.
FISCAL YEARS 1868-1919TABLEAU 1. Résumé du commerce du Canada avec tous les pays, le Royaume-Uni et les États-Unis.
ANNÉES FINANCIÈRES 1868-1919

Fiscal year Année financière	Domestic exports Exportations nationales			Re-exports Réexportations			Imports Importations		
	All countries Tous les pays	United Kingdom Royaume-Uni	United States États-Unis	All countries Tous les pays	United Kingdom Royaume-Uni	United States États-Unis	All countries Tous les pays	United Kingdom Royaume-Uni	United States États-Unis
thousands of dollars - milliers de dollars									
Ended June 30 Terminée le 30 juin									
1868	48,505	17,906	25,350	4,197	Not available prior to 1873		67,090	37,617	22,640
1869	52,401	20,486	26,717	3,856			63,155	35,497	21,497
1870	59,044	22,513	30,361	6,528			66,902	37,537	21,637
1871	57,630	21,734	29,164	9,853	Inconnues avant 1873		84,214	48,408	27,186
1872	65,831	25,224	32,871	12,798			104,953	62,269	33,742
1873	76,538	31,402	36,714	9,406			124,509	67,997	45,183
1874	76,742	35,769	33,196	10,614	7,257	1,518	123,181	61,424	51,797
1875	69,710	34,199	27,903	7,137	9,105	1,183	117,409	60,009	48,930
1876	74,491	34,379	30,081	7,235	6,303	654	92,513	40,479	44,100
1877	68,031	35,492	24,326	7,111	6,036	759	94,126	39,332	49,376
1878	67,990	35,851	24,381	11,165	10,057	719	90,396	37,253	48,003
1879	62,431	29,393	25,491	8,356	6,874	1,007	78,703	30,968	42,170
1880	72,900	35,208	29,566	13,240	10,606	2,044	69,901	33,764	28,194
1881	83,945	42,637	34,038	13,375	11,110	1,864	90,488	42,885	36,339
1882	94,138	39,817	45,783	7,628	5,457	1,783	111,145	50,356	47,053
1883	87,702	39,538	39,513	9,752	7,473	1,658	121,861	51,680	53,147
1884	79,833	37,411	34,333	9,389	6,325	2,324	105,573	41,925	49,786
1885	79,132	36,479	35,567	8,080	5,393	2,163	99,756	40,031	45,577
1886	77,757	36,694	34,284	7,438	4,846	2,244	95,992	39,033	42,819
1887	80,961	38,714	35,270	8,549	5,857	2,385	105,107	44,741	44,796
1888	81,382	33,648	40,407	8,603	6,437	2,147	100,672	39,168	46,440
1889	80,272	33,504	39,520	6,938	4,584	2,041	109,098	42,251	50,029
1890	85,258	41,499	36,213	9,052	6,855	1,870	111,683	43,277	51,366
1891	88,672	43,244	37,743	8,799	6,037	2,451	111,534	42,019	52,033
1892	99,032	54,949	34,666	13,122	9,957	2,513	115,160	41,064	51,742
1893	105,489	58,410	37,296	8,942	5,671	2,493	115,171	42,529	52,340
1894	103,852	60,878	32,563	11,834	7,661	1,408	109,071	37,036	50,746
1895	102,828	57,904	35,604	6,485	3,953	1,861	100,676	31,059	50,179
1896	109,708	62,718	37,789	6,607	3,971	1,961	105,361	32,826	53,529
1897	123,633	69,534	43,664	10,825	7,694	2,217	106,618	29,401	57,023
1898	144,849	93,065	38,990	14,981	11,934	2,093	126,307	32,043	74,625
1899	137,361	85,114	39,326	17,520	13,973	1,796	149,422	36,967	88,507
1900	168,972	96,563	57,996	14,265	11,173	1,966	176,652	44,280	102,225
1901	177,431	92,858	67,984	17,076	12,471	2,423	177,931	42,820	107,378
1902	196,020	109,347	66,568	13,951	7,971	2,994	196,738	49,023	115,002
1903	214,402	125,200	67,766	10,828	6,002	3,444	225,095	58,793	129,071
1904	198,414	110,121	66,857	12,641	7,470	3,856	243,909	61,725	143,330
1905	190,855	97,115	70,427	10,617	4,844	5,136	251,964	60,343	152,779
1906	235,484	127,456	83,546	11,174	5,636	4,455	283,740	69,184	169,256
Ended March 31 Terminée le 31 mars									
1907 ¹	180,545	98,691	62,180	11,542	6,438	3,658	250,226	64,416	149,086
1908	216,961	126,194	90,815	16,408	8,283	6,105	352,541	94,417	205,310
1909	242,604	126,385	85,335	17,319	7,360	5,688	288,594	70,653	170,432
1910	279,248	139,483	104,200	19,516	10,148	6,415	370,318	95,337	218,005
1911	274,317	132,157	104,116	15,684	4,806	8,093	452,725	109,935	275,824
1912	290,224	147,240	102,041	17,492	4,593	10,915	522,405	116,906	331,385
1913	355,755	170,162	139,726	21,314	7,820	11,236	671,207	138,743	436,887
1914	431,588	215,254	163,373	23,649	7,068	13,575	619,194	132,070	396,302
1915	409,419	186,669	173,320	52,024	25,089	13,023	455,956	90,157	297,142
1916	741,611	451,852	201,106	37,689	11,229	15,563	508,201	77,404	370,881
1917	1,151,376	742,148	280,616	27,835	13,924	9,962	846,451	107,097	665,313
1918	1,540,028	845,430	417,233	46,142	15,593	23,578	963,533	81,324	792,895
1919	1,216,444	540,751	454,873	52,321	20,088	22,822	919,712	73,035	750,203

