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CANADA'S EXPORT STRATEGY

The International Trade Business Plan

1995/96

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***An Integrated Plan for Trade, Investment
and Technology Development***

The International Trade Business Plan is made up of an **Overview** highlighting Canada's international business development priorities, and a series of **Industry Sector Strategies**, which include lists of planned international activities. The following documents are available:

- Overview
1. Advanced Manufacturing Technologies
 2. Agriculture and Food Products
 3. Aircraft and Parts
 4. Automotive
 5. Biotechnologies
 6. Business, Professional and Educational Services
 7. Chemicals, Plastics and Advanced Materials
 8. Construction Products
 9. Consumer Products
 - Apparel and Fur
 - Textiles
 - Footwear
 - Sporting Goods (including recreational watercraft)
 - Tools, Hardware and Housewares
 - Residential Furniture
 - Business and Institutional Furniture
 10. Cultural Industries
 11. Defence Products
 12. Environmental Equipment and Services
 13. Fish and Sea Products
 14. Forest Industries
 15. Information Technologies and Telecommunications
 - Sector Overview
 - Computers and Peripheral Equipment
 - Electronic Components
 - Geomatics
 - Instrumentation
 - Software Products and Computer Services
 - Telecommunications
 16. Medical and Health-Care Products and Services
 - Medical Devices
 - Pharmaceuticals
 - Health-Care Services
 17. Minerals and Metals
 18. Oil and Gas Products and Energy Equipment
 19. Power Equipment
 20. Primary/Secondary Industrial Machinery
 - Mining, Forestry, Pulp and Paper
 - Agricultural Technology, Machinery and Equipment
 - Ocean and Marine Shipboard Technology
 21. Rail and Bus Equipment
 22. Space
 23. Tourism

For information on how to receive the Overview, or additional Industry Sector Strategies, please call: **1-800-267-8376**

All monetary figures in this document are expressed in Canadian dollars unless otherwise indicated.



The International Trade Business Plan Is ...

The International Trade Business Plan (ITBP) lays out government strategies and activities in support of international business development. It enables the private sector to influence the development of those strategies and become involved in the proposed activities. It is managed by the federal government in partnership with the provinces and Canadian industry.

The ITBP is designed to strengthen the connection between global demand and Canadian supply capability. It also provides linkage between trade development, trade policy, investment development, and technology transfer, each of which is essential to Canada's success in international markets.

The consensus reached by the various partners involved throughout the ITBP consultation process is reflected in this and the companion documents. These documents are made up of three components: an overview, a series of industry sector strategies, and accompanying lists of planned international activities.

- **Overview:** The **ITBP Overview** provides the broad context for the individual industry sector strategies detailed in the Plan. It comprises four elements: a **Strategic Overview** summarizing the Government's main trade policy and international business development objectives; a **Geographic Overview** identifying opportunities, challenges and priorities by geographic region; a list of **Cross-sectoral Activities** to be undertaken in support of international business development; and the addresses of the **Canada Business Service Centres**.

- **Industry Sector Strategies:** The main component of the ITBP consists of 23 individual sector profiles that detail how the Government will work with industry to take advantage of emerging global trade, technology and investment opportunities. Each strategy provides a summary of international business development priorities for the given sector, and is the result of close consultation with the private sector.
- **International Activities:** A list of international activities is appended to each sector strategy. These lists are the product of government-industry consultation, and represent the specific activities governments intend to sponsor in support of each sector strategy. Canadian companies are invited to participate in these events, and are encouraged to contact the listed department or agency for details.

We Want to Hear From You!

The ITBP is continually being revised in response to feedback from our clients. Your views on how the ITBP could be improved are important to us. If you have comments or questions, or want to find out how to become more actively involved in the process, please contact the ITBP Working Group:

Telephone: 1-613-944-ITBP (944-4827)

Fax: 1-613-996-9265

We also invite you to take a moment to complete the enclosed one-page questionnaire.

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Executive Summary

Canada must succeed in international markets. Our prosperity and standard of living depend on our ability to sell competitive products and services abroad, attract international investment and acquire global leading-edge technologies. Economic growth, fuelled by our international business performance, is also essential to restore Canada's fiscal health.

