Team Canada Inc

BUSINESS PLAN 2000-2003

Team Canada Inc • Équipe Canada inc

Canada

Letter from the TCI Partners

Modest though we may be, Canadians have reason to be proud - Canada's economy is growing strongly and many Canadian businesses are demonstrating immense capacity at tapping opportunities presented by the New Global Economy.

The Government of Canada firmly believes that globalization can mean increased wealth, expanded opportunity and improved well being for all Canadians. Our trade promotion efforts are geared to developing Canada's capacity to engage in international trade and investment and take full advantage of rapidly emerging opportunities. That means working with Canadian business, the provinces/territories and other organizations to get the right information, support and service to business - quickly, efficiently, and in a form that is timely and useful.

This third annual Team Canada Inc (TCI) business plan sets out the Government of Canada's strategy to support and strengthen Canadian trade and investment efforts. It includes a discussion of globalization and how it has intensified Canada's traditional reliance on trade. It takes a sector-by-sector look at the planning environment, identifying the challenges and opportunities ahead of us. It summarizes the Government of Canada's international business development goals and outlines TCI's supporting role in reaching those goals - enhancing access to foreign markets, building exporter capability and preparedness, developing international markets, and attracting and retaining investment in Canada.

This business plan is a transition document. A new planning document will be forthcoming and will reflect new strategic directions for the Government's international business development efforts. The next plan will also include a comprehensive set of performance measurement criteria for TCI.

Our aim is to get more Canadian companies selling more goods and services to more countries. We must help them prepare for international business and then support them as they go abroad. The bottom line is simple - we must capitalize on Canada's long-standing strength as a trading nation and facilitate Canada's evolution into a nation of traders.

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INTRODUCTION

A New Global Economy

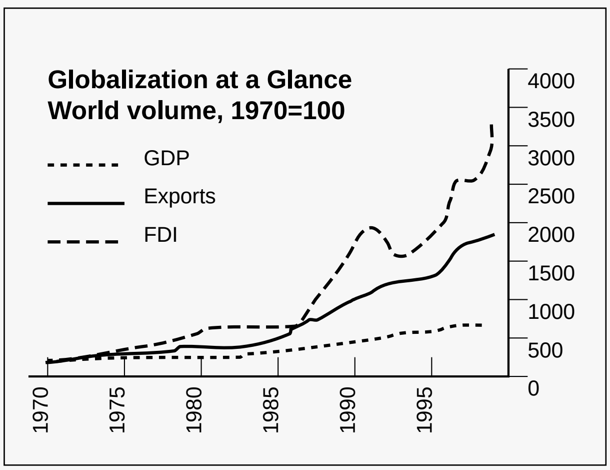
Rapid integration of trade, investment, technology and enterprise on a global scale has characterized the past decade. Called globalization, this process is driven by such forces as:

- liberalization of trade and investment;
- rise of regional trading blocks;
- sweeping privatization and deregulation;
- rationalization of corporate operations around the world; and
- technological advances, including the rise of e-commerce.

The result is the emergence of a knowledge-based economy virtually without borders, where trade and investment activity generally outpaces world GDP[1] growth.

> Globalization is the integration of world economies through trade, investment, technology and information exchanges, and cross-cultural contacts.
>
> *Source: International Monetary Fund World Economic Outlook Report, April, 1997*

Foreign Direct Investment and Exports Outpace Growth in GDP



Source: World Investment Report, 1998 and 1999

Since 1985, growth of foreign direct investment has outpaced growth in exports and GDP growth.

Total world exports of goods and services increased at a rate of 7.4% between 1991 and 1996, compared to world GDP growth of 6.4%.

World exports as a percentage of GDP increased from 14% in 1985, to 17% a decade later.

In the 1990s, foreign direct investment flows outpaced export growth by about 2.5 times.

Between 1982 and 1994, global foreign direct investment stock as a percentage of world GDP doubled to 10, reaching about U.S. $3.2 trillion.

In this new global economy, the most successful nations are those that:

- maintain the proper conditions for economic growth, innovation and enhanced productivity, which are essential ingredients for attracting global product mandates; and
- encourage a nation's own businesses to take a global approach to their operations and to view domestic production as part of a global supply chain.

[1] *Gross Domestic Product*

Canada's Place in the Global Economy

Canada has long been a trading nation. A rich natural resource base and proximity to the world's leading economic power have necessitated this traditional reliance on trade. Globalization has only intensified it.

Following a decade of phenomenal export growth, Canada's exports now amount to about 43% of GDP[2], the highest of any OECD[3] nation and almost twice the OECD average. Today, we export three times as much per capita as the U.S. and twice as much as Japan[4].

To strengthen Canada's ability to fully benefit from global opportunities, the Government of Canada has been working to create the proper climate for economic growth, innovation and enhanced productivity. Canadians are now beginning to reap the benefits of a healthier fiscal climate. Personal income taxes are falling. Unemployment is down. GDP growth is accelerating. And, exports are booming.

Notwithstanding these successes, encouraging even more Canadian firms to innovate and to expand their horizons beyond Canadian borders is critical to our nation's continuing growth and prosperity. It means the work of Team Canada Inc (TCI) is as important as ever.

Good News for 1999

Exports increased 11%, to surpass $412 billion.

Canada's GDP reached almost $958 billion.

Real GDP growth accelerated to 4.5%, from 3.3% in 1998.

Canada's unemployment rate averaged 7.6%, and fell to 6.8% in December – the lowest level since April 1976.

Inflation remained low at 1.7%, comfortably within the Bank of Canada's target range of 1% - 3%.

Source: Trade Update, June 2000

PLANNING ENVIRONMENT FOR 2000-2003

Global Economic Outlook[5]

The world economy is expected to grow at a solid pace - about 3-4% annually - for the next few years. The U.S. economy is already moderating from its phenomenal pace of the late 1990s replaced by stronger growth in Europe. Post-crisis Asia is expected to sustain growth of about 5% annually. Latin America is also recovering and Africa is seeing pockets of growth. Together, these factors should ensure that Canada's own GDP growth continues at a brisk pace.

Canadian exports boomed in 1999 - an over 11% increase was posted, consisting of an almost 15% increase in exports to the U.S. and a 12% increase in exports to Mexico. While these phenomenal growth rates are expected to ease over the planning period, significant upturns in sales to Japan, Europe, Asia, the Middle East and Africa, and Latin America are expected to produce brisk, more balanced export growth for Canada.

Canada's Major Trading Partners

United States

The U.S. accounts for over 85% of Canada's exports and will continue to be a mainstay of Canada's own economic growth. Canada's exports to the U.S. are projected to continue to grow, albeit not at the pace witnessed in recent years.

