



Team Canada Inc • Équipe Canada inc

INTERNATIONAL BUSINESS DEVELOPMENT BUSINESS PLAN

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PREFACE



Feedback from clients has resulted in a fundamental reassessment of the focus and structure of the government's trade and investment promotion efforts. The new International Business Development (IBD) strategy draws heavily on private sector consultations and builds on the government's jobs and growth agenda.

The strategy seeks a government-wide approach to create partnerships with the provinces and the private sector by harnessing the collective strengths of all participants to leverage diminished resources, reduce overlap, set priorities, improve market intelligence and sourcing systems and simplify programme and service delivery.

This approach has come to be known as the "Team Canada" approach to international business development. The cornerstones are the highly successful Team Canada missions led by the Prime Minister and the provincial premiers internationally and the launching of Team Canada Inc domestically.

Team Canada Inc is the driving force behind an ongoing effort led by Foreign Affairs and International Trade, Industry Canada and Agriculture and Agri-Food Canada to provide a greater degree of cohesiveness and effectiveness among federal departments, the provinces and the private sector in the delivery of IBD programmes and services.

This strategic planning document represents the first time that an IBD Business Plan has been crafted in an integrated fashion across the three "core" federal IBD departments. The purpose of the Plan is to improve the transparency of the government's strategic approach to the international business agenda while providing for greater accountability for results.

In the years ahead, the federal government will continue its efforts to expand the collaborative nature of the Team Canada Inc partnership including future editions of the annual integrated IBD Business Plan.

Hon. Sergio Marchi
Minister for
International Trade

Hon. John Manley
Minister of Industry

Hon. Lyle Vanclief
Minister of Agriculture
and Agri-Food Canada

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INTRODUCTION



1.1 Strategic Objective

To create jobs and prosperity by assisting Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows.

There is no scenario for future economic and industrial policy for Canada that does not include a significant, and growing role for international trade, investment and technology. Canada's economic growth and job creation prospects depend on success in the international forum.

- ▲ Over 40% of our Gross Domestic Product (GDP) is attributable to **export trade** (goods and services), and in the past five years our global exports have more than doubled. Almost 2 in 5 jobs created in this period were export-based, and some 3 million workers owe their jobs directly to foreign markets. A recent study estimates that \$1 billion in new exports creates or sustains 11,000 jobs.
- ▲ **Foreign direct investment** (FDI) helps create 1.3 million jobs, over half of all exports, and three quarters of manufacturing exports. Globally, as well as in Canada, FDI is growing at a faster rate than trade, and is responsible for increasing amounts of international trade. Recent research estimates that, over a five-year period, \$1 billion in new FDI creates 45,000 jobs and \$4.5 billion in GDP. The benefits of international investment also include technology transfers and spillovers, international management expertise, production know-how, and product innovation.
- ▲ In recent years, international linkages have become important means of gaining access to leading science and technology. This helps to improve domestic industrial competitiveness and to strengthen the foundation for export growth in both traditional and advanced technology industries. Canada has considerable domestic strengths, but among the G7 nations it is the most dependent on foreign technologies. We are the only member of the group to import over half of our new industrial technologies.

1.2 Goals and Challenges

With a relatively small domestic market, Canada's economic growth depends on ensuring access for our goods and services to global markets. The government has set four key goals to guide its international business development efforts:

- become the world's best trading nation by enhancing our international competitiveness;
- make Canada the location of choice for investment in North America;
- create more jobs and economic growth in Canada while fostering Research and Development (R&D) by Canadian small and medium-sized enterprises (SMEs) and multi-national enterprises (MNEs);
- exercise leadership in global trade liberalization.

To realize the above goals and not lose ground to our competitors, we must address six major challenges:

1. Improve market access

We must improve market access for Canadian products and services abroad. Canada has already negotiated a more liberal, rules-based trade environment for the business sector through North American Free Trade Agreement (NAFTA), the World Trade Organization (WTO), and free trade agreements with Chile and Israel. We should build on these successes by playing a leading role in further strengthening the international rules framework, including: the WTO built-in trade agenda; a new WTO round; and regional initiatives such as MERCOSUR, Asia-Pacific Economic Cooperation (APEC) and the Free Trade Area of the Americas (FTAA). We must manage our bilateral and multilateral trading relationships to assert Canadian interests and expand Canadian access based on clear and equitable rules. At the same time, we must consider the advantages of building a domestic consensus for further liberalization.

2. Increase the number of exporters

To increase exports, we would do well to increase the number of exporters. Canada has a narrow export base, with a very low participation rate among SMEs. We can engage new, emerging smaller firms in exporting, particularly in the knowledge-based and service sectors. New export constituencies such as youth, women, aboriginals and multicultural communities should also be engaged in the process.

3. Broaden product range

To remain relevant to the needs of our clients, we must develop government services that respond better to the needs of knowledge- and technology-based exporters which are increasingly poised to go global. Exports are shifting from goods to services and from primary products to value-added products.

4. Export beyond the U.S. market

We should replicate our success in U.S. markets by increasing Canada's share of emerging high growth markets, and helping develop high-growth sectors, higher-value products, and export-ready firms. We have huge potential in Asian and Latin American markets.

5. Improve our share of global investment

Canada should capture more global FDI flows, particularly investments directed at the NAFTA region. Canada's market share of FDI lags behind the competition, even though a recently-released KPMG study lauds Canada's cost-competitive advantage over European and US locations.

6. Exploit the potential of Team Canada missions

Team Canada missions have proven to be a popular and effective tool to improve access to the world's fastest-growing markets. We should build on these successes and take a broad, strategic approach to exploiting their full potential.

1.3 A Report Card for Canada

The government will address these challenges by focusing its activities on four key areas:

- *market access* — maintain and improve secure market access;
- *export capability and preparedness* — develop internationally competitive and export-oriented industries and firms;
- *international market development* — increase exports of goods and services;
- *investment* — increase business investment.

In addition, we will track our performance against macro-economic indicators to gauge our standing relative to other industrialized countries. The preceding chart captures Canada's recent international business performance as a baseline for future comparisons:

Our baseline indicators will also include the following reports and analyses:

- *Trade & Investment Report*: this biannual analysis will present trends in Canada's trade and investment performance vis-a-vis G7 and Organization for Economic Cooperation and Development (OECD) countries for priority and growth markets and sectors;
- *priority sector analyses*: year-to-year, international, and sector-to-sector comparisons;
- *a special issue of MICRO (Industry Canada's Micro-Economic Research Bulletin)*: the key findings of the Trade and Investment Report; and,
- *Annual Report on Aggregate Macro-economic Performance Indicators*: indicators will be monitored quarterly.

1.4 The Team Canada Concept

Where We Were

Earlier this decade, when governments in Canada were experiencing difficult fiscal challenges, new strategies were needed to enhance international business development (IBD) programs and activities across government, and to rationalize the IBD resource base while making IBD efforts more effective in responding to the needs and demands of the business community. L. R. (Red) Wilson was invited to lead a private sector group in providing a collective perspective on what IBD assistance Canadian business requires from government. The group was asked to review existing support, including any gaps in programming or services, and to suggest how government could deliver programs and services more efficiently and effectively, keeping in mind budgetary constraints.

Baseline Macro Indicators for Canada's IBD Performance

	1997	Annual % Change
Exports of Goods & Services	343 (\$ billion)	8.6 (nominal)
Exports (US destination)	268 (\$ billion)	10
Exports (non-US destination)	74.7 (\$ billion)	0.9
Balance of Trade (goods)	23.4 (\$ billion)	(42.9)
Balance on Current Account	(17.0) (\$ billion)	(547.4)
# of Exporters total	88,897 (1996)	
# Small Exporters (sales < 500k)	75,967 (1996)	4.1
# of "active" exporters	6,378 (1995)	
FDI	191.8 (\$ billion)	8.5

Source: Statistics Canada (1998)

Table 1



In September 1994, in what came to be known as the Red Wilson Report, the government was encouraged to:

- coordinate all federal and provincial IBD activities;
- eliminate overlap and duplication across government;
- select sectoral and geographical priorities for IBD services and programmes;
- consolidate funding to allow for an integrated, strategic IBD program;
- strengthen the Trade Commissioner Service while retaining it within the Department of Foreign Affairs and International Trade.

Internal government reviews (Program Review I) also raised questions and reinforced concerns about overlap and duplication in IBD programs. The business community emphasized that government support for IBD was more important to the future economic health and well-being of Canada than programs in many other areas; however, the business community also shared the view of government that this support had to be re-engineered to reflect the fiscal realities of the day. With the growing recognition that programs supporting IBD were intimately linked with jobs and wealth creation, the government focussed its attention on achieving savings without impairing its ability to help Canadian companies in their internationalization efforts.

These various factors resulted in a fundamental reassessment of the focus and structure of the federal government's international business development strategy.

Creation of Team Canada

Not only did the strategy draw heavily on these private sector consultations, it built on the government's jobs and growth agenda of "Building a More Innovative Economy." The strategy sought a government-wide approach to create partnerships with the provinces and the private sector. Such an approach would harness the collective strengths of all participants to leverage diminished resources, reduce overlap, set priorities, improve market intelligence and sourcing systems and simplify program and service delivery.

The resulting "Team Canada" approach to international business development operates on two levels:

- Internationally, the Prime Minister has led a series of high-profile trade missions to garner new business in chosen emerging markets.

- Domestically, an ongoing effort led by the Department of Foreign Affairs & International Trade (DFAIT), Industry Canada (IC) and Agriculture & Agri-Food Canada (AAFC) has provided a greater degree of coordination among federal departments, the provinces and the private sector. This has promoted the jobs and growth priorities of the government and the growth of the Canadian export community through a series of programs designed to educate, inform and support both the novice and the experienced exporter.