For most Canadians, however, Canada's success in international markets means one thing — jobs. Exports and investment are key instruments of job creation. Improving Canadian export performance is therefore central to the Government's jobs and growth agenda.

The priorities identified in this document are premised on four broad objectives: diversifying Canada's trade, technology and investment relations beyond traditional markets; building stronger partnerships with the private sector; encouraging more Canadian small- and medium-sized enterprises (SMEs) to become active traders; and improving co-ordination of federal and provincial international business development programs and activities. Ensuring that domestic and international business development policies and programs are mutually supportive is also essential.

Trade Policy Objectives

GATT/WTO and the Uruguay Round

As a trade-dependent country, Canada must have secure access to foreign markets based on a strong international trading system. The General Agreement on Tariffs and Trade (GATT) has therefore been the cornerstone of Canadian trade policy.

Our most important multilateral trade objective is to ensure the effective implementation of the Uruguay Round agreements and to turn gains in access to world markets into increased exports and

job opportunities for Canadians. This will be pursued by working to ensure the establishment and effectiveness of the World Trade Organization (WTO) and improving co-ordination and co-operation among the WTO and major economic powers and other major international economic organizations. Canada will also pursue outstanding Uruguay Round negotiations and explore new initiatives that go beyond existing commitments. Further liberalization under the newly established General Agreement on Trade in Services (GATS) will be high on the agenda. In addition, Canada will work within the WTO and other trade and economic forums to address a range of "new" trade policy issues such as: trade and the environment; competition policy; investment; technology and information infrastructure; and government procurement.

Canada will also promote the negotiation and expansion of regional and bilateral trading arrangements that complement and enhance the international trading system under the GATT/WTO.

North American Free Trade Agreement

The Government believes that the North American Free Trade Agreement (NAFTA) will continue to generate new market and investment opportunities — and jobs — for Canadians. Deepening and broadening the NAFTA will therefore be an important objective. This will be pursued by seeking to extend the provisions of the NAFTA in critical areas such as trade remedies, trade in services, and procurement. The Government fully supports efforts to widen the NAFTA within the hemisphere, such as the accession of Chile to the Agreement. While promoting NAFTA accession, Canada will continue to build other institutional trade and economic ties with Latin America.

International Institutions

Canada attaches high priority to the work of the Organization for Economic Co-operation and Development (OECD), and will continue to promote further trade liberalization within this forum. Canadian priorities will build on the post-Uruguay Round trade agenda and centre on the issues of environment, investment, competition, technology and telecommunications.

The Asia-Pacific Economic Co-operation (APEC) forum is an increasingly important vehicle for helping existing international rules work better while contributing to the development of the agenda for the next round of multilateral trade negotiations. Canada will therefore work within APEC to increase regional understanding of trade policy matters and further the cause of freer trade and investment worldwide.

Canada is a major contributor to various multilateral development banks, including the World Bank and various regional development banks. The Government is currently looking at a range of options to improve Canada's participation and performance in the procurement business associated with these institutions.

Domestic Initiatives in Support of International Business**Support for Small- and Medium-sized Enterprises**

Improved access to foreign markets is critical. But Canadian companies themselves must have the capability to seize promising trade, technology and investment opportunities as they arise. The Government will therefore encourage more Canadian SMEs to become active exporters and explore international investment partnerships. Government support for SMEs will focus on providing firms with market intelligence on export opportunities, investment, strategic alliances, technology transfer, market access and competitiveness issues.

Private-sector Involvement

Ensuring that government resources devoted to international business development meet the needs of Canadian industry is essential to achieving Canada's economic growth objectives. The Government will expand private-sector involvement in its trade fairs and missions program and encourage SMEs to become active exporters by focussing Program for Export Market Development (PEMD) resources on firms with annual sales of less than \$10 million. Industry involvement in the preparation of The International Trade Business Plan (ITBP) will be increased. Other initiatives will be pursued in the areas of export preparation, service sector SMEs, export financing, international investment and technology partnerships.