The U.S. is now in its 10th year of economic expansion, the best performance in modern history. Real GDP expanded by 4.2% in 1999 and was set to rise by as 5% in 2000. The unemployment rate remains near a 30-year low and consumer confidence is high. Business investment continues to rise, especially for information technology, suggesting productivity increases will be

[2] *While 43% of Canada's GDP is export-related, the rising import content of exports means that the domestic value-added portion of export-related GDP is closer to 30%. A more comprehensive review of the implications of the rising import content of exports can be found in **Trade Update 2000** released in June 2000 by the Minister for International Trade.*

[3] *Organization for Economic Cooperation and Development.*

[4] *Based on OECD Trade data for member countries.*

[5] *This outlook is adapted from the Export Development Corporation's Global Export Forecast, a more detailed analysis that includes an explanation of the uncertainties that could undermine the accuracy of the projections. Global Export Forecast can be found on EDC's website at www.edc-see.ca or through the TCI ExportSource website at http://exportsource.ca.*

forthcoming. After a year of monetary tightening., however, the economy has shown definitive signs of slowing. The outlook for 2001 is for growth to slow to a more sustainable rate of 3%. Perhaps the most significant risk to the U.S. economic outlook is a hard landing precipitated by significant and sustained drop in equity markets. As well, with household debt expanding at a double-digit pace, if the economy slows faster than expected, many could be forced into financial troubles and consumer spending will certainly pullback. Corporate debt is also expanding quickly and credit quality has deteriorated, threatening the outlook for business investment. Overall, the pace of growth is expected to slow, as rising costs exert pressure on profit margins and consumer spending eases as a result of higher interest rates and oil prices. This should translate into an easing of growth in Canadian exports to the U.S.

Western Europe

The European Union was Canada's second largest trading partner in 1999, accounting for 5% of Canadian exports. Canada has experienced an eroding market share in the EU and now accounts for only 1.8% of EU imports[6]. As GDP growth in the 15 EU member countries continues to strengthen, Canadian exports to the region are expected to grow by 5-6%.

Real GDP growth for the EU members picked up to 2.3% in 1999. However import demand has remained moderate due to the depreciation of the Euro and stubbornly high unemployment rates. Looking ahead, rising business and consumer confidence, lower unemployment and expanding household fixed investment spending are expected. Inflationary risks, aggravated by the weakening Euro and continuing high oil prices, may lead the European Central Bank to further increase interest rates and dampen growth in the first half of 2001.

Japan

Canadian exports to its third largest trading partner fell sharply in 1998 (-26%) and moderately in 1999 (-3%) as a result of Japan's own economic difficulties. This has meant that the share of Canadian exports going to Japan fell from 4.1% in 1997, to 2.6% in 1999. Exports to Japan are expected to increase as recovery continues to take hold.

Profits and leading economic indicators have picked up in Japan. Increases in capital spending demonstrate that corporate confidence is indeed improving. However, prospects for consumer spending remain dim. Recovering Asian and healthy American and European growth should increase Japan's overseas sales, at least partially making up for stagnant domestic demand. Overall, the Japanese economy is projected to grow close to 2% in 2001, following 1% growth in 2000. Japan is going through a major structural change as the manufacturing-based economy (steel, shipbuilding, electronics, and automobiles) gives ground to high technology.

Canada's Energing Trading Partners

Central and South America

Central and South American markets accounted for about 1.2% of total Canadian exports in 1999; exports declined by over 17% from 1998 levels, with the most significant declines occurring in exports to Brazil (-36%), Columbia (-46%) and Argentina (-39%). Exports to the region are expected to perform better over 2000-2003.

Latin America will see stronger world growth and higher commodity prices in 2000-01, a combination that bodes well for the region. Growth should top 3% for the region as a whole. Mexico, Brazil and Peru are expected to lead the way with growth in excess of 4%. Mexico (Canada's 8th largest trading partner) is benefiting from NAFTA and economic ties with the U.S. Strong exports, higher oil prices, good macro-economic policies, and a financial assistance package will facilitate sustained growth rates over the next few years. A free trade agreement with the EU was signed at the end of last year, making Mexico a platform for exports into North America. Brazil is emerging from two years of stagnant growth. Growth in Argentina, Honduras, Ecuador, and Panama is expected to be modest. Chile's economy stagnated last year, but real GDP is expected to grow by 4% this year. Venezuela had a 7.2% real GDP decline last year, the worst drop in a decade. Prospects for growth are better in 2000-2003, particularly in light of high oil prices.

[6] *Compared to an over 20% share for the U.S.*

Asia, excluding Japan

Asia excluding Japan accounts for about 2.5% of Canadian exports. Canadian exports to the region are expected to recover from a decline of 1.4% in 1999, to grow about 3% in each of 2000 and 2001.

In 1999, all economies in the region displayed a quicker and stronger than anticipated recovery. Growth rates of 5-7.5% are forecast for 2000, supported by strong policy stimuli, increased foreign trade, revived domestic demand, stable currencies, and the return of domestic and foreign confidence. Positive economic growth is expected throughout the region - Hong Kong, China, India, Taiwan, Malaysia, Singapore, and Thailand will be top performers. Indonesia's economic growth is rebounding after a decline in 1999. China continues to grow at a strong pace -- its entry into the WTO is expected to generate higher FDI inflows and accelerate economic reforms. A strong recovery in industrial activity and robust growth in services are fueling growth in India. Surging exports are leading South Korea's growth, while corporate and financial sector restructuring over the past two years has generated strong growth in both domestic and foreign investment.

Eastern Europe

Exports to Eastern Europe are forecast to grow by 5% in 2000 and 7% in 2001, following a 22% decline in 1999.

Financial and institutional reforms have continued in the region, with some countries experiencing increased exports, rising incomes and capital investment. The region's economic growth has been modest, driven by moderate economic activity in Western Europe, reduced exports to Russia, and the Yugoslav embargo. However, economic growth is expected to accelerate to about 2% this year and 3% in 2001.

Middle East and Africa

Canadian exports to the region should accelerate 5-8% over the next couple of years. Overall, increased oil and other commodity prices have improved short-term growth prospects, while weak agricultural prices have negatively impacted certain African economies.

The Middle East's moderate economic growth is likely to continue. Although real GDP increased by only 1.8% in 1999, growth is expected to return to 3.2%. Oil exporters are benefiting from strong oil revenues. Africa's GDP grew by 3.1% last year, while expectations for this year are around 3.5%. Some African countries are benefiting from reductions in their external debt overhang due to implementation of the Highly Indebted Poor Countries Initiative (of which Canada is one of the leaders).

Australia and New Zealand

Accounting for a mere 0.5% of Canadian exports, Australia and New Zealand are rich, industrial markets that remain untapped by many Canadian exporters.

Australia's GDP grew by 4.3% in 1999 and is expected to hold steady this year at around 4%. Domestic consumption remains healthy and the business environment in the last quarter of 1999 was the best for the last five years. New Zealand's GDP grew by 3% in 1999 and is expected to increase to 4% over the next few years.

Outlook by Sector

Canada's export sales growth should be much more balanced in 2000, as sectors that experienced slow growth last year turn around thanks to Asian recovery and as booming sectors moderate.

Canada's robust economic performance continued in 1999. Overall, economic growth was well balanced across all sectors, with both domestic demand and exports of goods and services contributing to growth. All of Canada's regions shared in this expansion.