¹ Nine months ended March 31, 1907. — Neuf mois terminés le 31 mars 1907.

TABLE 2. Summary of the Trade of Canada with ALL COUNTRIES, Calendar Years 1919-1968

TABLE 2. Summary of the Trade of Canada with ALL COUNTRIES, CANADA, 1919-1968										
Year	Exports - Exportations			Imports - Importations					Average ad valorem rate of duty on - Moyenne des droits ad valorem sur	
	Domestic exports - Exportations nationales	Re-exports - Réexportations	Total	Free - En franchise	Dutiable - Imposables	Total	Duty collected - Droits perçus	Average ad valorem rate of duty on - Moyenne des droits ad valorem sur		
								Dutiable imports - Importations imposables	Total imports - Importations totales	
									%	
1919	1,235,958	53,834	1,289,792	333,555	607,458	941,014	168,921 ⁴	27.8 ⁴	18.0 ⁴	
1920	1,268,015	30,147	1,298,162	446,074	890,847	1,336,921	203,029 ⁴	22.8 ⁴	15.2 ⁴	
1921	800,149	13,995	814,144	252,615	546,863	799,478	117,693 ⁴	21.5 ⁴	14.7 ⁴	
1922	880,469	13,815	894,224	249,079	513,331	762,409	132,172 ⁴	25.7 ⁴	17.3 ⁴	
1923	1,002,401	13,585	1,015,986	308,932	591,099	903,031	136,065 ⁴	22.9 ⁴	15.1 ⁴	
1924	1,029,699	12,554	1,042,253	279,232	528,912	808,145	123,163	23.3	15.2	
1925	1,239,554	12,112	1,251,666	329,132	561,061	890,193	137,858	24.6	15.5	
1926	1,254,096	15,357	1,269,453	338,197	642,448	1,000,645	155,166	24.2	15.5	
1927	1,204,743	20,445	1,225,188	381,271	696,253	1,077,524	168,303	24.2	15.6	
1928	1,333,468	24,379	1,357,847	423,212	788,271	1,211,483	192,266	24.4	15.9	
1929	1,146,075	25,926	1,172,001	438,414	849,115	1,287,529	206,950	24.4	16.1	
1930	867,925	19,464	887,389	348,991	647,230	996,221	161,395	24.9	16.2	
1931	583,421	11,907	595,328	202,973	416,180	619,153	120,250	28.9	19.4	
1932	486,749	8,030	494,779	156,741	288,425	445,166	86,573	30.0	19.4	
1933	526,337	6,034	532,371	161,334	235,196	396,530	69,676	29.6	17.6	
1934	646,031	6,992	653,023	214,260	295,566	509,826	83,891	28.4	16.5	
1935	722,101	12,958	735,059	240,106	306,914	547,020	84,217	27.4	15.4	
1936	934,761	12,684	947,445	277,494	350,904	628,398	87,775	25.0	14.0	
1937	994,018	14,755	1,008,773	361,133	436,328	798,661	104,808	24.0	13.1	
1938	835,005	11,100	846,105	252,911	779,095	661,296	92,227	21.3	13.9	
1939	922,499	10,996	933,495	308,667	427,471	736,138	103,366	24.2	14.0	
1940	1,171,196	14,153	1,185,349	439,973	582,935	1,022,908	139,194	23.9	13.6	
1941	1,570,453	17,841	1,588,294	541,532	732,791	1,274,323	160,164	21.9	12.6	
1942	2,291,506	20,248	2,311,754	790,156	715,019	1,505,175	154,046	21.5	10.2	