Several key initiatives have flowed from the creation of the Team Canada approach:

- A planning document, entitled *Canada's International Business Strategy* (CIBS), governs the new collective approach to IBD and guides resource allocation;
- A committee of federal deputy ministers serves as an IBD "Board of Directors";
- National Sector Teams and Regional Trade Networks have been established;
- A trade opportunities sourcing unit has been created;
- Priority countries and sectors have been identified;
- Common IBD program guidelines have been adopted across government.

In agreeing to this strategy, the government challenged the business community to work with it to double the number of active exporters by the year 2000. To achieve this objective, IBD departments have taken the following initiatives, consistent with the Team Canada approach:

- creation of the Agri-Food Trade Service;
- special focus on assisting SMEs to become successful exporters;
- revitalization of the Trade Commissioner Service;
- approval, in 1996, of a new investment strategy, including the formation of Investment Partnerships Canada, to focus government resources on key prospective investors.

This new integrated approach to international business development represents a major ongoing commitment. The challenge is to maintain the momentum of implementation and delivery.

Where We Are: Strengthening the Horizontal Management Approach

The following steps have recently been taken to strengthen further the horizontal management approach to IBD across departments:

Enhanced Strategic Decision-Making

- establishment of the IBD Executive Committee at the Deputy Minister level;
- “twinning” Deputies in an investment country champion program;
- creation of the Canadian Agri-Food Marketing Council, a private sector group reporting to the Ministers of Agriculture and Agri-Food and International Trade.

Consolidated Planning and Reporting

- presentation of an annual IBD Report to Parliament by the Minister for International Trade;
- streamlining of the *Canada’s International Business Strategy* while making it “evergreen”;
- sectoral and regional trade planning through National Sector Teams and Regional Trade Networks.

Revitalized Service Delivery

- delineation of border-in and border-out service delivery;
- establishment of the International Business Opportunities Centre (IBOC) for disseminating sourcing leads;
- implementation of the Agri-Food Trade Service.

Improved Communications Products

- location of CIBS on-line with *Strategis*, listing 1,500 trade promotion events;
- joint development of the *ExportSource* common website for prospective and existing exporters;
- enhancement of the national toll-free 1-888-811-1119 number connecting callers to IBD service providers across the country;
- WINExports being made available “on-line” to Trade Commissioners worldwide.

1.5 Team Canada Inc : Networking for Success

The 1997 Throne Speech pointed out that Team Canada trade missions have not only generated new opportunities for Canadian businesses, they have also illustrated what we can accomplish when government and the private sector collaborate. A commitment was made to: “build on that success with a focussed strategy, developed in consultation with industry, to improve our international economic performance by expanding Canada’s trade base.” In October 1997, Minister Marchi of DFAIT addressed this commitment at the annual meeting of the Alliance of Manufacturers and Exporters Canada in Quebec City along with Ministers Manley and Vanclief of Industry Canada and Agriculture and Agri-Food Canada. The Ministers focussed on a number of key themes:

- giving the name Team Canada Inc to the cooperative IBD service network, which is made up of federal departments, provinces, municipalities and the private sector;
- creating a private sector Team Canada Inc Advisory Board to provide strategic trade policy and trade/investment development advice to ministers;
- deploying more Trade Commissioners abroad to reach a 70:30 ratio, field to headquarters, by the year 2006;
- improving contact with Team Canada Inc members through a 1-888 number and the ExportSource website;
- creating a unit in DFAIT to champion the special needs of SMEs in export markets; and
- integrating an IBD Business Plan across the three core departments working in Team Canada Inc.

These measures to reinforce and expand the Team Canada concept comprise ministers’ initial response to what they have heard from business across the country and from their Cabinet colleagues. But these measures are just the start. Ministers will continue to solicit the views of business associations, special interest groups and the new business Advisory Board. The ministers will also meet with their provincial counterparts to obtain their views on new and ongoing issues such as Team Canada Inc, CIBS, Team Canada and other trade missions, priority markets, exporter preparation etc.

In the coming months, membership in Team Canada Inc will be expanded to other service providers to the export community.

PLANNING ENVIRONMENT FOR 1998-2001



2.1 Export Environment

2.1.1 Overview

In 1997, the global economy enjoyed favourable conditions. Both the Canadian and US economies posted strong growth, providing a solid base for continued growth into 1998. While a somewhat slower performance is expected during the latter half of the planning period, the medium-term growth prospects for North America, European Union, Central and Eastern Europe, and developing economies remain bright. The recent financial market turbulence in Asia will likely be the only serious shadow over this generally positive outlook, and even in this region, growth is expected as national economies address some of their underlying structural problems.

Overall, the global economy can be characterised by relatively tight fiscal policies, low levels of inflation, low interest rates, continued globalization of production, and moderate growth.

Canadian exports are expected to grow by 7.3% over the planning period. A summary of our export forecast by geographic region is found in Chart 1, while our forecast growth by industry sector is found in Chart 2.

2.1.2 Outlook in Industrialized Countries

OECD growth will likely remain unchanged in 1998 — at around 2%. However, performance will be uneven across countries and sectors.

In the **United States**, excellent macroeconomic conditions indicate continued growth. Canadian exports to the United States are expected to increase by an average of 7% over the 1998-2001 planning period. Strong US domestic demand will support key exports such as autos and parts over the near term. A somewhat more cautious investment climate will moderate growth in capital equipment exports, while economic conditions will support limited growth in many resource exports.

At the other end of the spectrum, **Japanese** market activity remains muted, in spite of numerous monetary and fiscal attempts to invigorate the economy over the past four years. Nevertheless, structural problems have begun to be corrected by the on-going, albeit slow, deregulation and liberalization of the Japanese economy. Canadian exports to Japan are expected to average 5.7% growth per annum over the planning period, with strong performance by Canadian computer and telecommunication equipment exports. On the other hand, Canadian exporters

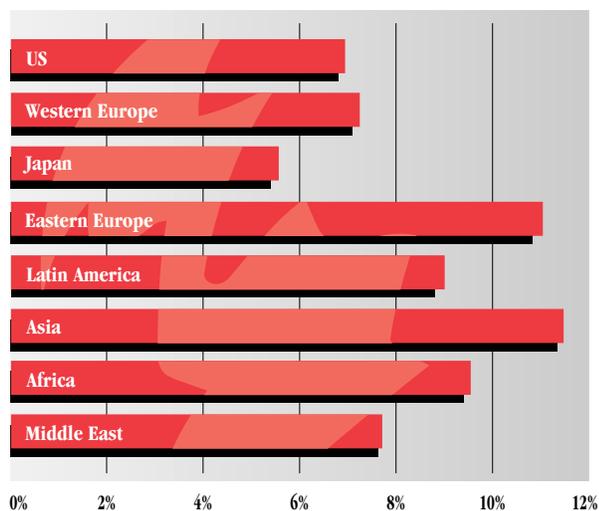
of consumer goods will likely see their Japanese markets diminish as the yen's depreciation makes such imports more expensive.

Activity in **Western Europe** should pickup in 1998, despite the continued force of heavy cost-cutting on the part of the private and public sectors. Some uncertainty remains with respect to the introduction of the European Monetary Unit (EMU). Canadian minerals and forestry exports will face a weak but improving pricing environment in the near term. A somewhat improved investment outlook should also strengthen exports of capital goods this year. Overall, Canadian exports to Western Europe are expected to grow by an average of 7.2% per annum over the planning period.

Export Outlook by Geographic Region

(Average Annual % Growth)

Chart 1

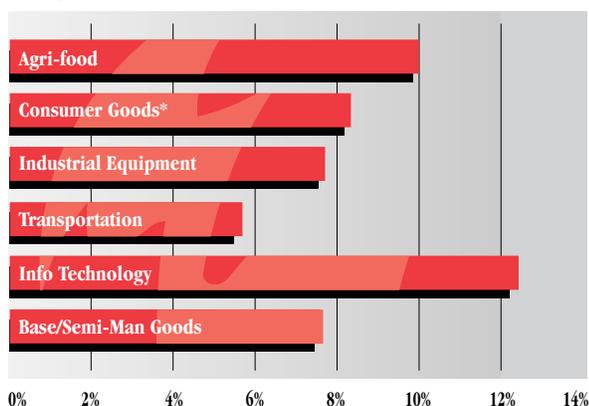


Source: Export Development Corporation (1997)

Export Outlook by Industry Sector

(Average Annual % Growth)

Chart 2



Source: Export Development Corporation (1997)

(* Value for Consumer Goods includes Agri-Food)

2.1.3 Outlook in Emerging Markets

Developing Countries have recently benefited from strong private capital flows, thanks to low interest rates, some progress in economic reform in many markets, and a growing investor appetite in industrialized countries for emerging market assets. The increase in capital flows to the developing world in 1996 took the total to a new high of \$285 billion according to the World Bank. Prospects are good for this figure to have been matched, if not exceeded, in 1997.

Latin America experienced the biggest turnaround among international investors. Recovery has become well established in the region and performance overall is improving. The region's financing system remains woefully inefficient in mobilizing domestic savings and channelling them to productive uses, and fiscal problems continue to plague many Latin American countries. Canadian exports are expected to recover from this near-term weakness to average close to 9% growth per annum over the planning period.

In **Asia**, after several years of rapid economic growth, serious imbalances were becoming apparent in several Asian economies by 1997. In response, a number of Asian economies have introduced reforms aimed at addressing these structural problems. In Thailand, the Philippines, Indonesia and South Korea, financing and technical assistance were sought from international financial institutions (International Monetary Fund, World Bank and the Asian Development Bank) and several trading partners. On balance, Canadian exports to Asia are expected to average more than 11% growth per annum over the planning period, with some downward risk in the event that financial market turbulence in the region were to slow growth.