Since 1997, commodity prices have shown a significant degree of volatility. Higher oil prices, declining forestry prices and continuing weakness in mining prices have all had direct impacts on Canadian exports. However, commodity prices have now rebounded, many to levels that prevailed prior to the Asian crisis. Commodity exports should see price and prospect improvements over the planning period, but on-going excess capacity problems worldwide still plague a number of resource-based sectors.

Canada's strongest growth over the planning period is expected from high tech capital goods such as telecom equipment, aircraft, and other machinery and equipment. Consumer goods exports, including automotive products, are also expected to post strong growth, albeit less strong than in recent history. Services are expected to post near double-digit growth, driven by growth in computer and information services, communication services and architectural and engineering services.

Agriculture, Food & Beverages

Canada's agriculture and agri-food sector accounts for about 9% of Canadian GDP and employs one-in-seven or over 2 million Canadian workers.

Canada currently holds about 3.5% of world trade in agriculture and agri-food products. The sector is seeking to capture a 4% share by 2005.

In 1999, Canada's agriculture and agri-food exports declined 4% to $21.7 billion, largely due to lower world prices for some commodities. There are signs that prices have hit a cyclical bottom, hence the sector's outlook remains positive. Exports of value-added food and beverage products continued to grow, reaching $11.3 billion or about 52% of total agri-food exports. By the year 2005, the goal is to increase the proportion of these higher-value products to 60% of total agriculture and agri-food exports, creating between 120,000 and 170,000 additional jobs in the sector.

Did you know?

Canadian consumer expenditures on agri-food are nearly $100 billion.

Food and beverage processing is Canada's second largest manufacturing sector.

An average Canadian farm produces enough food for 120 people.

Some 98% of all farms in Canada are family-owned and operated.

The U.S. accounted for 61% of total agri-food exports in 1999, up from 57% the year before.

Automotive

Canada's automotive industry is highly competitive and largely export-oriented.

The automotive industry is a major contributor to the Canadian economy. In 1999, automotive shipments topped $106 billion, including $70.3 billion in vehicles, $33.3 billion in automotive parts and $2.9 billion in truck bodies and trailers.

Did you know?

Canada ranks 5th in the world in vehicle production.

Over 72% of Canadian parts production and over 90% of Canadian vehicle production is exported to the U.S., which remains Canada's largest automotive market.

The automotive industry generates about 13% of manufacturing GDP and provides over 540,000 highly-paid jobs.

Automotive exports grew 24% in 1999 to reach $96 billion, an almost 23% share of total Canadian exports. In 2000, export growth has softened and is expected to reach only 4%. However, demand remains strong and is helping to maintain Canadian shipments at healthy levels.

As the automotive industry becomes increasingly globalized and international trade barriers lessen, exports of Canadian automotive products to other markets in the world are expected to increase.

Consumer Goods

Consumer Goods is a broad-based sector that includes manufacturers of clothing and footwear, household furniture and appliances, sporting goods and textile products.

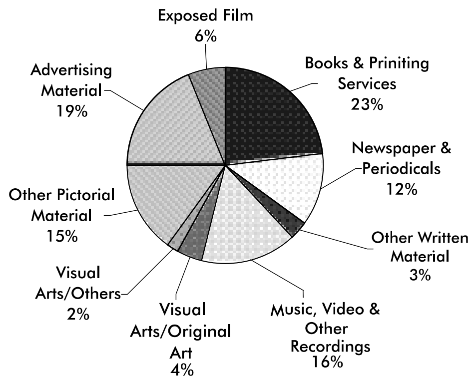
Canadian consumer goods output reached almost $22 billion in 1999, about 2.3% of total Canadian GDP. Exports climbed by almost 10% to reach $13.6 billion in 1999, about 3.3% of total Canadian exports. Exports are expected to moderate in 2000, as softening American demand prevents the sector from reaching last year's 7.3% growth rate. In 2001, sturdy economic fundamentals in Europe, Latin America and Asia should offset weakening U.S. consumption and help push Canadian sales up 3%.

Cultural Products and Services

Canada's cultural sector is entrepreneurial in nature, diverse in its range of products and services and recognized as a world producer of quality cultural content.

The culture sector accounted for about 3.6% of Canada's total GDP in 1998, posting over $25 billion in sales for the year. Annual exports of cultural goods and services are running at about $3.2 billion, growing at a rate of about 15% each year with services and knowledge-based products leading this growth.

Nature of Cultural Commodity Cultural Exports 1998



Source: Statistics Canada, Cultural Trade and Investment Project, 1998-99

The U.S. is the primary export destination for Canadian cultural products, accounting for 93% of annual exports. Europe is a stable and growing export market for English and French language cultural goods and services. Specifically, there continues to be high demand for quality books (finished products and rights sales), music, performing arts, heritage and conservation services, television programming and new media content and services, including training. Asia is offering increased opportunity for exports of television programming and new media content and learning, as well as access to venture capital and advanced technology infrastructure. Mexico and Latin America are emerging markets for cultural content, particularly for books, music and performing arts.

> *Did you know?*
>
> The culture sector employed about 710,000 workers in 1996-97, 82% of whom are considered knowledge-based workers.
>
> Canada is a world leading cultural content provider, specifically for film and video (feature and TV programming), books, new media (content and training), cutting-edge performing arts, heritage and museums services, and cultural tourism.
>
> Canada is home to a rapidly expanding film/video and television industry that posted production revenues of $879 million in 1995-96

Energy

Canada has vast experience in the production, transmission and use of energy in an environmentally responsible way. The energy sector is highly competitive and on the cutting edge of innovation.

Canada's energy sector contributed about $52 billion to total GDP in 1999, about 6%. Energy exports reached almost $31 billion, up 15% over 1998 levels and more than 100% higher than in 1989. Today, energy exports represent about 9% of Canada's total merchandise exports. The energy trade balance ranked second only to forestry as a contributor to Canada's positive overall trade balance.

Substantial increases in world demand are forecast for the next 20 years[7], driven by world economic growth, improved living standards and market deregulation. Asia and South America should lead this increase. To meet growing world demand for energy, substantial public and private investment will be required, particularly in natural gas and electricity generation development. Canadian companies are well placed to export their energy expertise worldwide and should reap the benefits of this heightened level of development activity.

> *Did you know?*
>
> Canada's energy sector provides 195,000 jobs.
>
> The U.S. is Canada's major trade market for energy products, accounting for 90% of all Canadian energy exports.
>
> Japan was the destination for over 43% of the 34 million tonnes of coal exported by Canada in 1999.
>
> Canada is the world's 3rd largest producer of natural gas.
>
> Among the OECD countries, Canada ranks 3rd in production of electricity.

[7] *International Energy Agency, 1998 World Energy Outlook, Paris, 1999 and United States Energy Information Administration, International Energy Outlook 2000, Washington, 2000*

Forest Products

Canada is a recognized leader for its progress in sustainable forest management, protection services and technology. It is the world's largest exporter of forest products, boasting a 19% share of global trade.

