

# WHY AN INDUSTRIAL STRATEGY?



## RESTORING MOMENTUM

**It is clear that the state must seek to structure economic development on its territory. To do this, it must assume a central role in coordination and strategic planning. In the manufacturing sector, laissez-faire policies can only lead to decline as has been observed over the last decade. An assertive industrial policy includes: supporting traditional industries with more efficient natural resource production methods, successfully making the energy and ecological transition before us, developing a high quality economy, responding to new social needs and encouraging the emergence of new high-quality jobs, close to home, through innovation and technology.**

These strategic choices call on every one of us, as consumers, producers and citizens. It is affected by this policy. The economic and societal issues are many: an acceptable society, industrial culture and the attractiveness of trades and of jobs, and social progress. The CSN believes in a strong and diversified national economy, in which the manufacturing and industrial sectors play an important role, across every region of Québec. We have the firm desire to promote our project not only to governments but also to other socio-economic actors. To learn more about our industrial strategy and to follow the progress of our work, please visit: [www.csn.qc.ca](http://www.csn.qc.ca).

## INDISPENSIBLE POLICIES

- employment and manpower
- sustainable development
- innovation and research and development
- investment stimulation
- commercialization
- local purchasing policies
- exchange rate policies
- natural resource management
- consolidation and development of the primary processing in Québec

## AN EVOLVING ECONOMIC REALITY

**Over the last ten years, the Québec manufacturing sector has experienced many difficulties, and some 160,000 jobs have been lost. This phenomenon is not unique to Québec; it applies to all developed countries.**

While various factors affect both economic growth and the development of this sector, any industrial policy is intrinsically linked to a host of other economic policies (budgetary and tax, employment, labour, commercial, local buying, scientific and innovation, energy, etc.). All OECD countries have experienced a decline in the weight of manufacturing employment in their economies. However, those who have fared the best have in common manufacturing sectors that are oriented towards strong value-added products. This is the case for Germany, Japan and Sweden.

## COMPETITION FROM LOW-WAGE EARNING COUNTRIES

## AN ENGINE OF ECONOMIC GROWTH

**Some people say we live in a service-based, post-industrial economy and that the manufacturing sector no longer has the importance it previously had.**

**This vision is clearly wrong, and is disconnected from the reality of the most successful industrialized economies. The manufacturing sector is not a thing of the past and remains very important for the growth and development of a national economy.**

In this regard, high value-added services, which are at the heart of the knowledge economy (finance, focus groups, information and communications technologies, research and development, engineering and design) may have replaced the manufacturing sector as engines of economic growth.

From now on, manufacturing may even be relegated to the status of low-end activity that industrialized countries basically should leave to emerging countries.

For several years now, the Québec manufacturing sector has been experiencing difficulties. Governments, especially those in Québec, have adopted several budgetary measures to address the most urgent problems. However, an accumulation of measures does not in fact comprise an effective industrial development strategy. The CSN believes that it is high time that governments fully assume their responsibilities with respect to industrial development, and propose strategies and proactive policies.

Governments must not define these strategies and policies in isolation, as was too often the case in the past. Québec society has the necessary maturity to discuss these issues as part of an on-going social dialogue where everyone involved has a voice. Public policy will subsequently be enhanced and the mobilization of socio-economic stakeholders will only get stronger.

Offshoring to emerging countries (China, India, etc.) is often targeted as the main cause of the decline in our domestic manufacturing sector. Between 2000 and 2009, the share of global manufacturing production performed by these countries rose from 35% to 52%. Furthermore, in Canada was mainly to the United States, especially to the South, where those created by the spill-over effect (every new dollar in salary and profit suppliers (direct jobs), in addition to other sectors. In 2012, estimates show that for every 100 jobs created, 67 others were generated for Québec. Between 2007 and 2009, offshoring is partly spent, which again stimulates Québec's economy). As part of an industrial policy adapted to the 21st century, governments must intervene to promote the continuous modernization of the fabric of the economy, develop new niche markets, support existing sectors, accelerate transition towards a green economy, address the private sector's lack of initiative in some areas and organize consultations between economic stakeholders.

The ultimate goal of this industrial policy is to generate quality, full-time jobs in every region in Québec. This will result in improvement in the standard of living for the entire population and for future generations, even more so if the exploitation of natural resources is done with sustainable development in mind, and that it translates not only into maximum economic returns but also into fair revenues for the Québec state.

## FOOD PRODUCTION AND PROCESSING



In terms of employment, this manufacturing and industrial sector is the largest in Québec, employing 63,000 workers. To continue its development and to focus it on the creation of high-quality jobs, several issues must be addressed.

### THE ISSUES

- strengthen the vertical versatility approach;
- resolve the problems of workforce attraction and retention;
- ensure food sovereignty;
- guarantee food safety;
- establish responsible local purchasing policy within public institutions;
- develop market access for Québec products;
- increase innovation.

## MINING AND METALLURGY



This sector represents a small part of the economy, with less than 2% of the Québec GDP compared to 25% in Australia. However, there is significant potential. The Québec Government must play a proactive role in developing the entire metal mining chain and stop deploying measures aimed at mainly serving the corporate interests of mining companies.

### TARGETED INTERVENTIONS

- intervene early in the development of mining projects to support the entire sector (suppliers, mines, metallurgy, and secondary and tertiary processing);
- target the number of jobs to be created in the entire chain of production;
- build on the respect for the environment, the collective health of populations and the aspirations of indigenous and local communities;
- promote maximum economic returns for the regions;
- provoke wider reflection on northern development;
- strengthen support for innovation;
- recover a fair share of the economic returns.