In **Eastern Europe**, output growth was rapid and inflation remained under control in 1997. Over the medium term, improving economic growth will also certainly be sustainable in most of the region. Canada's exports to Eastern Europe and the Former Soviet Union are expected to moderate as a number of large capital projects reach completion.

In spite of its first economic growth since 1989, **Russia** continued to experience political and economic problems. The country remains poised at a critical juncture in its development and, while the prospect of a regression into the chaos that characterized the immediate post-Soviet era has diminished, it has not disappeared entirely.

2.2 Industry Sector Highlights

While all sectors in the Canadian economy are engaged in IBD activities, certain priority sectors receive preferred access to government IBD resources. These priority trade sectors were selected in 1996 on the basis of export performance, export growth potential, importance of government role, the commitment and preparedness of the private sector to participate, and sector competitiveness. The following were designated as priority sectors:

- ▲ **Aerospace and defence:** This sector primarily supplies to niche markets. Products include regional transports, helicopters, executive jets, air-traffic management systems and simulators. Canada ranks fifth in terms of its world exports, preceded by the US, the UK, France and Germany.
- ▲ **Automotive:** This sector is a key component of the Canadian economy. In 1995, direct manufacturing employment totalled 138,755; direct and indirect employment amounted to 501,900. The automotive sector is intensively export-oriented, with 1996 exports totalling \$64.9 billion. The sector includes 14 assembly plants and 554 automotive parts manufacturers.
- ▲ **Electrical power equipment and services:** This sector is comprised of more than 300 manufacturing establishments and 35 consulting engineering firms. Employment is 35,000 and output \$6.8 billion, one-third of which is exported. The sector is regionally concentrated in Quebec and Ontario and is dominated by subsidiaries of foreign-owned multinationals. The consulting engineering segment, on the other hand, is almost fully Canadian-owned.
- ▲ **Environmental industry:** This sector is comprised of 4,500 SMEs, employing 150,000 people, and revenues of \$11 billion. Some 800 firms export, with 10-15% of industry revenues generated from these exports. About 80% of sales are to the US, the world's largest market. Europe and Japan also provide market opportunities. The average annual world growth rate for environmental industries is expected to be 7% until the year 2000. Canadian firms hold a 2.6% share of world markets.
- ▲ **Forest industries:** This sector produces primary products for the most part. It is comprised of more than 4,000 establishments, largely Canadian-owned, spread across the country. Shipments in 1995 amounted to \$57 billion, of which \$41 billion was exported. Imports amounted to \$6 billion. The sector's priority market is the US, followed by the EU and Japan. Canada is the world's largest exporter of manufactured forest products (18% market share in 1990).



▲ **Information technologies and telecommunications:**

This sector reported 1994 revenues of \$54 billion, with manufacturing exports worth \$16 billion against imports of \$33 billion. The sector is comprised of 15,280 establishments employing 312,776 people. Multi-national enterprises (MNEs) account for 75% of all export revenues; 40% of the SMEs export.

▲ **Tourism:** This sector employs 538,100 people in more than 70,000 companies of all sizes in every province and territory. It injected \$41.8 billion into Canada's economy in 1996, a 4.7% gain over 1995. Visitors spending increased by 2.1% to \$12.1 billion, making Canada the world's 10th largest earner of international tourism receipts. Although the overall benefit to the Canadian economy from tourism continues to increase, the source of the growth has shifted from overseas to North American markets.

Challenges

Although individual sectors do confront specific problems, most sectors face similar challenges. Canada's International Business Strategy (CIBS) offers insight into the challenges confronting all sectors, including:

- financing, including International Financial Institution projects;
- non-tariff barriers or market access restrictions;
- acquiring timely, reliable and cost-effective market information and intelligence; and
- developing effective marketing strategies to promote Canadian capabilities and Canadian brand recognition abroad.

2.2.1 Agriculture and Agri-Food

The agri-food industry accounts for about 9% of Canada's GNP and employs close to 2 million people. Canadian consumers spend \$87 billion on agriculture and agri-food products, while agriculture and agri-food exports currently account for over \$20 billion. This represents about a 3% share of world agri-food trade. The industry has set a new goal of 4% of the value of world agricultural and agri-food exports by the year 2005.

Higher-value products enjoy the strongest trade growth rates. Currently, the value of Canadian exports is comprised of approximately 60% bulk and 40% processed; efforts will be made to reverse that proportion.

Eight priority markets have been identified for this sector, and action plans developed for each: the United States, Japan, the European Union, China/Hong Kong, South Korea, Taiwan, Mexico, and Brazil. These markets have accounted for almost 85% of the value of Canadian agri-food exports over the last 4 years. Emerging markets, likely to be key in five to 10 years, have also been identified. Strategic Plans, to be finalized in July 1998, have been drafted for the Philippines, Singapore, Columbia and the Russian Federation.

Consultations with industry groups such as the Canadian Agri-Food Marketing Council (CAMC) and national, regional, and sectoral associations ensure private sector input. Federal-provincial collaboration in IBD is reinforced with a Federal-Provincial Market Development Council, a Trade Policy Committee, and a federal-provincial investment team.

2.3 Composition of the Export Community

Canadian exporters represent a small proportion of the total number of Canadian firms: approximately 75,000 Canadian companies export, out of a total of nearly one million registered companies. Nearly 90% of these 75,000 exporters are small. Statistics Canada defines a "small business" as one with fewer than 100 employees in manufacturing, and fewer than 50 for the service sector; "medium-sized" businesses are those with 100 to 500 employees. Additionally, small businesses are assumed to have annual sales of less than \$10 million; and medium-sized businesses, less than \$50 million. Despite their numbers, SMEs account for less than 10% of the value of Canadian exports.

1996 Canadian Export Distribution by Company Size

Export Sales Category	Share of Exporters	Share of Volume
Very small	65%	1%
Small	22%	2%
Medium	8%	5%
Large	5%	92%

Source: Statistics Canada (1997)

Table 2

Canada has become a world class trading nation, but we are not yet a nation of traders. Of the 75,000 exporters, only 5,000 companies account for most of the value of Canadian exports — over 90% in 1996.

Statistics Canada was asked to develop a profile of the Canadian exporting community. This data showed that the 5,000th largest Canadian exporter in 1993 exported goods worth more than \$1.6 million. This export volume has now been accepted as the threshold figure for defining an active exporter.

Statistics Canada found that the number of exporters in this category grew significantly between 1990 and 1995:

Year	Company Count	Growth from Previous Year
1990	3,867	—
1991	3,826	-1.0%
1992	4,297	12.3%
1993	4,999	16.3%
1994	6,126	22.5%
1995	6,378	4.1%

Table 3

This indicates an average annual rate of growth of 10.84% so far this decade: a solid performance. If growth were to continue at this rate until the end of the year 2000, some 10,670 companies would be considered active exporters.¹

2.4 Investment

There are strong links between Canadian trade and investment: about 40 percent of Canada's exports represent intra-firm trade. While foreign direct investment in Canada is at record levels, we are losing global market share to the United States as a destination for such investment. Over the past decade, Canada has lost 6 percentage points of global FDI, while the U.S. has gained 5. Canadian direct investment abroad (CDIA) is increasing faster than FDI but is concentrated in a very limited base of companies. There are over 1300 Canadian-based transnational firms, but Canada has only 3 of the top 100 in the world.

Recently, Canadians have recognized the importance of international investment, and Canada's formal investment rules have been liberalized as a result. Canada has been a leader in promoting international rules for investment. These rules would protect Canadian investors and remove foreign barriers to investment in a variety of international fora.

While Canada has progressively undertaken investment liberalization, concerns remain over the restrictions on ownership investment. Investment policy initiatives therefore will continue to focus on providing an environment attractive for investment in Canada and on providing access and protection for Canadian investors abroad.

The planning environment is dominated by such considerations as:

- Canada's falling share of global FDI;
- a perception/reality gap on Canada's competitiveness;
- the need for more effective marketing tools to promote Canada's strategic partnerships and technology flows;
- cost-sharing between federal and provincial governments, municipalities and the private sector;
- unprecedented pressures on delivery capacity at embassies abroad; and
- the Red Book proposal for a Program for Export Market Development (PEMD) Investment fund for municipalities.

The challenge is to make Canada the NAFTA location of choice for new and expanded business investment. We must inform international investors of the economic renaissance so evident in Canada, and the extent to which Canada's international competitiveness ranking continues to improve. With Canada's dramatic and increasingly-acknowledged turnaround in its economic fundamentals, now is a good time to emphasize Canada's attractiveness to foreign investors.

¹ Statistics Canada does not include services exporters in their data on the composition of the Canadian export community.

STRATEGY

3



3.1 Overview

A main objective of the Government of Canada's foreign policy is to pursue Canadian prosperity and employment. To achieve this, the government intends to pursue several initiatives over the next few years as part of the Canada's International Business Strategy (CIBS). Initiatives will fall in four main areas:

- market access
- export capability and preparedness
- international market development
- investment development.

Since relatively few Canadian firms export, CIBS initiatives aim to increase the number of SME exporters by the year 2000, as well as increase the export volumes of existing exporters. To succeed internationally, SMEs require timely market intelligence and improved access to financing. The government is looking to the private sector and to its own agencies to facilitate SME access to financing.

Lack of market intelligence is still regarded as a major impediment to potential exporters. To overcome this barrier, the government will continue to improve services delivered by the International Business Opportunities Centre, created to respond to specific trade leads identified by posts abroad. As well, *ExportSource* the information dissemination network available on the Internet, will provide SMEs with international business information. The ATS Online serves agri-food exporters with trade and market information relevant to the sector. It is also expected that the government will continue to lead Team Canada missions abroad, which will provide opportunities for Canadian exporters to win potential contracts.