Canada's forest products sector output contributed over $19 billion to GDP in 1999, representing a 2% share of total Canadian GDP. Forest product exports increased more than 11% in 1999, reaching an historic high of $44.2 billion. Although forest product sales are cyclical, annual exports have increased by over $2 billion since 1995.

Global population growth, increasing world GDP, rising per capita incomes and increasing literacy rates will continue to drive demand for Canada's forest products. The Asian and European economies will lead this global demand growth over the next several years. For many of Canada's forest products, the long-term export growth prospects lie in Asia's emerging markets. Canada's forest products exports, especially wood products, are likely to continue their resurgence, returning to the levels experienced prior to the Asian economic crisis. Canadian paper and paperboard exports will likely continue to grow at a rapid pace over the next several years, primarily driven by low capacity growth and strong global markets.

Did you know?

Canada has 10% of the world forests and is the world's largest forest products exporter.

Of Canada's 921 million hectares of land area, 418 million hectares (56%) are forested. Of this, 244 million hectares are managed as commercial forests.

Each year, Canada harvests roughly 1 million hectares of forest, less than half of one percent of its commercial forest area.

The forestry products sector directly employs some 352,000 Canadians.

Industrial Goods and Materials

Canada's exports of industrial goods and materials reached $33.5 billion in 1999, a 3.7% increase over the year before. The sector, which includes chemicals and fertilizers and plastics accounts for about 8% of Canada's total exports.

Canada's plastics industry[8] is an internationally competitive, export-intensive industry. In 1999, the Canadian plastics sector had shipments of $24.5 billion, 47% of which was exported. Restructuring and rationalization among global chemical producers has profoundly affected Canada's chemical industry, which is largely made up of U.S. subsidiaries.

Close to half of Canada's chemicals output is exported and over 80% of exported chemicals are destined for the U.S. As was the case last year, selling prices for most chemical products are not expected to keep pace with surging energy feed stocks, limiting or cutting profit margins for producers. Growth in chemical exports is expected to be highest in Asian markets, although it will likely be limited by competition from Asian-based chemical producers.

Looking ahead, Canadian plastics exports are expected to grow at an average annual growth rate of 7.6%, on the strength of competitive advantages in durable construction products, biodegradable agricultural film, liners for environmental containment ponds, automotive parts, aircraft components, and computer circuit boards and housings. Fertilizer exports are expected to continue growing in line with last year's 7.7% increase, as excess supplies in the face of strengthening world demand keep prices for urea and phosphates soft and potash price increases modest.

Minerals and Metals

Canada is one of the world's largest mining nations, producing more than 60 minerals and metals and employing over 200,000 workers.

Canada's minerals and metals sector contributes almost $19 billion to overall GDP, a little over 2%. Canadian exports of minerals and metals account for almost 9% of Canada's total exports or over $29 billion (an $11 billion positive contribution to Canada's trade balance). Canada is the world's largest producer of potash and uranium and is ranked second in the world for nickel, cadmium, and cobalt. Canada is also a leading producer of copper, gold, lead, magnesium, molybdenum, platinum group metals, primary aluminum and zinc.

[8] *Including synthetic resins, plastics machinery, moulds, and plastic products.*

Recent increases in the price of some metals are encouraging for the Canadian mining industry after a prolonged period of low demand and prices. However, weak prices for gold and coal remain a concern. Natural Resources Canada's Monthly Metals Price Index increased by nearly 19% to the end of November 2000 from its low point in December 1998[9]. Stronger commodity prices have contributed to improved financial results for most of Canada's largest producers.

Canadian mining financings are significantly lower for 2000 with $476 million being raised this year compared to $1.4 billion for the same period in 1999. In 1999, Canadian financial institutions were responsible for over 55% of all equity raised globally for mineral exploration and development.

Did you know?

Canada's minerals and metals sector provides direct employment for over 200,000 each year.

The sector includes well over 200 major metal, non-metal and coal mines, about 3,000 quarry and gravel operations, 50 non-ferrous smelters, refineries and iron plants and more than 600 highly specialized mining equipment and services firms.

Canada's mining equipment and services sector is a high value-added part of the industry, exporting a broad range of products and services for exploration, mining, environmental control, processing, smelting and refining.

Canadian mining companies have operations in more than 100 countries worldwide and control about 30% of world exploration expenditures.

Machinery and Equipment

The machinery and equipment sector includes Canada's most technologically advanced industries and employs some 300,000 Canadians each year.

In 1999, the sector's exports grew almost 8% to reach $85 billion, representing just under 21% of total exports. Industrial and agricultural machinery industries experienced little growth in exports in 1999, as demand for agricultural machinery was weak in the face of a persistent U.S. farm crisis and slow recovery in Asia. Although exports of agricultural machinery are expected to drop further in 2000, exports of industrial machinery and parts are expected to grow more rapidly due to continuing growth, increasing wage pressures and high capacity utilization rates in the U.S. Overall, industrial and agricultural machinery exports have grown about 37% since 1995.

Aircraft and other transportation equipment exports grew 5.5% in 1999 to top $17 billion. Since 1995, exports for these industries have grown over 62%. Aircraft shipments should continue to grow, albeit at less than the frenetic pace of the past few years. Strong growth in regional and business jet sales is expected, as airlines choose these over wide bodies to deal with growing regional passenger traffic in North America and Western Europe. Following a decade of decline, railway exports are expected to grow over the next few years, thanks to firm commodity prices[10], an upswing in freight volumes[11] and expected replacement of aging equipment. Additional sales potential will skyrocket once the Long-Island/MTA urban transport corporations begin to upgrade their commuter rail system. The long-term outlook is even brighter. The U.S. railway industry intends to devote U.S.$160 billion to improving the rail system and U.S.$200 billion to maintaining it to deal with an anticipated 50% increase in freight transport over the next 20 years. This will provide a sea of opportunities for our well-positioned Canadian exporters.

Canadian telecommunications industry exports will continue to boom in 2000 and 2001, as a result of quickly growing markets for telecommunication carriers and equipment producers, decreasing production costs and continuous technological breakthroughs. The Canadian fibre optic industry is flourishing, with sales expected to grow from U.S.$10 billion in 1998 to U.S.$22.9 billion in 2002 in the U.S. alone. The U.S. mobile phone industry has now entered the phase of mass consumption and is poised to adopt third-generation technology -- a range of mobile networks capable of delivering high-speed and wide band data/voice transmissions -- in the next few years. The rapid pace of product development will bring the replacement cycle into play, increasing total consumer demand and creating new opportunities for Canadian telecommunication exporters. The 1997 WTO Telecommunications Agreement accelerated the pace of industry privatization

[9] The index includes copper, lead, zinc, silver and gold, and is weighted by the relative share of Canadian production of each commodity. Based on current U.S. dollars.

[10] Over 60% of coal, steel and grain shipments are done by rail.