## PULP, PAPER AND FORESTRIES



In the three segments that comprise this sector – logging, wood products manufacturing, pulp and paper – employment peaked in 2000, with 91,393 jobs. In 2011, this figure was only 59,748 jobs. Despite these difficulties, this is a major economic activity in several regions. These traditional activities still have their place, but the industry needs to ensure its long-term survival.

### ACTIONS TO BE TAKEN

- **for wood products** add value to its production; focus on the differentiation and quality of these products, and on better understanding of customer needs;
- **for pulp and paper** save the newsprint mills by moving into other niche markets, whether for traditional products (pulp, fine papers, packaging products, hygienic papers) or new products (Nano-crystalline cellulose, Nano-filament cellulose, cellulose gel, etc.)

## ALUMINUM



This sector is one of the most important industrial sectors in Québec. It appears at the top of the list of Québec's international exports (6.2 billion in 2011). In addition, it is estimated that aluminum production and its subsequent primary processing generate 10,000 jobs. Here, the industry focusses on the mining and production of alumina. However, the processing of aluminum is one of the weak links in the chain of production. The aluminium sector must be encouraged at all stages: from extraction to the final processing stages.

### OBSERVATIONS

- the secondary and tertiary aluminium processing industry has grown, even if the results have not met expectations;
- industry and various levels of government are currently redirecting and refining their development strategies;
- the three major smelter companies (RTA, Alcoa and Alouette) have high hopes for the growth of the infrastructure and the aluminum transportation material sector (bridges, viaducts, busses and aluminum chassis for freight train rolling stock) as potential opportunities.

## CHEMICALS AND PLASTICS

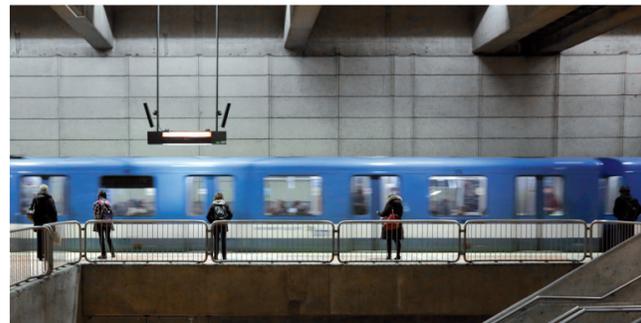


Highly diversified production is a feature of this industry, and it comprises several subsectors, including: household chemical products, industrial and specialty products, petrochemical products, plastics, rubber, composites, paint and coatings, biomass chemistry, etc. It account for nearly 50 000 jobs. This industry feeds many other industrial sectors, including pulp and paper, mining and transport. It has had its share of problems and governments must support it.

### ACTION TO BE TAKEN

- prioritize solutions that supply petroleum products to the chemical industry with an eye towards sustainable development;
- give the electrochemistry sector competitive electricity rates;
- maintain an adequate rail infrastructure and support exports;
- encourage synergy between the mining and chemical industries to promote Québec's mineral resources;
- explore development possibilities for the green chemistry sector.

## GROUND TRANSPORTATION EQUIPMENT MANUFACTURING



The transportation equipment industry maintains a wide range of activities, including the following sectors: commercial vehicles, special vehicles, recreational vehicles, public transportation, defence and security vehicles, and light vehicles. In 2011, the transportation equipment manufacturing sector employed 35,500 people, a sharp decline from its peak of 48,182 jobs in 2000. This sector can be revived.

The electrification of public transportation would have a structuring effect on Québec's mass transit manufacturing industry (train, métro, bus). Ultimately, this would in turn contribute to achieving Québec's climate change objectives, since this sector generates more than 40% of greenhouse gas (GHG) emissions.

### WINNING CONDITIONS

- accelerate electrification of public transportation;
- develop an electric vehicle sector.

## WIND ENERGY



A 2005 study conducted for the ministère des Ressources naturelles et de la Faune confirmed that Québec has considerable potential wind energy that can be integrated into Hydro-Québec's electrical power network. Wind energy is advantageous for several reasons. The government of Québec must, therefore, plan to accelerate its development.

### ADVANTAGES

- the integration of water and wind power would make it less necessary to develop new megawatts in unspoiled rivers;
- further development of this sector is highly compatible with the government's economic and environmental goals: reducing GHG, dependence on fossil fuels and the trade deficit; further electrification of the economy; increased electricity exports; less intensive use of hydro-electricity.
- Québec could have direct access to the profits generated;
- its development could be realized by the state or by other collective means of ownership.

## CLEAN TECHNOLOGIES



This sector encompasses a whole range of environment-related industries: energy efficiency, renewable energy, green chemistry, environmental transport and environmental management. Some are relatively mature (soil recovery), while others are new (hydrogen energy). In spite of, many observations can be made that apply equally different segments: small companies, insufficient support to help the company grow, and difficulty marketing their innovations in Québec and in Canada. It is important to better support this sector.

### SUPPORTIVE MEASURES

- strengthen the bonds between idea-generating, clean-technology companies and manufacturing companies that could build on them;
- proceed with the tightening of environmental regulations in order to create green jobs in Québec;
- provide Québec and Canada with a program aimed at purchasing clean technologies.