The government has announced that it will build on the successful Team Canada approach with a focussed strategy, developed in consultation with industry, to improve our international economic performance by expanding Canada's trade base and becoming a location of choice for global investment. The centrepiece of this strategy is Team Canada Inc which will provide better service to Canadian businesses by integrating international business development functions across various government departments and with other levels of government. It will serve as an information resource centre for Canadian firms by tapping into the federal government's international network of trade officials.

To focus its trade development resources even further, the government has developed a list of key sectors and markets for export promotion that have been identified as having a high

growth rate in the coming years. The priority sectors are identified in Section 2.2 above; and country action plans have been developed for the following markets: the USA, China, Japan, Mexico, United Kingdom, India, Hong Kong and Germany, Taiwan, Chile and France.

Further trade policy priorities include:

- managing the Canada-US economic relationship;
- strengthening the World Trade Organization as an institution capable of overseeing the operation of the multilateral trading system and conducting multilateral negotiations while providing a stable, transparent, rules-based international trading climate;
- expanding the network of free trade partners; and
- improving international rules governing foreign direct investment and anti-competitive behaviour.

For decades, the government has played an active role in international trade and investment, balancing the many considerations that have led to current policies and programming. The government is already committed to several elements of its policy agenda for the future, such as the WTO agricultural and services negotiations in 1999. Moreover, Canadian policy is already strongly committed to supporting international business development. Rather than endeavouring to change the direction of Canadian IBD policy, many of the strategic options focus on questions of scope, resources, process and timing, while meeting as effectively as possible domestic policy concerns. The top priority is to expand and defend Canada's international business interests.

3.2 Market Access

3.2.1 Initiatives

Canada's market access is best served by a system based on rules which can provide the certainty and predictability that enables long-term business planning. Before investors will commit to plants, equipment, services, and production investments, they look for guaranteed access to markets large enough to permit economies of scale and dynamic efficiencies. At the same time, increased import penetration and inward investment ensures competition at home that leads to competitiveness abroad for Canadian firms.

Canada's market access objectives must serve the public interest and remain compatible with domestic policy interests. The prime objective is to secure improved access for Canadian exports of goods and services to foreign markets. In the medium term, priorities include the elimination or reduction of tariff rates and non-tariff barriers affecting goods that we now export or will likely export in the future. Priorities also include improving access in sectors targeted by Canadian services firms.

International rules are now moving beyond the traditional focus on tariff and non-tariff border measures. They now address questions of domestic regulation with trade impacts. The key management challenge remains to find the right balance between domestic interests and concerns, and the pressures of accelerated globalization and market liberalization.

To this end, several initiatives are being pursued concurrently:

Identifying trade and investment barriers

Government will consult with private sector and non-government organizations (NGOs) to develop a coherent trade policy strategy to promote the domestic policy agenda and be supported by key domestic constituencies. Canada must identify where further liberalization and rule-making would be in our national interest and where our market access priorities lie. We must anticipate issues that our trading partners will put forward. Preparations for trade negotiations entail extensive consultation with Canadian stakeholders, including provincial governments, industry and other non-governmental interests. These consultations will also serve to enhance public understanding of the trade agenda and strengthen domestic support for trade liberalization in general.

Provincial governments expect to play a greater role in international trade matters when issues within their responsibility are put on the table. We want to build on the close working relationship that already exists and ensure that provinces are involved in the policy-making process. This reflects both their constitutional responsibilities and our interest in their full participation in the evolution of the trading system. In turn, the provinces' involvement and commitment to results is critical to ensuring effective implementation of negotiated undertakings.

Negotiating trade agreements

Bilateral, regional and multilateral trade negotiations present significant opportunities to establish the framework for enhanced trade and investment. They can complement and

reinforce efforts to expand and diversify Canadian exports and to increase Canada's share of foreign direct investment, while contributing to domestic and foreign policy goals.

We will strengthen the WTO and advance multilateral trade liberalization by contributing to the further development of disciplines in the "new" trade policy areas, such as competition policy, intellectual property and foreign investment. We will continue to work in the WTO and other relevant institutions to analyze the linkages and promote consistency of goals in trade policy, environment and labour standards.

We will examine ways to improve the operational efficiency and effectiveness of the WTO. We will continue implementation of the Uruguay Round agreements, with particular focus on the recently concluded agreements on basic telecommunications, financial services and information technology equipment. We will also emphasize the built-in agenda, particularly in areas where our interests require improved rules and improved market access. Among the items in the built-in agenda are the commitments to begin negotiations for further liberalization in agriculture (1999) and services (2000).

These commitments will be the building blocks for additional negotiations within more comprehensive multilateral negotiations, likely to begin in the 2000/2001 fiscal year. By then, WTO membership is expected to grow to encompass all major trading nations, including China and Russia. These accessions, coupled with greater participation and influence of developing countries, could alter the character of the WTO system and Canada's influence on the WTO's agenda. We will continue to cultivate closer working relationships with these new players, with our Quad partners, and with other, more traditional partners to build support for a stronger multilateral trading system.

The government will continue to focus on implementation of the NAFTA. With an increasingly integrated North American economy, we will need to consider whether Canadian interests would be served by deepening NAFTA and how that might be done.

Important developments in Latin America in 1998 include implementation of the Canada-Chile FTA, the launch of hemispheric FTAA negotiations, and enhanced trade relations with MERCOSUR. In Asia, APEC has agreed to examine further sectoral trade liberalization; in Europe, we are working actively with the European Union on a trade Action Plan and on an enhanced trading relationship with the European Free Trade Association (EFTA).



Given the growing influence of developing countries and emerging economies, the need to build consensus on a complex array of issues, and the diverse number of regional and other trading arrangements, Canada should capitalize on its experience in trade policy to build a stronger network of trade policy partners. We place a high priority on providing trade policy technical assistance to developing countries, to help them fulfil their Uruguay Round obligations. This will enable Canadian exporters to benefit from improved access to those markets.

Resolving trade irritants and barriers

Expanding the trade and investment relationship with the United States will be critical, as will ensuring the integrity of the NAFTA. Challenges will include managing disputes in the grains and dairy industries, cultural and forestry sectors, as well as an unpredictable stream of trade remedy cases involving Canadian interests. Canada will deploy WTO and NAFTA dispute settlement procedures to defend its interests against protectionist actions and unilateral trade measures taken by the United States and other trading partners. We will continue to defend Canadian programmes against challenges. The Canadian government will require vigilance as the USA continues to enact legislation with extraterritorial application, and apply trade sanctions to support its foreign policy objectives.

3.2.2 Performance Measurement

The performance measurement strategy for strengthening market access is presented in Annex 1.

3.3 Export Capability and Preparedness

3.3.1 Initiatives

The government's products and services to prepare and inform exporters are designed to:

- raise awareness of global market opportunities and promote exports as a growth option;
- provide export-readiness training to meet the needs of potential exporters;
- align Team Canada Inc services with the needs of individual firms; and
- provide self-help tools that allow services and Internet-based information sources, including *ExportSource* and *Strategis*, to be customized.

At the regional level, the International Trade Centres, under the leadership of Senior Trade Commissioners, play a coordinating role for the Regional Trade Networks. The Regional Trade networks improve service to business clients by linking key federal and provincial government IBD service providers with the private sector. Each year, since 1996, the partners of each Network have worked together to develop and implement their specific Regional Trade Plan.

Many sources of government export advice are available to potential and existing exporters. Because of their large SME client base, the federal regional development agencies — Atlantic Canada Opportunities Agency (ACOA), Canadian Economic Development for Quebec Regions (CED) and Western Economic Diversification (WD) — as well as the Federal Economic Development Initiative for Northern Ontario (FedNor), the Business Development Bank of Canada and the provincial governments are ideally positioned to contribute significantly to developing and delivering export capability and preparedness services.

Collectively, the Team Canada Inc network of government departments and agencies is pursuing the following initiatives:

Expanding Awareness of Global Market Opportunities

A key element of the export capability and preparedness strategy is to foster a 'global-market' mind-set among Canadian firms. The provinces and federal regional development agencies provide convenient trade awareness sessions, export readiness seminars, networking breakfasts, self-help diagnostics, etc. Publishing company profiles and publicizing Export Award winners help raise the profile of successful exporters.

The Canadian Tourism Commission will continue to provide tourism industry decision-makers with credible, research-based marketing, product development and economic business intelligence, and encourage them to use this information in their business decision-making process.

Engaging Strategic Partners in Exporter Preparation with Particular Emphasis on SMEs

The government coordinates exporter service resources through the Regional Trade Networks (RTNs). A continuing priority will be to recruit more federal departments, provinces and business associations to provide front-line exporter services. Front-line officers from all partners must have the tools, trade knowledge and trade service delivery capabilities they need to assist clients. Some innovative partnerships involve the academic community, for example, and include:

- matching export-potential firms with MBA students for market-specific research;
- International Co-op Internships;
- International Student Partnering; and
- Western Economic Diversification's International Trade Personnel Program.

Targeting Team Canada Inc Services to meet exporter needs

One of the main priorities of the Regional Trade Networks will be to develop communications strategies that maximize the reach to firms. RTNs deliver a simple message: *"There's never been a better time to export"* — *"Trade Team [province] offers coordinated and seamless exporter services to help you realize these opportunities."* A national toll-free Team Canada Inc Export Information Service 1-888-811-1119 number provides direct access to Canada Business Service Centres, the International Trade Centres in Industry Canada, and Agriculture and Agri-Food Canada's Agri-Food Trade Service. These links will be expanded as more Team Canada partnerships are established. New Internet-based information sources (e.g. *ExportSource*, *ATS Online* and *Strategis*) provide 24 hour access to clients with Internet access.