[11] The benefits of a decade of rail liberalization and industry consolidation.

in Western Europe -- increased competition, reduced prices and increasing returns to scale are expected. Canadian exporters stand to see their European beachheads expand, especially in the UK, Germany and Ireland. In Latin America, potential for growth is enormous, especially in the Internet and wireless sectors. Under-penetration of landline and public phone services creates much of this potential, as do increasing middle-class incomes. Asia also needs to overcome an inefficient fixed telecommunications network by adopting the latest wireless technology. Having overcome the crisis of 1997-98, both regions are looking to reinvest in their telecommunications infrastructures in order to attract more foreign capital. Although sales to these regions pale in comparison to the U.S. and Europe, they nonetheless represent opportunities for future growth in Canadian exports.

Despite strong world demand and increasing sales volumes, dramatic price dives will continue to depress the total value of Canadian computer equipment and electronic component exports. Extreme competition, cheaper components, and shorter replacement cycles have caused prices to drop by over 25% since 1997. This downward trend should accelerate slightly in 2001 due to slower U.S. growth. Exports to Western Europe, Latin America, Asia and Oceania will make up for some of the slack in the U.S. market, as firms seek to enhance productivity via technological upgrading and consumers press to get on-line. Japanese demand for Canadian computer hardware should expand as Japan reorients its economy towards hi-tech industries. Exports to Latin America and Asia should boom as economic growth and lower sale prices broaden the PC market. We can expect global demand to continue rising because overall penetration rates are still well below saturation levels and Internet services are attracting more and more customers.

Services

Canadian service exports have more than doubled over the past decade. This strength is expected to continue with service exports forecast to rise by 10% in 2000 and 9% in 2001.

Services output surpassed $634 billion in 1999. Exports increased 6% to $51.8 billion and now represent over 12% of total exports. Since the 1960s, almost all service industries have exhibited stronger than average growth. Commercial[12] services have shown the most growth and now make up over 40% of total services output.

> *Did you know?*
>
> It is a broad sector, encompassing commercial, travel, transportation, government, education, health and social services.
>
> Services account for two-thirds of Canada's GDP, almost three quarters of employment and some 90 % of new job creation.
>
> Services account for 75% of total employment in Canada – about 10.4 million jobs.

Exports of commercial services, which account for half of total services exports, grew 4.7% in 1999 to top $26 billion. Commercial services have led service export growth over the past number of years. In 1999, strong growth in U.S. markets offset the impact of Asian crisis-induced delays and cancellation of many large-scale construction projects worldwide. Prospects for commercial services industries are excellent as knowledge-intensive services represent one of the fastest-growing components of world trade and are increasingly the way that advanced economies are succeeding in the international marketplace. Governments in developing countries are recognizing that their economies would reap significant economic benefits from the importation of skills, knowledge and technology.

Travel services exports grew 8% to reach $15 billion in 1999, now accounting for 31% of total services exports. Transportation services expanded 5.7% to $9.4 billion now accounting for just over 18% of total services exports. Travel service exports should benefit from the overall improving business environment and the continuation of a relatively positive exchange rate situation. However higher oil prices and their effects in terms of travel costs stand as an important risk factor to an improving travel and transportation services outlook.

[12] *Also called business and professional services, commercial services includes accounting, legal, insurance, architecture, engineering and management consulting.*

TEAM CANADA INC - MANDATE AND OVERVIEW

Canada's International Business Development Goals

Canada relies on trade for jobs and growth more than virtually any other industrialized nation. We have a small domestic economy and need to take advantage of global trade and investment opportunities to realize our full national potential. Recognizing this, the Government of Canada's overall objective is to create jobs and prosperity by helping Canadian business to take full advantage of global opportunities and by facilitating the flow of investment and technology. It is striving to:

- Make Canada the world's best trading nation.
- Create jobs and economic growth by boosting exports.
- Exercise leadership in global trade liberalization.
- Make Canada the location of choice for investment in North America.

Team Canada Inc (TCI) is a key player in these international business development efforts.

TCI's Mission

TCI's mission is to help Canadian companies succeed in international markets. We are working to deliver the right information, service and support to Canadian businesses of all sizes as they expand their business globally.

For companies considering expanding their horizons outside Canada, TCI members offer general information and skills development services to equip them for opportunities and challenges ahead. To prepare exporters, we provide export counselling, market entry support and export financing. Practicing exporters are given the in-market assistance they need to succeed.

TCI members are also active promoters of Canada as a supplier of high quality goods and services and an attractive location to set up operations and gain a foothold in North American markets.

TCI is a partnership of organizations across Canada and around the world working together to help Canadian business take on the world and win.

The Team Canada Approach was born of the need to support the growth and success of the exporter community by harnessing the collective strengths of federal, provincial and non-government resources on two levels:

Team Canada Trade Missions – The Prime Minister leads the provincial/territorial premiers and Canadian businesses on high-profile missions to secure new business in global markets.

Team Canada Inc – 23 federal departments and agencies working with the provinces/territories and other partners, to educate, inform and support Canadian exporters – from the novice to the experienced, large and small – as they expand their business internationally.

TCI's Focus

Since its creation in 1997, the TCI membership has pursued priorities in four key areas:

Market Access - Predictable access to foreign markets is critical to any firm's export and foreign investment strategy. In the wake of such trade liberalizing successes as NAFTA and WTO[13] and numerous bilateral free trade agreements, TCI continues to focus on strengthening the rules-based international trade regime and on pinpointing and breaking down trade and investment barriers in Canada's priority markets.

Export Capability and Preparedness - Fostering a global-market mindset throughout the Canadian business community is key to broadening and diversifying Canada's export base. TCI members continue to focus on expanding awareness of international opportunities and the benefits of exporting and increasing companies' export-readiness and export-orientation.

[13] *North American Free Trade Agreement and World Trade Organization.*

International Market Development - Canada enters the new millennium on a wave of phenomenal growth in trade and investment that now translates into about $2 billion worth of international business (imports + exports) every day. TCI continues to engage in active promotion of Canada as a source of high quality goods and services across a broad range of sectors, focussing on markets and sectors where Canadian opportunities are greatest.

Investment Development - Today's foreign investment decisions focus on locating corporate activity where it is most efficient in the company's global supply network. Investing abroad is therefore an increasingly important ingredient in gaining a competitive advantage in foreign markets. The Government of Canada is working to attract, retain and expand global investment in Canada, while supporting Canadian investment overseas.

Team Canada Inc

Our membership now stands at 23 federal departments and agencies:

- Agriculture and Agri-Food Canada
- Atlantic Canada Opportunities Agency
- Business Development Bank
- Canada Customs and Revenue Agency
- Canada Economic Development for Quebec Regions
- Canada Mortgage and Housing Corporation
- Canadian Commercial Corporation
- Canadian Heritage
- Canadian International Development Agency
- Environment Canada
- Export Development Corporation
- Fisheries and Oceans
- Foreign Affairs and International Trade
- Human Resources Development Canada
- Indian and Northern Affairs Canada
- Industry Canada
- National Farm Products Council
- National Research Council of Canada
- Natural Resources Canada
- Public Works and Government Services Canada
- Statistics Canada
- Transport Canada
- Western Economic Diversification Canada

TCI offers a toll-free Export Information Service: 1-888-811-1119. Callers are automatically connected to the Canada Business Service Centre nearest them, where they are provided with the information they need or referred to the appropriate TCI partner.