Government Co-ordination and Co-operation

Better co-ordination between governments is critical to Canada's international business development efforts. A major objective will be to increase efficiency through enhanced co-operation among all levels of government. The federal government will work with provincial governments to implement and improve the Internal Trade Agreement to eliminate barriers to trade, investment and mobility in Canada. The "Team Canada" approach to international business development will be pursued. Efforts will be made to integrate the representation of the federal and provincial governments outside of Canada, and to establish "one-stop shops" for all federal and provincial international business development activities domestically. In addition, the ITBP will be strengthened by expanding participation by provincial governments and linking government resource allocation decisions to the Plan.

International Science and Technology Objectives

The development and acquisition of best-practice process and product technologies is critical to ensuring that Canadian firms are competitive in world markets. The Government's priorities

include: establishment of a Canadian Technology Network; follow-up to the federal Science and Technology Review; improved international science and technology (S&T) intelligence; broader international research and development co-operation; and support for Canada's information highway.

Competing for International Investment

Economic growth and job creation are increasingly tied to our ability to attract investment from abroad. Building on existing investment development programs, the Government will work with Canadian companies to capitalize on Canada as a base from which to penetrate the NAFTA market. It will also target new and expanded investment for Canada by building on Canadian industrial strengths.

An important objective will be to provide potential investors with value-added, timely responses to their inquiries, and to turn a higher number of these inquiries into investment intelligence upon which governments and the private sector can act. Helping Canadian SMEs gain secure access to international venture capital will also be a priority. The Government will work with companies to protect and increase their international market share by helping them identify international investment opportunities that allow them to expand globally.

Strategic Overview

Introduction: The International Business Imperative

Canada must succeed in international markets. Our prosperity and standard of living depend on our ability to sell globally competitive products and services abroad, attract international investment and acquire global leading-edge technologies. Economic growth, fuelled by our international business performance, will also play an important role in restoring Canada's fiscal health, and is essential to address this country's growing current account deficit (the combination of our merchandise and non-merchandise trade balances). In 1993 alone, this deficit amounted to more than \$30 billion.

Importance of International Trade to Canada



Source: Statistics Canada & International Monetary Fund

For most Canadians, however, Canada's success in international markets means one thing — jobs. Exports and investment are key instruments of job creation. Already, some three million working Canadians (one out of every four) owe their jobs

to international trade. By some estimates, each additional \$1 billion in exports creates about 11 000 new jobs — jobs that are likely to provide the kind of rewarding, high value-added employment that Canadians want. Improving Canadian export performance is therefore central to the Government's jobs and growth agenda.

Fortunately, the trade, technology and investment opportunities open to Canadians today are unprecedented. Large potential new markets are emerging for Canadian goods and services in areas of the world that have seen rapid economic growth in recent years, such as Latin America and Asia-Pacific (particularly China and India). In addition, the successful completion of the Uruguay Round and the implementation of the North American Free Trade Agreement (NAFTA), together with the expansion of the European Union, and political and economic transformations in Russia and Central and Eastern Europe, will generate new international business opportunities for Canadian companies.

But seizing these opportunities will not be easy. Growing world markets and further progress in trade liberalization will not automatically translate into additional export sales — or jobs — for Canadians. Indeed, competition will be fierce. Like Canada, other industrialized countries are looking to international markets to provide them with the kind of robust economic growth that their domestic economies can no longer generate.

While the private sector must clearly lead the way, the Government has a vital facilitating role to play in improving the fundamental conditions for attracting investment, exploiting international technologies and expanding exports for growth and job creation.

The priorities identified in this **Strategic Overview** are premised on four broad objectives: diversification, partnership, participation and efficiency.

Diversification: Canada has often been described as a trading nation. Today, exports of goods and services account for almost one third of Canada's gross domestic product — a level surpassed only by Germany among G-7 countries. While Canadians may take comfort in this fact, and often see themselves as global traders, the reality is that Canada has been a truly successful trader only with the United States. Currently, over 80 percent of Canadian merchandise exports are destined for the United States. The U.S. also continues to be the major source of international business investment in Canada and the destination of much of Canadian direct investment abroad. As with exports, the diversification of the sources and destinations of investment is a priority.