Team Canada Inc export preparation services will be aimed at groups of firms tied in with sector and market opportunity and which have high export potential. These services are designed to equip clients with the skills and information necessary to initiate and establish sales in particular markets. Existing programs such as *NEXPRO — the New Exporters Program* (delivered by the Business Development Bank of Canada) and *New Exporters to Border States*, will complement services developed by the Regional Development Agencies. The latter include:

- WD's Export Readiness services offered in communities throughout Western Canada through their network partners and other local Chambers of Commerce;
- ACOA's Atlantic Trade Training Plan, which coordinates their regional activities;
- CED's CENTRACCES PME network throughout Quebec; and
- FedNor's international export preparation services in Northern Ontario through their IBD partnerships.

The newly revitalized Forum for International Trade Training (FITT) has also broadened its product offerings: *FITTskills*, *AgFITT*, *FITTservices* and *InhouseFITT*. Financing for exporters is available through the Business Development Bank of Canada

and Export Development Corporation. FITT's financing and advisory support will be targeted at firms that have the potential to succeed on bids for International Financial Institution projects.

Aboriginal Business Canada (ABC) has identified international trade as a key priority. Through its Aboriginal Trade and Market Expansion initiative, ABC will continue its trade support by recognizing cultural products as a priority IBD sector, marketing Canadian Aboriginal expertise to international indigenous communities, producing an Aboriginal CIBS, and developing an industry-led Aboriginal Trade entity which will focus on export promotion.

Broadening and Diversifying the Exporter Base

Initiatives to broaden and diversify the exporter base include making training material available to industry associations and other organizations to customize according to the needs of its members. We will tap Canada's ethno-cultural diversity to create a competitive advantage. We will promote strategic alliances to pursue such international contracts as offshore capital projects and international financial opportunities. Through existing mechanisms such as the *Canadian Business Networks Coalition*, and the *Business Network Program* of the Canadian Chamber of Commerce, industry associations can play a stronger role in helping to set up such consortia and identifying possible networks of companies.

The Trade Research Coalition is a new government initiative to promote export development on the part of women entrepreneurs. A number of government departments and agencies (including DFAIT, the Industry Portfolio and Status of Women Canada), as well as various private sector associations, are actively involved. The Coalition is working to:

- conduct a comprehensive literature review on women entrepreneurs and trade;
- develop an Internet site for women entrepreneurs interested in export and trade issues;
- develop a database of women exporters; and
- host a Trade Summit for Women Entrepreneurs in Toronto in May 1999, drawing on the support of Canada's network of International Trade Centres.

We will encourage a mind-set for global markets and encourage more companies to make their products and services export-ready. Our objective is to enhance Canada's position as a reliable supplier of high-quality, value-added products. We will continue to expand partnerships to reach new client segments and identify new sectors with export potential, especially in new emerging technologies. This will require an ongoing review of local capabilities to match offshore opportunities.



3.3.2 Performance Measurement

The performance measurement strategy for strengthening export capability and preparedness is presented in Annex 1.

3.4 International Market Development

The international marketplace is evolving quickly and becoming more complex and competitive. In turn, IBD activities must ensure that Canadian companies exporting or seeking strategic investment or technology alliances abroad have the support they need to pursue business opportunities. The federal government cannot and should not operate independently in this environment. It must instead play a leadership role in involving the provinces, business associations and other private sector partners, all with the objective of securing more business for Canada. Team Canada Inc is ideally structured to act in that capacity.

3.4.1 Initiatives

Expanding the Team Canada Network

Team Canada Inc builds upon the spirit of partnership that has been key to the success of the Team Canada missions. It is neither a department nor a Crown corporation in the traditional sense. Instead, it functions as a “virtual” agency, and provides a single point of access for all the government’s IBD activities. Under the Team Canada Inc umbrella, the Department of Foreign Affairs and International Trade, Industry Canada and Agriculture and Agri-Food Canada provide services and support to the Canadian business community.

In the months ahead, Team Canada Inc will expand beyond the three core “IBD departments” by recruiting other IBD service-providers such as:

- affiliated agencies and portfolio partners (eg. Export Development Corporation, the Regional Development Agencies and the Canadian Grain Commission);
- other federal departments (Canadian Heritage, Revenue Canada, Natural Resources etc); and
- provincial ministries.

New recruits will be encouraged to join the ExportSource website, to link up with the national 1-888-811-1119 number and to use the Team Canada Inc logo.

Improving Accessibility of Programmes & Services for Exporters

Team Canada Inc will expand and broaden its information dissemination network to improve and facilitate access by novice and experienced exporters alike:

- ▲ The International Business Opportunities Centre (IBOC) will be strengthened and integrated into Team Canada Inc to distribute export leads identified by posts abroad to WINExports’ suppliers across Canada.
- ▲ Sectoral market studies will be produced to identify specific product and service opportunities in key overseas markets.
- ▲ *Exporter Awareness*, the Trade Commissioner Service outreach programme, will send officers to meet with firms across Canada.
- ▲ *ExportSource*, the new Internet site that provides information on all Team Canada Inc services, will be expanded beyond the three core IBD departments.
- ▲ The 1-888-811-1119 number, which gives ready access by business to Canada Business Service Centres, will draw in new partners from across the Team Canada spectrum.

Increasing the Number of “First-ever” and “New-to-market” Exporters

The financial risk of entering new markets, especially those distant from the North American continent, is a major deterrent for Canadian business. The Program for Export Market Development (PEMD) was specifically designed to address this deterrent. To help meet the policy goal of doubling the number of active exporters in Canada, the government is examining additional measures, including new and expanded programs to target first-ever and new-to-market exporters, in addition to re-tooling PEMD with a focus on SMEs.

In the past, promotional programmes to encourage Canadian firms to move into new markets have been very resource-intensive. Even programs with a proven track record for effectiveness and impact, such as PEMD, have been difficult to fund at a substantive level. In recent years PEMD has been cut from \$19.5 million to \$11.5 million.

Recent initiatives to increase the size of the export community include a programme targeting New Exporters to Border States (NEBS). Measures are now being examined to graduate exporters from the USA to third markets.

A new unit has been created to concentrate on the special needs of SMEs in export markets to ensure that all trade promotion services appropriately reflect those needs. The unit will be conscious, as well, of the special requirements of women, Aboriginal and young entrepreneurs, and will examine means to bring these new constituents into the export fold.

In the international context, Canada's International Business Strategy has been refocused to concentrate on priority sectors and their key markets. Major access impediments will be identified and strategies developed to deal with them as part of a comprehensive market development plan for each priority country. The private sector and the provinces will be actively involved as members of National Sector Teams who will lead the process.

Increasing Market Share in Key Emerging and Fast Growth Markets

While Canada has experienced impressive expansion of trade in the past 5 years, much of the growth is concentrated in a limited number of markets and sectors. Dependence on the US market has grown to over 80% of all exports; our goods exports are highly concentrated in certain key sectors (resources 40% and automotive 23%); and export gains have been concentrated in sectors already experiencing the best net performance. At the same time, we have lost market share in many of the rapidly growing markets in the world.

The following chart shows that, despite our collective endeavors, we are losing ground to our foreign competitors in a number of major markets: particularly India, Brazil, and Japan.

While diversifying exports, we should not downplay or undercut our success in existing markets and sectors such as the USA where, after ten years of free trade, our market share in the world's richest market is the envy of every major trading nation. Initial success in the USA market can be a springboard to other markets. On the other hand, concentrated exposure to a single market makes us vulnerable, in this case to the US business cycle and to the Canada/US dollar exchange rate.

Declining government resources for trade support poses a difficult programming choice: whether to allocate resources to where short-term results are more readily achieved (the USA and Western Europe), or deploy them to newer markets which require greater effort for longer-term success.

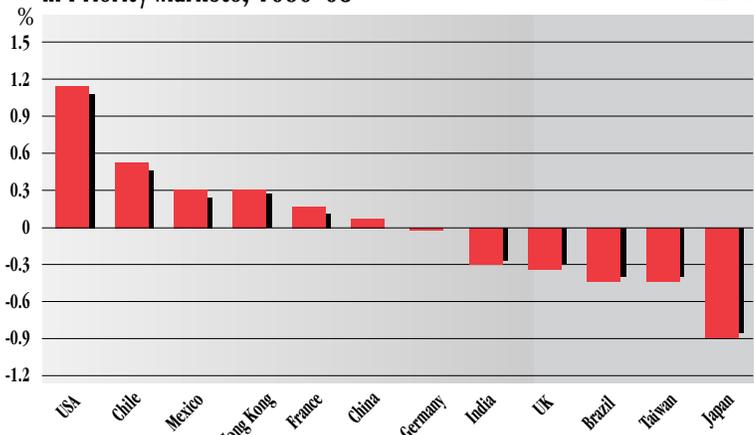
The Team Canada partnership is heavily engaged in raising awareness of new and expanding opportunities abroad. The focus on APEC Ministerial and Leaders meetings in 1997, and the multiple events undertaken for Canada's Year of Asia Pacific, helped raise awareness of business opportunities in the world's fastest growing regional market. Similarly, the Team Canada mission to Argentina, Brazil, Chile and Mexico and the launch of FTAA negotiations in 1998, help increase interest in Latin America, another fast-growing region.

To respond to these initiatives and to the increased exporter interest they will generate, we intend to increase the number of Trade Commissioners abroad by transferring positions from headquarters. We are also redeploying Trade Commissioners in the field from low- to high-priority posts and exploring the legalities of hiring locally engaged commercial officers on a term basis to give us more flexibility in allocating resources in response to market pressures.