As well, the ExportSource website offers a wealth of useful export-related information and e-links to all TCI partners. On-line products such as A Step-by-Step Guide to Exporting and the Interactive Export Planner are featured on the site.
Check it out at exportsource.ca

TCI STRATEGY FOR 2000-2003

Since 1994, the Government of Canada has made international business development a key priority of its agenda to promote Canadian prosperity and jobs. Team Canada Inc was created in 1997 to facilitate coordinated federal activity in promoting market access, export capability and preparedness, international market development and investment development. These remain the focal point of TCI members' activities for the 2000-2003 planning period.

Market Access

Canada's access to global markets depends on a rules-based system that is predictable - a key ingredient for long-term business planning. Canada has been a key player in negotiating more liberal, rules-based trade through NAFTA, the WTO and bilateral free trade agreements with Chile and Israel. Over the next three years, the Government of Canada will seek to further strengthen the existing set of rules to bring even greater stability, transparency and certainty to global trade.

Trade Negotiation

Bilateral, regional and multilateral negotiations still present significant opportunities to improve the framework for enhanced trade and investment. In the years ahead, the Government of Canada will continue to:

- Seek an expanded round of WTO negotiations, working within organizations such as APEC to build momentum for a new round of talks to address remaining trade barriers and create a more stable environment for new activities such as e-commerce.
- Promote Canada's interests in WTO negotiations on agriculture and services, in upcoming reviews of Uruguay Round agreements and in the ongoing implementation of Uruguay Rounds commitments.
- Further Canadian trade interests in Latin America through Free Trade Area of the Americas (FTAA) negotiations and through enhanced trade relations with MERCOSUR. An FTAA Ministerial meeting in Buenos Aires is scheduled for April 2001.
- Conclude free trade negotiations with the European Free Trade Association (EFTA) and work with the EU on a trade action plan.
- Generate greater opportunities for Canadian business in Asia-Pacific markets through participation in Asia Pacific Economic Cooperation (APEC). Key priorities will include freer trade and investment regulations and helping developing economies in the region to build the capacity to actively participate in the rules-based multilateral trading system.
- Negotiate international agreements to ensure that trade and the environment are mutually supportive and trade barriers disguised as environmental concerns do not impede Canada's access to foreign markets. The Biosafety Protocol, the Convention on Persistent Organic Pollutants and the Basel Convention will represent key activity areas throughout the planning period.

Consultation, Cooperation and Coordination

Preparations for trade negotiations require continuous consultation with Canadian stakeholders (e.g., provincial governments, industry, NGOs) to cultivate an informed domestic consensus around what Canada needs to safeguard and improve our standard of living in the new global economy. In the future, decisions will need to be made regarding Canada's national interests in further liberalization and rule-making and where market access priorities lie.

Provincial governments are playing a greater role in international trade negotiations. Building on close working relationships already in place, the Government of Canada ensures the provinces are involved to an extent that reflects constitutional responsibilities and to ensure effective implementation of negotiated undertakings.

- Continue to deal bilaterally with foreign governments to open doors for Canadian companies in key markets and sectors. Negotiations with Costa Rica continue, with a goal of signing in 2001. Preliminary discussions concerning the potential for a free trade agreement with Singapore have begun and, if pursued, will seek to facilitate greater access for Canadian services in this market. Another key priority will be the pursuit of bilateral sector-specific cooperation agreements in several fields, such as mining, forestry and geomatics.

- Strengthen Canada's network of trade policy partners to help address a complex array of issues and the proliferation of regional and bilateral trade arrangements.
- Increase protection of Canadian investors abroad through Foreign Investment Protection Agreements.

Eliminating Barriers to Trade and Investment

International rules are moving beyond the traditional tariff and non-tariff measures to address questions of domestic regulation with trade impacts. The Government of Canada will continue to support the defense of Canada's interests in addressing sources of trade irritants and disputes with trading partners, championing a science-based approach to regulatory measures. A primary goal is to maximize Canadian access to foreign markets, while maintaining a balanced domestic and trade policy framework and a favourable investment climate.

In the years ahead, the Government will continue to:

- Promote healthy and mutually beneficial trade and investment relations with the U.S. and ensure the integrity of NAFTA. This will require vigilance as the U.S. continues to enact legislation with extraterritorial application, and apply trade sanctions to support its foreign policy objectives.
- Carefully manage disputes over agriculture and agri-food, culture and forestry, as well as an unpredictable stream of trade remedy cases involving Canadian interests.
- Deploy WTO and/or NAFTA dispute settlement procedures to defend Canadian interests against protectionist actions and unilateral trade measures taken by trading partners.
- Defend Canadian programs against challenges from our trading partners, for example EU and U.S. challenges of Canada's patent policies in the pharmaceutical sector.
- Participate in international ethics and anti-corruption forums to promote Canadian ethics standards globally.
- Continue to participate in the development of uniform customs procedures that will standardize and streamline these across Canada's trading partners. As a result of recent agreements, Canadian exporters are no longer required to complete customs export declarations for goods destined for the U.S. As well, declarations for non-U.S. destinations can now be completed via the Internet-based Canadian Automated Export Declaration. Border procedures have also been streamlined for frequent travelers and participants in conventions, meetings and trade shows. Trade facilitation efforts are also being pursued in the WTO, FTAA and APEC fora.
- Analyze the extent to which e-commerce developments may affect current trade agreements.

Recent dispute settlement successes include:

Canada vs. Australia: A recent WTO win has re-opened Australia as a market for un-cooked salmon – the market had been closed for 25 years.

Canada vs. EU: Success in a recent public-private negotiation effort has re-opened European markets for cooked and peeled cold water shrimp from Atlantic Canada.

Exporter Capability and Preparedness

Fostering a global-market mindset throughout the Canadian business community is key to broadening and diversifying Canada's export base. To ensure that Canadian companies are successful in the international marketplace, it is imperative that they are properly equipped for the challenges they will face.

TCI members and partners provide a breadth of services for exporters, specially tailored for companies with varying degrees of export experience or readiness. The services offered range from general information products and services (needed by the company considering expansion through exports), to skills development and export counselling (for the preparing exporter) and in-market assistance, (for the experienced exporter needing help on the ground in foreign markets). The chart on the following page illustrates the wide range of services that are available.

Core TCI Services

TCI offers a number of core information tools that will continue to be upgraded to ensure they continue to meet the needs of Canadian business. For example, the award-winning ExportSource web site is Canada's most comprehensive online source for export information.