Clearly, Canada must build on its success in the U.S. market and broaden its trade, technology and investment relations, particularly in its traditional European market and with the rapidly expanding areas of the Asia-Pacific and Latin America.

Partnership: Government has an important role to play in helping Canadian business recognize and capture global market opportunities, and must work closely with industry to shape international business development policies and programs. Close co-operation between the private sector and all levels of government is also critical to acquire best-practice technologies and capital that can help Canadian firms become more competitive and profitable.

Participation: Canada may be a trading nation, but it is not a nation of traders. At present, only one in four firms exports anything, and over half of all Canadian exports derive from 50 companies. Helping more Canadian firms — particularly SMEs — to become active traders is therefore one of the Government's major international business development priorities. The reason for targeting SMEs is simple: they represent the most likely source of new jobs. By targeting assistance to



Source: Statistics Canada (Catalogue 65-001)
Index based on current dollar data, customs basis

SMEs, government can have an important impact on a firm's decision to engage in export activity. Efforts to help Canadian SMEs build international investment partnerships can provide firms with the capital, technologies, managerial skills, and access to markets they need to grow at home and employ Canadians.

Efficiency: More effective co-ordination of federal and provincial international business development programs and activities is a key component of the Government's efforts to streamline, reduce costs, and eliminate overlap and duplication. By working together, governments can also ensure that programs are more effective.

While these objectives provide the backdrop for the individual priorities identified later in this section, there is another fundamental reality of which the Government is keenly aware: domestic and international programs cannot be developed in isolation. Rapid globalization and trade liberalization have meant a growing convergence between international and domestic issues. Ensuring that our domestic and international business development policies and programs are mutually supportive, and not working at cross-purposes, will be essential to their success.

Trade Policy Objectives

Multilateral: GATT/WTO and the Uruguay Round

As a trade-dependent country, Canada's continued growth and prosperity depends on secure access to foreign markets. Canadian interests are best served by a strong international trading system founded on stable, internationally agreed-upon rules and procedures. The General Agreement on Tariffs and Trade (GATT) has therefore been the cornerstone of Canadian trade policy. Indeed, the successful conclusion of the Uruguay Round and the signing of the World Trade Organization (WTO) agreements represent a major achievement of Canadian trade policies over the past four decades.

Legislation to implement the results of the Uruguay Round was considered by Parliament last fall, and approved by both Houses before the end of the year, thereby enabling Canada to announce its formal acceptance of the WTO agreement before the January 1, 1995 deadline.

With so many countries involved, the Uruguay Round negotiations were complex and difficult. The results, however, were substantial. Canada set out major objectives for the Round early on, including a significant and comprehensive market access package, the full incorporation of agriculture into international trade disciplines, a multilateral agreement on trade in services, the development of fairer and improved trade rules, particularly in the areas of subsidies and countervailing duties, and a stronger and more effective dispute settlement system. These goals, developed in close consultation with the provinces and the private sector through a process of formal and informal consultations, were met or surpassed as part of the final outcome of the Round. Further, and perhaps most importantly, the agreement to create a World Trade Organization to integrate all of the outcomes of the Round and to provide a central forum for the management of the world's trading system, was a major result of the Uruguay Round, from Canada's perspective.

The GATT Secretariat estimates that, over the next eight years, the agreement will cause global trade to expand by more than \$1 trillion over and above that which would have been achieved otherwise. Canada's Department of Finance estimates that the benefits for this country will be in the order of at least \$3 billion a year, when the agreement is fully phased in.

With the successful completion of the latest round of multilateral trade negotiations, Canada's most important multilateral trade objective will be to ensure the effective implementation of the Uruguay Round agreements and to turn gains in access to world markets into increased exports and job opportunities for Canadians. The overriding aim will be to maximize Canada's share of the projected \$1 trillion growth in worldwide trade that the Agreement is expected to generate. (*See discussion of ACCESS '95. This new government initiative is designed to transform hard-won gains in access to foreign markets under the WTO into tangible business opportunities for Canadian SMEs.*)

The Government intends to pursue this objective on several fronts, building on many of the trade policy recommendations contained in the recent report of the Special Joint Committee on Canada's Foreign Policy.