New units (a Global Opportunities: GO Team of Trade Commissioners and an Advocacy Unit) will focus on "rapid response" capability to capitalize on short-term trade opportunities in key emerging markets, and on providing political advocacy support for Canadian firms pursuing selected international projects and business deals.

Starting with a series of cost-shared pilot projects, an important element in our strategy will be to build partnerships with trade and industry associations and multi cultural communities to leverage their international experience. The Team Canada trade missions provide a good example of the partnership approach. The Prime Minister, supported by provincial premiers, has led three missions to Asia and two to Latin America, bringing home \$24 billion in business deals since 1994, and helping open the world's fastest-growing markets to Canadian

Change in the Share of Canadian Exports in Priority Markets, 1989-95



Source: DFAIT (1997)



business. The missions represent a significant investment by both government and the private sector. They are highly visible and they work. For this reason, DFAIT will establish a Team Canada Mission Unit to plan and coordinate all related events and to develop a longer-term strategic approach to such missions (timing, destinations, themes, participation, pre- and post-mission activities).

This Team Canada approach is harnessed at the sectoral level through the National Sector Teams which provide a vehicle through which to coordinate sector stakeholders' IBD efforts. Private sector members join public sector representatives at both the federal and provincial level to develop and implement coordinated, sectoral IBD strategies and action plans through Canada's International Business Strategy. Through extensive consultation among team members and Canada's Trade Commissioners abroad, plans and activities are identified that reflect the interests of Canadian companies, ensure focussed and coordinated use of IBD resources, and match Canadian capabilities with foreign opportunities. The National Sector Teams will pursue a renewal and revitalization program which will, during this planning period, result in Teams focussing on sectors where Canadian opportunities are the greatest.

Broadening the Export Product Range

An efficient and effective trade development programme must remain consistent with the changing composition of Canadian exports. Over the past 32 years, resource-based exports fell from 43% to 18% as a proportion of total merchandise exports. Meanwhile, end products and semi-manufactures increased from 57% to 82%. At the same time, the share of Canada's total services export represented by commercial services (telecoms; computer and information services; insurance and financial services; and engineering, architectural and other services) expanded from 20% in 1969 to 37% in 1994. The shift from a resource base to a more advanced industrialized economy is set to continue as Canada's foreign trade pattern moves to a knowledge-based economy.

New initiatives are designed to tap this growing potential:

- Having established a network of Canadian Education Centres in Asia, we plan to establish additional centres in Latin America, the Middle East, Europe, South Africa and the USA to recruit more foreign students and to market Canadian education services.
- In partnership with the private sector, the government will market its public sector expertise more effectively abroad, in such areas as elections management and auditing practices.
- We will reinforce the ability of Canada's cultural sector to market its products internationally.
- We will capture adequate data for service industries.
- PEMD Trade Association agreements are targeted for expansion.
- World tourism is projected to grow 7% annually until 2005. We must capitalize on this and promote Canada as a top choice tourist destination.

These initiatives require funding from one of two primary sources: incremental resources for IBD program spending; or re-allocation of existing resources within the envelope. In the current climate of fiscal restraint, it is extremely difficult to formulate and implement new trade development strategies. Without new resources, we are faced with relying on better management and more effective implementation, focussed on sectoral and market priorities and improved delivery.

3.4.2 Performance Measurement

The performance measurement strategy for strengthening international markets is presented in Annex 1.

3.5 Investment Development

3.5.1 Initiatives

Between 1980 and 1994, Canada's share of global FDI fell from 11% to 5%, while the U.S. share increased from 17% to 22%. Canada's success in increasing its share of foreign direct investment is challenged by increased and intense global competition for international investment, particularly from rapidly expanding markets outside North America and Western Europe; increased competition among multi-national enterprise (MNE) affiliates for product and research mandates; and a wide range of generous incentives offered to foreign investors by competing jurisdictions, most notably by a number of states and municipalities in the United States.

As a function of government, investment development has had neither the profile nor the support accorded to trade development. In 1996, as part of its jobs and growth agenda, the federal government launched a new strategy to attract, retain and expand international investment in Canada. This strategy provided a broad framework against which all federal investment promotion activities were to be designed as well as a more focused marketing approach to specific MNEs in priority markets and target sectors.

The strategy has five elements.

Enhanced Marketing of Canada

The first calls for systematic and effective marketing of Canada's investment strengths, in particular, as the gateway to NAFTA.

- ▲ Canada's "brand image" will be marketed to eliminate the serious gap between perception and reality in the minds of potential international investors. The recently-released 1997 KPMG Study, which compares business costs in cities in Canada, the USA and Europe, provides a strong endorsement of Canada as a choice location for investment. This message is reinforced by studies published by international authorities such as the World Economic Forum, the Economist and the United Nations and is being systematically communicated to key investment decision-makers around the world.
- ▲ Inviting the Prime Minister and other federal and provincial ministers to spread the message will increase its impact, as will an initiative to employ the services of Canada-based Chief Executive Officers to make the case for investing/expanding in Canada.
- ▲ Investment resources at our foreign missions will be strengthened, especially in key areas such as the USA and Western Europe to enhance their capacity to promote foreign investment in Canada.
- ▲ A toll-free telephone service, in all major markets, has been installed in major markets to serve potential foreign investors.

Improved Investment Climate

To move up the global FDI ranking, we must continuously benchmark and improve Canada's investment regime vis-à-vis the competition. Canada stands up well against foreign competition; it is important that we catalogue our advantages and publicize them in pursuit of targeted investment opportunities.

- ▲ We will use our network of foreign posts as well as outreach with foreign companies already established in Canada to identify perceived impediments to new or expanded investments, and signal these to senior policy makers for appropriate action. For example, the absence of financial incentives, both tax- and expenditure-based, is mentioned as a factor that can work against us when competing against numerous jurisdictions in the USA and, at times, in Europe. Others argue that the importance of company-specific incentives in investment decision-making is exaggerated and what matters most are macro-factors such as market access, infrastructure, Research and Development and other tax related factors, and the availability of skilled labour. Greater effort is needed to package and market our assets effectively in these areas.
- ▲ Federal departments and agencies involved in IBD, together with other Team Canada partners, will continue to improve conditions for investment in the Canadian economy.
- ▲ The investment attraction strategies of key competitors will be monitored to assess Canada's competitiveness.
- ▲ Based on these inputs, an annual report on Canada's investment climate will be prepared for distribution to decision-makers and stakeholders.

Selective Targeting of MNEs from Key Countries and Priority Sectors

The third component of the investment strategy led to the creation of Investment Partnerships Canada (IPC), a joint IC/DFAIT unit to coordinate targeted campaigns to attract and retain multinational investment for Canada.

- ▲ IPC and embassies abroad provide one-stop servicing of the investment needs of selected MNEs.
- ▲ Posts have their own corporate liaison programs abroad which complement IPC activities as well as the domestic call programme involving senior officials in Canada.
- ▲ Seven federal Deputy Ministers have been assigned as Country Champions to define opportunities, build relationships and promote Canada as a place to invest by traveling abroad to meet with targeted MNE's. These efforts focus on markets in Asia (South Korea, Japan), Europe (UK, France, Netherlands, Germany and Sweden) and the United States.



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- ▲ Consistent with the government's goal of building a knowledge-based economy, sector strategies including a foreign investment component are being developed for technology sectors such as informatics, life sciences, agri-food, and biotechnology.
 - ▲ Regional investment plans are being prepared for key markets: the USA, Europe, and Asia-Pacific.

International Partnering Opportunities for SMEs

- ▲ Recognizing the unique investment-related needs of SMEs, a program has been developed to assist Canadian SMEs locate foreign business partners. This program, using an extensive network of industry contacts, identifies small and medium sized companies in growing high technology sectors and helps them find foreign partners with whom to share technology, establish a market presence or make an investment.
- ▲ We will compile sector capability kits and stage events in foreign markets to inform others of Canadian capabilities and specific opportunities in the identified key technology sectors.
- ▲ Outgoing missions will be organized around trade shows where the potential for successful matching has clearly been identified. The program will also respond to requests from abroad to match Canadian partners with interested foreign companies.
- ▲ The programme will involve more Team Canada partners.

Partnerships among Team Canada Players

- ▲ While virtually all provinces are actively involved in investment promotion, some operate more independently than others. Since our common objective should be to get Canada as a country on the short-list of prospective investors, we are working to strengthen collaboration in this area.
- ▲ We are also working with the Economic Developers Association of Canada to help individual municipalities better service actual and potential foreign investors.
- ▲ Work remains to be done to build our capacity to pull together all relevant federal programs and policies, as well as provincial and municipal partners, to meet investors' needs.

Canadian Direct Investment Abroad

Canada has a small, but growing, base of domestically-owned transnational corporations. Canadian direct investment abroad (CDIA) is growing rapidly, to over \$130 billion in 1996, reflecting today's reality of an increasingly integrated world market and the participation of Canadian business in that integration. These firms have recognized that investment abroad can be an essential element of their strategy to access new markets, especially in resource and high-growth markets that often demand local presence.

Given the interrelationship that has been shown to exist between trade and investment, a trading nation like Canada has much at stake in the expansion of international investment undertaken by Canadian-based firms. Currently, the federal government does not overtly promote CDIA, even though the resulting benefits (trade, profits, dividends, technology transfer to Canada) may be substantial. The benefits are demonstrated by the success abroad of Canada's chartered banks.

Some of our competitors (notably the UK and the USA) have recognized the significant benefits related to outward investment and have made its promotion an important element of economic policy. Promotion activities include direct programming, priority in international investment negotiations, or political support.