The Export Services Continuum

Potential Exporter → *Preparing Exporter* → *Experienced Exporter*

General Information	Skills Development	Export Counselling	Market Entry Support	Export Financing	In-market Assistance
Export Information Service 1-888-811-1119 *Online Export Information exportsource.ca*	*Export Preparation Guides* *Export Skills Training* *Preparation for U.S.* *Preparation for other Markets*	*Export-readiness Assessment* *Export Plan Development* *Export Plan Implementation*	*Market/Sector Information and Intelligence* *Missions, Fairs and Trade Related Events* *Market/Sector-Advice & Guidance* *Market Development Funding*	*Needs Assessment & Counselling* *Provision of Working Capital* *Foreign Risk Mitigation* *Medium/Long Term Foreign Buyer Financing*	*Market Prospect* *Key Contacts Search* *Visit Information* *Face-to-face Briefing* *Local Company Information* *Troubleshooting*

Export Services at a Glance

To provide a cost-effective single point of access for Canadian businesses and to help avoid unnecessary duplication of services, Team Canada Inc members work together to develop useful products and services for exporters. Work in five key business lines will continue:

- Maintain and enhance key TCI tools
- Develop new information products and services
- Market TCI and its products and services
- Offer services to members and partners
- Undertake integrated planning and performance measurements

ExportSource will continually be improved to respond to the changing needs of Canadian exporters. It has already been identified as a key component of the Government of Canada's proposed 'business portal', *businessgateway.ca* being established as part of the ambitious Government Online initiative. Technical enhancements will also be implemented to respond to the increasing sophistication of its users, as well as advances and growth in e-business. TCI will also continue to offer its popular toll-free Export Information Service (1-888-811-1119). User surveys demonstrate the popularity and usefulness of this service. Increasingly, information technology, including online databases and diagnostic tools will be used to ensure that callers receive the most accurate and timely information possible.

New Information Products and Services

In just a few years, TCI has developed an array of products that are receiving positive feedback from Canadian business users. These products will be updated and improved as required. For example, a popular on-line interactive guide called Take a World View will be upgraded based on customer feedback. TCI will also continue to work with the Forum for International Trade Training (FITT)[14] to develop on-line courses for exporters. Indeed, TCI will continue to take advantage of the Internet as a means of delivering needed information and tools to the desktops of Canadian business users. As well, the highly successful series of Going Global Workshops will be expanded during the coming years to offer at least two new titles Export Financing and Logistics/Distribution to the existing series[15].

Promoting TCI and its Services

Making even more Canadian business aware of the help that is available to those who wish to expand their business internationally is a top priority. A national advertising campaign specifically targeting community and regional business publications will be launched. Specific promotional efforts will be targeted to smaller business in particular, as well as to key audiences such as women, youth and Aboriginal entrepreneurs. Given the extensive use of the Internet to deliver TCI products and services, online marketing will be a key element of overall promotional efforts. As well, TCI members and partners will be encouraged to identify and pursue promotional

[14] FITT has been a key TCI partner since its inception. This world-renowned non-profit organization offers a series of excellent professional development courses in various aspects of international trade, both online and in classrooms all across Canada in conjunction with colleges and universities. Completion of their intensive FITT Skills program entitles participants to receive professional designation as a Certified International Trade Professional (CITP).

[15] The Going Global existing titles are: Introduction to International Trade, Introduction to Market Research and Introduction to International Marketing.

opportunities such as business fairs and other events where they can promote TCI products and services.

Listening to our Clients

TCI is considered a success story in terms of its strong client focus. This reputation stems from continuous performance measurement for such key tools as ExportSource and the 1-888 Export Information Service. Measurement mechanisms include annual user surveys to evaluate service quality, monthly statistical reports that monitor quantitative performance and monitoring of customer service standards established for key services.

As well, private sector export practitioners are used to focus-test new product prior to their release.

Finally, input on TCI products and services is received from established SME advisory committees and task forces.

Solidifying the TCI Membership Base and Network of Partners

TCI is a 'virtual trade organization' meaning it is a network of partners with a common goal to promote export development. Existing members and partners will be kept informed and engaged in TCI activities through such mechanisms as the TCI Electronic Workspace and regular e-mail bulletins about latest developments. New partnership opportunities will also be sought to ensure TCI products and services are reaching all potential exporters in useful and cost-effective ways.

Partnerships are Key to TCI Success

In addition to its 23 members who are federal departments and agencies, Team Canada Inc also works in collaboration with a wide range of other organizations. These include:

- provinces and territories
- municipalities
- trade, industry and business associations
- educational institutions
- private sector service providers.

Ten Regional Trade Networks (RTNs), co-lead by a Senior Trade Commissioner in each region and a provincial government representative, tailor TCI products and services to meet the needs of exporters and potential exporters in the region.

Planning and Performance Measurement

Team Canada Inc prides itself with being 'client-focussed'. To maintain and enhance this reputation, it is vital that the input of Canadian exporters be continually integrated into planning and evaluation processes. Comprehensive short- and long-term planning will be undertaken, as well as continuous evaluation of the various activities, products and services. Performance measurement, both quantitative and qualitative, will continue to be a major focus. A comprehensive set of performance measurement criteria for TCI will be developed.

Trade Team Canada Sectors

Operating under the TCI umbrella are Trade Team Canada Sectors (TTCS). These Trade Teams bring government and industry together to coordinate national trade development planning and activities in a number of key sectors. They develop sectoral trade development strategies and action plans, working to develop consensus on strategic priorities, decrease overlap and duplication in programs and activities, and leverage shared resources towards common goals. In short, they help Canadian companies take on the world.

There are currently 11 Trade Team Canada Sectors as follows:

- Aerospace and Defence
- Agriculture, Food, and Beverages
- Automotive
- Bio-Industries
- Electric Power Equipment and Services
- Environmental Industries
- Health Industries
- Information and Communications Technologies
- Plastics
- Service Industries and Capital Projects
- Wood and Other Building Products

Approximately 50% of TTCS membership is drawn from the private sector - representatives from sector associations and companies, who ensure that industry interests and needs drive team initiatives. The balance of membership includes federal and provincial government sector experts, and Trade Commissioners at home and abroad from the Department of Foreign Affairs and International Trade (DFAIT).

Further information about the individual action plans of each of the Trade Teams is available at: **ttcs.ic.gc.ca**

International Market Development

Despite Canada's phenomenal trade success over the past decade, we continue to be heavily dependent on U.S. markets and hence somewhat vulnerable to U.S. business cycle and to the Canada-U.S. currency exchange rate.

While the Government of Canada remains committed to strengthing Canada-U.S. trade, it is also actively encouraging greater diversification of Canada's trade base, by targeting high-growth markets, promoting them to Canadian business and working with export-ready firms to take advantage of the opportunities they present.

Specific activities through which this is being accomplished include:

- Team Canada Trade Missions: These highly effective high-profile initiatives will continue to market Canadian products and services to the world's fastest-growing markets in Latin America, Asia and Africa and to introduce foreign investors to the advantages Canada offers.
- Inter-American Summit Meetings: These and other high profile international events will continue to provide a range of opportunities to promote Canada as a supplier of high quality goods and services.
- Trade Team Canada Sectors (TTCS): The TTCS act as a focal point for bringing government and industry together to coordinate national trade development planning and activities in a number of key sectors.
- Sector-Specific International Marketing: Most TCI members engage in the marketing of Canadian products and expertise in sectors specific to their mandates. Marketing activities span a broad range of industries, including agri-food, culture, education and training, housing, earth sciences, environmental management. These activities include ensuring a Canadian presence at identified international trade shows and helping Canadian contractors win groundbreaking contracts abroad under such unique initiatives as the Sustainable Cities Initiative and the First Nations Team Leader Consortia Initiative.