1943	2,897,330	25,178	2,922,508	849,379	836,549	1,685,928	173,505	20.7	10.3	
1944	3,357,510	40,774	3,398,284	844,791	884,752	1,729,543	177,853	20.1	10.3	
1945	3,166,529	47,732	3,214,261	715,534	798,795	1,514,329	168,228	21.1	11.1	
1946	2,272,005	26,844	2,298,849	762,333	1,078,934	1,841,267	229,156	21.2	12.4	
1947	2,752,799	36,829	2,789,628	979,969	1,562,690	2,542,659	325,654	20.8	12.8	
1948	3,052,090	34,441	3,086,531	1,236,073	1,382,203	2,618,276	242,804	17.6	9.3	
1949	2,974,968	29,428	3,004,397	1,269,901	1,444,124	2,714,025	251,010	17.4	9.2	
1950	3,104,016	38,620	3,142,636	1,503,697	1,621,534	3,125,231	276,532	17.1	8.8	
1951	3,897,082	48,847	3,945,929	1,830,635	2,174,304	4,004,939	375,956	17.3	9.4	
1952	4,282,361	54,814	4,337,175	1,753,536	2,162,832	3,916,418	393,805	18.2	10.1	
1953	4,097,111	55,158	4,152,269	1,829,848	2,417,960	4,247,808	448,658	18.6	10.6	
1954	3,860,217	65,604	3,925,821	1,655,833	2,311,568	3,967,401	417,578	18.1	10.5	
1955	4,258,328	69,448	4,327,776	1,929,717	2,638,037	4,567,754	479,782	18.2	10.5	
1956	4,760,442	73,335	4,833,777	2,254,435	3,292,516	5,546,951	577,654	17.5	10.4	
1957	4,788,880	95,261	4,884,141	2,250,149	3,223,197	5,473,346	554,213	17.2	10.1	
1958	4,791,436	102,907	4,894,343	2,097,778	2,952,714	5,050,492	517,027	17.5	10.2	
1959	5,021,672	118,628	5,140,300	2,363,856	3,143,065	5,508,921	550,031	17.5	10.0	
1960	5,255,575	131,217	5,386,792	2,434,112	3,048,583	5,482,695	539,507	17.7	9.7	
1961	5,754,986	140,229	5,895,215	2,653,170	3,115,408	5,768,578	549,186	17.6	9.5	
1962	6,178,523	169,190	6,347,713	2,777,494	3,480,282	6,257,776	669,498	19.2	10.7	
1963	6,798,529	181,613	6,980,142	3,015,623	3,542,585	6,558,209	630,208	17.8	9.6	
1964	8,094,219	209,186	8,303,405	3,452,804	4,034,903	7,487,707	677,113	16.8	9.0	
1965	8,525,078	241,599	8,766,677	4,266,300	4,366,849	8,633,148	721,922	16.5	8.4	
1966	10,070,627	254,693	10,325,320	5,034,730	4,831,709	9,866,439	794,072	16.4	8.0	
1967	11,120,674	299,284	11,419,957	5,978,279	5,096,920	11,075,199	843,228	16.5	7.6	
1968	13,250,960	354,078	13,605,038	7,328,722	5,029,260	12,357,982	818,858	16.3	6.6	

¹ Source: From 1946, International Financial Statistics issued by the International Monetary Fund.

² From 1946 including re-exports, and adjusted to f.o.b. valuation.

³ From 1946 adjusted to c.i.f. valuation.

⁴ Excludes War Tax.

⁵ Year 1913.

⁶ Revised to cover the adjustment for "Special Transactions-Non-trade", 1926-1968.

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