■ **World Trade Organization (WTO)** — The WTO will provide a solid institutional base from which to manage a strong, rules-based trading system, while facilitating the implementation of the new Uruguay Round agreements, administering the dispute settlement and the trade policy review mechanism processes, and providing a forum for further trade negotiations. As such, the WTO will put international trade on a firm institutional basis by becoming the third pillar of the world's economic and financial structure, along with the World Bank and the International Monetary Fund (IMF). It will also provide for greater political surveillance of the system by trade ministers in the coming years.

The Government views the implementation of the WTO (a proposal originally advanced by Canada, together with the European Union) as a major priority. The establishment and effective institutionalization of the WTO (e.g. councils, committees, working parties, dispute settlement body, appeals tribunal, trade policy review mechanism) is critical to the effective implementation of the WTO agreements. Canada is therefore playing a leading role in the complex, detailed preparatory work required to get the WTO up and running. The Government will also work to improve co-ordination and co-operation between the WTO and the Group of Seven Leading Industrialized Countries (G-7), the Quadrilateral countries (i.e. Canada, the United States, Japan, European Union), and other important international economic organizations (i.e. IMF, Organization of Economic Co-operation and Development, World Bank).

- **Post-Uruguay Round Initiatives: Unfinished Business** — While implementation of the Uruguay Round results and the establishment of the WTO are important priorities, it is essential that countries maintain the momentum for trade liberalization by completing outstanding Uruguay Round negotiations and exploring new initiatives that go beyond existing commitments. In the area of services, there was agreement that negotiations should resume in a number of areas, such as financial services, maritime services, basic telecommunications, and temporary entry of personnel. The Uruguay Round also led to important reductions in tariffs and non-tariff barriers. Canada, however, believes that these reductions do not go far enough, and will be preparing new initiatives in the coming months, in consultation with the private sector. Areas in which further tariff liberalization could be pursued at an early date include: electronic and scientific equipment; non-ferrous metals; wood; wood products; oilseeds; and oilseed products.

For Canada, further liberalization under the newly established General Agreement on Trade in Services (GATS) is a key objective. Canada will also work within the WTO and other important trade and economic forums (e.g. the Quadrilateral Trade Ministers' Meetings, G-7 Economic Summit, OECD, APEC) to pursue other "new" trade policy issues aimed at maintaining the momentum of trade liberalization and eliminating "domestic" barriers to expanded international trade. Such issues include trade and the environment, competition policy, investment, labour standards, technology and information infrastructure, and government procurement.

- **Regional/Bilateral Trading Arrangements** — Canada will promote the negotiation and expansion of regional and bilateral trading arrangements that complement and enhance the international trading system under the GATT/WTO, with a view to further opening markets and improving the rules under which trade is conducted. Within North America, broadening the NAFTA and extending the Agreement to other potential NAFTA partners will be major priorities. Canada will also continue to give strong support to the Asia-Pacific Economic Co-operation (APEC) forum (see below). In the run-up to hosting the APEC Summit in 1997, Canada will emphasize "open regionalism" as the key to APEC's approach to building a more open and transparent multilateral trading system. In addition, the Government will pursue expanded market access opportunities with selected trading partners and will consider, in special circumstances, the negotiation of bilateral free trade agreements with individual countries.
- **Non-GATT Member Countries** — While promoting the negotiation of regional and multilateral trading arrangements that complement and enhance the international trading system under the WTO, Canada will

pursue, in special circumstances, bilateral trade agreements with states that are in transition from the command economy system, and that are not GATT/WTO members. The nature of such agreements is that of a basic Most-Favoured Nation (MFN) agreement, with non-preferential elements. In this connection, Canada signed a bilateral trade agreement with Russia in 1992, and a similar agreement with Ukraine in March 1994. Negotiations are also under way with Estonia, Latvia, Lithuania, Kazakhstan, Viet Nam and Mongolia. It is expected that agreements will also be negotiated with other states of the former Soviet Union (FSU).