Canada Export Awards are presented annually to firms that demonstrate an ability to compete globally, a spirit of innovation, a dedicated workforce, and appetite for risk and commitment to excellence. Winners use the Canada Export Award logo in their advertising and promotional materials for three years following receipt of the award, and are publicly recognized for their outstanding achievements as Canadian export champions.

- Virtual Trade Show: This is an on-line tool that simulates the elements of a traditional trade show and conference, providing a cost-effective platform from which Canadian companies can showcase their products and services to the international marketplace. Pilots undertaken in 1999 have proven to be highly successful and a number of technical enhancements are proposed. As well, efforts will be undertaken to identify private sector partners to help with the future delivery of this innovative business development tool.
- In-market Assistance: With offices in more than 133 cities worldwide, the Trade Commissioner Service will continue to be the focal point for in-market assistance or Canadian companies engaged in international business activities. The 500 trade officers operating from Canadian embassies and consulates offer help to companies who have thoroughly researched and selected their target markets and have registered with the WIN Exports database. Available services include: market prospect assessment, key contacts search, local company information, visit information, face-to-face briefings, troubleshooting and referrals. New resources have been put in place in China, Ecuador, France, India, Israel, Ivory Coast, Kenya, Libya, Peru, Spain and the U.S. to respond to the increased interest of exporters in these regions and to take full advantage of promising business opportunities.

Investment Development

The Government of Canada's goal is to improve Canada's position as the preferred location for domestic and foreign investment. Its goals in this regard are:

- Improved investment climate in Canada and internationally
- Canada branded and recognized as the investment location of choice
- Increased attraction and retention of multinational investment in Canada
- Building and capitalizing on international partnerships

Did you know?

Since 1983, Canadian direct investment abroad has more than tripled, making Canada a net exporter of foreign direct investment for the first time in its history.

Canada's inward stock of foreign direct investment reached US$141.8 billion in 1998, a 120% increase over the 1985 level[1]. Over the same period, however Canada's share of foreign direct investment in the North American Free Trade Agreement (NAFTA) region declined from 24% to 13%, reflecting the intense competition in the pursuit of foreign direct investment worldwide.

Over a 5-year period, it is estimated that $1 billion in new foreign direct investment spending will produce 45,000 jobs and some $4.5 billion in GDP[1].

[1] *According to the World Investment Report, 1999*

Improving Canada's Investment Climate

Today, Canada's business environment is rated third in the world by the World Economic Forum. Unemployment is lower than it's been in two decades. Deficit financing is a thing of the past and the public debt is on the decline. Lower taxes have been set out as an essential part of an economic strategy to provide jobs, growth, rising incomes and a higher quality of life. There are also new measures to provide incentives for investment and innovation, including a lower corporate income tax rate in some sectors, reduced taxes on capital gains, tax-free rollover allowance on small business investments and deferral of tax on benefits from employee stock options. Going forward, the Government of Canada will continue to identify and pursue opportunities to further enhance Canada's attractiveness for both domestic and foreign investment.

Foreign Investment - Increasingly Linked to Domestic Prosperity

Globalization has changed the way the world trades. Traditionally companies undertook foreign investment to secure sources of raw materials or to gain access to markets protected by import tariffs and other trade impediments. Under this model, foreign investment was a substitute for trade. In today's world of liberalized trade and easier access to global markets, companies now invest overseas for many reasons -- to continue growth beyond domestic markets, to diversify risk, to take advantage of technological specialization and other competitive advantages, to minimize transportation costs. In short, companies invest to locate production where it is most efficient in serving a global customer base.

Rather than a substitute for trade, foreign investment is now acting as a stimulus to trade -- each dollar of foreign investment spending overseas leads to $2 in additional exports from the source country.

This new investment-trade link has stimulated greater competition among nations to attract foreign investment and the associated job-rich product mandates. National leaders, including the Government of Canada, have sought to create the proper climates for economic growth, innovation and enhanced productivity. These national leaders are actively championing their respective countries as the best location for investment, some providing generous incentives to seal the deal.

Branding Canada as the Investment Location of Choice

Since 1996, the Government's investment promotion activities have revolved around a marketing approach that has pinpointed key priority markets, target sectors and specific firms. The Government will continue to engage in the systematic marketing of Canada as the cost-competitive NAFTA location of choice and highlighting the country's overall investment strengths, including its strength as a leading-edge, knowledge-based economy. The Prime Minister, along with provincial and business leaders across Canada will continue to actively champion Canada's investment strengths in a wide range of international fora. Their and other specific promotional efforts will draw on third party endorsements[16] citing Canada as "the best" in various business and social categories, as well as the KPMG international cost comparison study[17] which found that Canada offers cost-effective locations for new business investment. As well, a Branding Canada pilot project is underway in Dallas and Boston[18] and key findings will help to form the basis of a comprehensive international Brand Canada program in key U.S., European and Asian target investment markets and sectors.

In the October 1999 Speech from the Throne, the Government renewed the emphasis on investment, saying it would:

" …launch Investment Team Canada - a coordinated effort by all governments and the private sector to make the international community more aware of the unique opportunities for investment and growth in Canada."

Attracting and Retaining Multinational Investment in Canada

There is increasing evidence, that investment decisions by multinational enterprises tend to focus more on the availability of a skilled labour force, sound infrastructure facilities and an innovative, dynamic economy than on traditional attractions such as large domestic markets, access to natural resources and labour costs. The Government of Canada will continue to work with the provinces/territories, municipalities, utilities, national and regional organizations such as the Federation of Canadian Municipalities and the Economic Developers Association of Canada to promote Canada's investment location strengths to investors and key decision influencers.

As part of these efforts, the Deputy Ministers Investment Champion Program has allowed high level meetings between specific Deputy Ministers and CEOs and senior executives of 80 of the most important multi-national corporations in the world. The DMs will continue to identify opportunities where they can make a difference in promoting Canada as a prime investment location. There will also continue to be active Government participation in Venture Financing events, which have proven to be highly effective mechanisms for introducing knowledge-based Canadian companies, particularly smaller firms, to foreign financial institutions, including venture capital companies.

Building International Partnerships

International partnerships give Canadian companies access to new technologies, sources of venture capital, and networks of contacts to further enhance their business activities. Recognizing the needs of smaller business, the federal government partnering services offer Canadian companies the opportunity to identify and contact foreign companies to form joint ventures and strategic alliances. The services help client companies understand the potential benefits, responsibilities and pitfalls of such arrangements. It provides educational materials on the subject and offers additional materials to supplement both market- and sector-specific promotional efforts. The service stages promotional activities in conjunction with high-profile trade events and missions and responds to requests from abroad to match foreign with appropriate Canadian companies.

[16] *From such international organizations as the World Economic forum, the Economic Intelligence Unit, and the UN Human Development Index.*

[17] *The Competitive Alternative: A comparison of business costs in North America, Europe and Japan.*

[18] *Two cities identified as important investment sources.*