In many circumstances, CDIA helps expand trade and generates net benefit and employment in Canada. However, some Canadians see CDIA as exporting jobs and growth.

The government already supports CDIA to some extent in investment protection negotiations and in capital project advocacy but, as a matter of stated policy, does not seek to assist firms to locate facilities abroad. This issue will be considered further.

3.5.2 Performance Measurement

The performance measurement strategy for strengthening investments is presented in Annex 1.

ANNEX 1

International Business Development Strategy: 1998–2001 Performance Measurement Strategy Reporting Template

IBD Objective: To create jobs and prosperity by assisting Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows.

I Industry (Macro) Level Performance:

Level	Performance Indicators	Performance Measurement
Aggregate performance	Exports of Goods & Services	Exports and Balance of Trade (Exports by countries/industries, Balance of trade, Trend in trade and commodity prices, Contribution of trade to growth and job creation) Value-Added Exports (Growth rate of Canadian exports of finished goods and services)
	Export Community	Size and Composition of the export community
	Diversification	Market Diversification (Growth rate of Canadian exports to selected high growth markets) Product/sector diversification
	Investment	Investment Flows (Trends in FDI and CDIA stocks (level and percent of GDP), FDI/CDIA by country/region of origin, FDI/CDIA by industry)
Relative performance	Exports of Goods & Services	Growth rate of Canadian exports relative to G7 Growth rate of Canadian exports in priority sectors relative to G7 Growth rate of Canadian exports to priority countries
	Diversification	Growth rate of Canadian exports of finished goods and services Growth rate of Canadian exports to selected high growth markets
	Investment	Growth rate of Canadian inward DI stock relative to G7 countries (rate of growth, ratio & level) Growth rate of Canadian outward DI stock relative to G7 countries (rate of growth, ratio and level)



International Business Development Strategy: 1998–2001
Program/Service Level Performance
 (By Key Results Area)

Market Access

OUTCOME (What we want to achieve): <i>maintain and improve secure market access</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects expected results?)	Performance Measures (How do we measure progress?)	Performance Targets
<p>Identifying, with industry, significant trade and investment barriers in priority and emerging markets</p> <ul style="list-style-type: none"> • Clarification of Canada’s market access priorities following analysis and consultations including sector-specific consultations • Strengthening of domestic support for trade liberalization through outreach programs and consultations • Enhancement of public understanding and consensus on trade agenda through consultation • Development of medium-term Canadian strategy for upcoming market access negotiations in multilateral and regional fora (WTO, FTAA, APEC) • Development of Canadian positions on trade policy interface with emerging issues of corporate governance, codes of conduct, trade and environment, labour, culture • Identification of irritants and responses regarding Canada/US relations through private sector consultations <p>Negotiating bilateral, regional, and multilateral trade agreements</p> <p>a) Multilateral</p> <ul style="list-style-type: none"> • WTO rules-based multilateral trading system strengthened by promoting greater transparency and respect for dispute settlement process • Full implementation of Uruguay Round commitments advanced • WTO membership expanded to include all major trading partners • Ground-work for the resumption of WTO negotiations on agriculture (1999) and services (2000) and possible launch of new round in year 2000 • Consultations with provinces and industry stakeholders on their interests and negotiating priorities • Completion of Multilateral Agreement on Investment negotiations • Incorporation of agriculture into OECD Agreement on Guidelines for Officially Supported Export Credits • Bio-Safety Protocol negotiations 	<ul style="list-style-type: none"> • Performance related to bilateral and multilateral market access pursued: <ul style="list-style-type: none"> • traditional markets • priority markets • emerging markets • Performance related to negotiations to remove trade barriers identified by industry <ul style="list-style-type: none"> • Canadian priorities reflected in WTO accessions • Canadian priorities reflected in WTO work for next Round • Performance related to the resolution of trade irritants <ul style="list-style-type: none"> • dispute settlement • Performance in Advancing Canadian Interests Internationally <ul style="list-style-type: none"> • representation of Canadian interests in international fora (WTO, APEC, OECD, FAO) 		

Market Access (continued)

OUTCOME (What we want to achieve): <i>maintain and improve secure market access</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects expected results?)	Performance Measures (How do we measure progress?)	Performance Targets
<p>b) Regional</p> <ul style="list-style-type: none"> • Greater transparency and discipline in the application of trade remedies within NAFTA • Launch of FTAA negotiations in April 1998 to enhance trade and investment relations with priority and emerging markets in Latin America • Completion of early voluntary sectoral liberalization initiatives within APEC • Expansion of trade and investment links and cooperation with MERCOSUR • Trade and investment links with EU and EFTA strengthened <p>c) Bilateral</p> <ul style="list-style-type: none"> • Protection for Canadian investors abroad through Foreign Investment Protection Agreements (FIPAs) increased • Development of new partnerships with priority and emerging markets <p>Resolving specific irritants and barriers to trade</p> <ul style="list-style-type: none"> • Canadian rights under the WTO promoted and defended in dispute settlement proceedings • Improvements in Canada-U.S. trade relations • Effective long-term solution found to the softwood lumber dispute • Impact of Helms-Burton and similar legislation on Canadian firms minimized • Canadian interests supported in dialogue with U.S. regarding special import and export measures and controls • Industry, provincial, sectoral interests fully engaged in efforts to resolve disputes • Resolving specific trade barriers in priority and emerging agri-food markets <p>Advancing Canadian interests through international bodies</p> <ul style="list-style-type: none"> • Canadian interests advanced through influence in international organizations including WTO, APEC, OECD, FAO 			



International Business Development Strategy: 1998–2001

Export Capability and Preparedness

OUTCOME (What we want to achieve): <i>Internationally competitive and export oriented industry</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects progress on key expected results?)	Performance Measures (How do we measure progress?)	Performance Targets (How much do we try for?)
<p>Expanding Awareness of Global Market Opportunities</p> <ul style="list-style-type: none"> • recognition in business, particularly small and medium sized enterprises (SMEs), of exports as a growth option • firms increasingly focus on exporting as a major business objective • tourism industry decision-makers using credible research-based business intelligence <p>Engaging strategic partners in exporter preparation</p> <ul style="list-style-type: none"> • more federal departments, provinces and business associations, providing “front-line” exporter services, and who are active partners in Regional Trade Networks and National Sector Teams with “seamless” delivery of services amongst partners <p>Targeting Team Canada Inc services to meet exporter needs</p> <ul style="list-style-type: none"> • increased awareness of and use of, Team Canada Inc exporter-support services • new Internet-based information sources with 24 hour access e.g. ExportSource, Strategis, that include tools for customization to meet individual needs • toll-free 1-888 # with direct links to more Team Canada partners • export-readiness training targeted to firms with exporter potential • project-specific financing and advisory support <p>Broadening and diversifying exporter base with particular emphasis on SMEs</p> <ul style="list-style-type: none"> • increased numbers of export-ready/export-oriented firms, including small firms, ethnic groups, Aboriginal enterprises, women entrepreneurs, etc. with focus given to firms in priority sectors and those interested in priority markets • broader range of sectors recognizing export-opportunities • broader range of ‘export-ready’ products/services 	<ul style="list-style-type: none"> • Level of interest in exporting • Level of use of TCI services • Number of export-ready firms 	<ul style="list-style-type: none"> • Export attitude surveys • Number of hits on ExportSource • Number of calls to 1-888 • WIN Export registrations 	<ul style="list-style-type: none"> • Strong level of awareness of global market opportunities • High level of use of Team Canada Inc services • Increased number of export-ready firms

International Business Development Strategy: 1998–2001

International Market Development

OUTCOME (What we want to achieve): <i>Increased exports of Canadian goods and services</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects progress on key expected results?)	Performance Measures (How do we measure progress?)	Performance Targets (How much do we try for?)
<p>Expanding the Team Canada network</p> <ul style="list-style-type: none"> • partnerships promoted with the provinces, business associations and other private sector constituencies through Team Canada Inc to secure more international business for Canada <p>Improving accessibility of programmes and services for exporters</p> <ul style="list-style-type: none"> • Internet access: 24-hour access service on a single website (ExportSource) to be expanded to include other service providers • national call number: toll-free 1-888 # to expand access to more Team Canada service providers • International Business Opportunities Centre (IBOC): distribute export leads from posts abroad to 10,000 WINExport suppliers across Canada • TCS Outreach Programme: “exporter awareness” initiative to send 150 officers to meet 600 firms in 45 cities across Canada • Market studies: produce 250 studies to identify product and service opportunities in key overseas markets • improved access to the Agri-Food Trade Service (ATS) and new services developed <p>Increasing the number of first-ever and new-to-market exporters</p> <ul style="list-style-type: none"> • SME's, youth, women and aboriginal entrepreneurs encouraged to use IBD programmes • PEMD to target SME's, new exporter constituencies and novice exporters • Canada's International Business Strategy (CIBS), as the key federal-provincial planning document, will be used to develop priority sector objectives by priority market 	<ul style="list-style-type: none"> • Level of use of TCI services • Export business generated • Support to the export community 	<ul style="list-style-type: none"> • Number of hits on ExportSource • Number of calls to 1-888 • Business generated by IBOC • Business resulting from Team Canada Missions • Client Survey TCS satisfaction 	<ul style="list-style-type: none"> • 2 macro targets: <ol style="list-style-type: none"> a) doubling the # of active exporters to 10,000 by 2000 and b) recapturing 4% of the value of the world agri-food export market by 2005 while reversing the current 60:40 ratio of primary/processed agri-food exports • Programme targets: (a) baseline for hits on ExportSource and the 1-888 #; (b) leads distributed by IBOC (10,000) and business generated therefrom; (c) establish baseline for TC Mission business and TCS client satisfaction



International Market Development (continued)

OUTCOME (What we want to achieve): <i>Increased exports of Canadian goods and services</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects progress on key expected results?)	Performance Measures (How do we measure progress?)	Performance Targets (How much do we try for?)
<p>Increasing market share in key priority and emerging markets</p> <ul style="list-style-type: none"> • strategic approach to planning and follow-up for Team Canada missions adopted • GO Team for short-term opportunities in key priority and emerging markets • 10 trade positions transferred from HQ to field annually to target historical 70:30 ratio by 2006 • identify priority markets and “emerging” markets and allocate programme and personnel resources accordingly • implement the three year action plans for agri-food exports in priority and emerging markets <p>Broadening the export product range</p> <ul style="list-style-type: none"> • knowledge-based growth sectors targeted: educational services (new Canadian Educational Centres abroad); cultural products; services • Canadian public service expertise marketed aggressively • Canada as a tourist destination marketed • increased share of higher value products in Canada’s export mix 			<ul style="list-style-type: none"> • 70:30 HQ: field ratio for Trade Commissioner deployment by 2006

International Business Development Strategy: 1998–2001

Investment

OUTCOME (What we want to achieve): <i>Increased business investment</i>			
Initiatives: Expected Results (The results we want)	Performance Indicators (What reflects progress on key expected results?)	Performance Measures (How do we measure progress?)	Performance Targets (How much do we try for?)
<p>Marketing Canada as a place to invest</p> <ul style="list-style-type: none"> • Increased promotion of Canada's investment strengths by PM, First Ministers and Ministers of Canada • Promotion of Canada as the investment gateway to NAFTA • Enhancement of capacity at Posts to promote inward investment <p>Improving investment climate</p> <ul style="list-style-type: none"> • Bench marking Canada against the competition re: perceived regulatory barriers • Examination of Investment attraction strategies of key competitors • Progress towards resolution of key impediments to investment <p>Increasing investment by MNEs</p> <ul style="list-style-type: none"> • DM Country Champion Program to lead focused targeting • Sector-specific campaigns in: IT&T (including Semiconductors), Life Sciences, Agri-food and other priority sectors • Facilitation of the international expansion of globalizing Canadian MNEs • Implementation of "rapid response team" for agri-food investment projects <p>Increasing SME partnering</p> <ul style="list-style-type: none"> • Venture Capital missions undertaken to U.S., Asia, Europe • Increased use of intra-Government expertise in identifying Partnership-ready Canadian SMEs <p>Promoting new partnerships in federal/provincial/municipal investment efforts</p> <ul style="list-style-type: none"> • Establishment of a domestic database profiling Canadian municipalities for local/foreign Site Selectors • Development and implementation of a federal-Provincial Agri-food Investment Strategy 	<ul style="list-style-type: none"> • Canada's image for investment • International ranking on competitiveness • Relative share in FDI 	<ul style="list-style-type: none"> • Survey or investor awareness • Survey of competitiveness • FDI rates compared to economy, sector, source 	<ul style="list-style-type: none"> • Reduced perception/reality gap on Canada's international competitiveness ranking • Increased Canadian share of world foreign direct investment flows



Federal Government IBD Products and Services

The three departments which devote the greatest resources to international business development (IBD) are the Department of Foreign Affairs and International Trade (DFAIT), Industry Canada (IC), and Agriculture and Agri-Food Canada (AAFC). In preparing this IBD Business Plan across the three core departments, we drew on the common activity lines of the departments' existing business plans for the 1998-2001 fiscal years.

Department of Foreign Affairs and International Trade

DFAIT has the lead for international business development. One of the department's eight business lines is **International Business Development**. Its objective is to contribute to jobs and growth by encouraging Canadian firms to take full advantage of international business opportunities and facilitating investment and technology flows.

The principal business line clients are ready-to-export companies which seek the following services:

- market information and intelligence;
- advice and counsel on foreign markets;
- partnering and matchmaking;
- advocacy with foreign governments and business on client's behalf; and
- support in selecting and organizing trade, investment, and tourism events.

Twenty-five federal departments and agencies, and all 10 provinces play an IBD role. The Trade Commissioner Service and DFAIT are the primary source of assistance abroad, however, to the exporting community.

As a core member of Team Canada Inc, DFAIT expects its IBD activities to contribute to the enhancement of Canada's international trade and investment performance over the years 1998-2001 by:

- broadening and diversifying the Canadian export base, with particular emphasis on small and medium-sized enterprises (SME's);

- increasing the number of "active" exporters;
- improving Canada's share of global foreign direct investment, particularly foreign direct investment (FDI) targeted at the North American Free Trade Agreement (NAFTA) market;
- increasing market share in the 15 fastest-growing emerging markets;
- broadening our sectoral mix of exports;
- strengthening IBD support for SME's including strategic alliances with foreign partners.

At the same time, the department will implement a measurement-by-results system for the Trade Commissioner Service. This meets the recommendations of the Auditor General by improving accountability, by providing a balanced view of results achieved and by providing the essential requirements for continuously improving service delivery.

Industry Canada

Industry Canada plays a key role in helping Canada succeed in the global, knowledge-based economy through a wide range of micro-economic instruments. These instruments include activities such as industrial and technological development, the fostering of scientific research, the setting of telecommunications policy, investment promotion, trade development and small business development.

With its Portfolio, provincial and private sector partners and stakeholders, Industry Canada helps improve the climate for economic growth and job creation in Canada by focussing on five key strategic objectives:

- *Trade:* increasing Canada's share of global trade
- *Investment:* improving conditions for investment
- *Innovation:* improving Canada's innovation performance and the transition to the knowledge-based economy
- *Connectedness:* making Canada the most connected nation in the world
- *Marketplace Services:* building a fair, efficient and competitive marketplace

Industry Canada works with key partners within government and in the private sector to increase the number of exporting firms and to diversify markets by:

- Targeting IBD resources to priorities identified in Regional Trade Plans (RTPs) and priority sectors through renewed National Sector Teams.
- Supporting trade development activities to advance sectoral objectives, including incoming and outgoing missions, domestic and foreign trade shows, conferences and seminars, targeted dissemination of sector and market products intelligence, and development of information.
- Identifying and matching Canadian sources of supply, in particular small businesses, with foreign trade opportunities through the International Business Opportunities Centre.
- Improving services to business clients at the local level — under the leadership of the International Trade Centres (ITCs) — by linking federal and provincial government departments and agencies (including Industry Portfolio Regional Development Agency partners) and the private sector through Regional Trade Networks (RTNs). These networks, which provide services to both active and potential exporters, are a key component of the domestic Team Canada strategy and build on various federal-provincial agreements on trade and investment. Key services include: exporter preparation, market information and intelligence, export counselling, and information on international financing.
- Providing information to both export-ready and new-to-exporting firms through *ExportSource*, Team Canada's award-winning, one-stop Internet access point for leading-edge trade and export-related information.
- Promoting the growth of Aboriginal businesses to participate in and expand trade domestically, internationally and among Indigenous peoples.
- Working to improve access to key markets through the elimination of technical barriers and regulations, subsidies, government procurement restrictions and environmental measures that distort trade or investment decisions, and through tariff liberalization initiatives.
- Continually working towards mutually-reinforcing domestic and international policy agendas, particularly in areas such as investment, standards, competition policy, services, and intellectual property.

We are also working to attract new FDI and retain existing foreign investment by:

- marketing Canada's advantages as an investment site
- assisting SME growth through international investment partnerships
- improving the investment climate and removing investment impediments
- targeting and customizing servicing of specific MNEs in priority sectors
- forging new partnerships across all levels of government and the private sector.

Investment Partnerships Canada plays a coordinating role to secure high-profile, strategic investments in Canada's key growth sectors, and to retain strategic investment where they are at risk.

Agriculture and Agri-Food Canada's

AAFC's departmental vision is that of "a growing, competitive, market-oriented agriculture and agri-food industry that is profitable and responds to the changing food and non-food needs of domestic and international customers, is less dependent on government support, and contributes to the well-being of all Canadians and the quality of life in rural communities while achieving farm financial security, environmental sustainability and a safe, high-quality food supply".

One of AAFC's four business lines is **Expanding markets**. The objective is to work with industry and other partners to improve and secure market access and enable the Canadian agri-food sector to capture opportunities for trade in domestic and export markets, with a focus on higher-value agriculture and agri-food products. Within this business line, results are expected under three **Key Results Areas**:

Market Access: The Department seeks to improve and more secure access to international markets and reduce internal barriers to trade. It pursues these objectives by:

- negotiating and maintaining trade agreements
- reducing barriers to domestic and international trade; and
- advancing Canadian interests through the activities of international bodies.



Market Development: The department promotes increased sales of Canadian agriculture and agri-food products by:

- identifying priority and emerging markets for industry;
- helping industry develop strategies to maximize export trade;
- providing services and programs that promote export growth and market readiness in both products and companies;
- identifying and analyzing opportunities for industry to capture higher-value processing opportunities
- fostering a more integrated supply chain management approach all along the food system; and
- helping the industry maximize the benefits from opportunities in the domestic market.

Investment: AAFC seeks to improve Canada's agriculture and agri-food investment climate by:

- developing of a federal/provincial agri-food investment strategy in close partnership with the provinces;
- identifying and promoting opportunities for domestic and international direct investment;
- supporting related alliances in the Canadian agriculture and agri-food sector;
- encouraging strategic alliances to favour the acquisition of “intangible” assets such as technology and marketing expertise; and
- providing services, advice and adaptation mechanisms to support domestic industry with a view to increasing its capacity and capability to supply internationally competitive products.