Canada will focus efforts on five new potential GATT/WTO members (China, Taiwan, Russia, Ukraine and Saudi Arabia) to ensure effective access to sectors of greatest interest to Canadian companies.

Regional/Bilateral: North American Free Trade Agreement

Canada's decision to enter into the NAFTA, which came into force on January 1, 1994, builds on its fundamental commitment to expand multilateral, rules-based trade within the new World Trade Organization. An essential element behind Canada's ratification of the NAFTA was the creation of Working Groups on subsidies and dumping that will address long-standing Canadian concerns about disputes arising from countervailing and anti-dumping duties.

The Government believes that the NAFTA will continue to generate many new market and investment opportunities — and jobs — for Canadians. It maintains the view, however, that the NAFTA is incomplete. The need to deepen and broaden the Agreement, as underlined by the recent Special Joint Committee on Canada's Foreign Policy, is therefore an important government objective. This will be pursued by various means:

- **Deepening the NAFTA** — Canada will work to extend the provisions of the NAFTA in critical areas such as trade remedies, trade in services, and procurement. This will be achieved, in part, through the Working Groups created to seek solutions to trade disputes arising from the use of trade remedy laws in the three countries.
- **NAFTA Accession** — Canada supported the NAFTA in the belief that it would continue to evolve into a non-discriminatory, comprehensive free trade regime fundamentally open to all countries willing to abide by its rules and disciplines. In this context, the Government fully supports efforts to widen the NAFTA within the hemisphere, and will work, on a priority basis, to assist the accession of Chile to the Agreement.
Canada has taken the position that all countries that agree to abide by the NAFTA rules should be welcome to become members.
- **Other Ties with Latin America** — At the December 1994 Summit of the Americas in Miami, Canada agreed with the other countries of the hemisphere, to work toward the creation of a Free Trade Agreement of the Americas by 2005. Governments have begun an examination and assessment of existing free trade arrangements, including Mercosur, the Andean Pact, the G-3 and CARICOM, to chart the future course of liberalized trade throughout the region. Canada will continue to build other institutional trade and economic ties with Latin America. In this regard, several Foreign Investment Protection Agreements (FIPAs) and Double Taxation Agreements (DTAs) are already being negotiated. Within the region, Canada currently has DTAs with Brazil, Argentina and certain Caribbean countries, and FIPAs with Argentina and Uruguay. It is also addressing barriers to free trade, such as non-harmonized product standards, both bilaterally and in regional forums. Within the Organization of American

States (OAS), Canada is working to ensure that the Special Committee on Trade fulfils its new mandate to provide technical assessments of hemispheric trade policy issues. The Department of Foreign Affairs and International Trade (DFAIT) also promotes stronger commercial ties with Latin America through non-governmental organizations such as the Canada Council for the Americas (CCA).

■ **The NAFTA and the Multilateral Trade**

Agenda — Canada will work to develop new collective approaches among NAFTA partners to deal with pressing trade policy concerns. Canada believes that the NAFTA, as a more comprehensive regime of rules than the GATT, provides an opportunity to move further and more quickly toward the goal of trade and investment liberalization while expanding the boundaries of the rules-based trading system. Indeed, in areas such as dispute settlement, investment, trade in services, and procurement, the NAFTA has already moved well beyond the kind of consensus that has been achieved at the larger and more slow-moving multilateral level.

- **Competing for Investment** — Canada must increasingly compete for direct investment with its NAFTA partners as well as with newly emerging and high-growth economies around the world if it is to provide jobs and prosperous communities for its citizens. The Government will therefore work with industry to develop more strategic and targeted approaches to promote Canada as an investment site within the NAFTA. One technique will be to target Chief Executive Officers (CEOs) and boards of international companies, to actively encourage them to expand investment in this country. By positioning Canada as the investment location of choice for both multinational enterprises (MNEs) and smaller, globally oriented firms, and strategically targeting decision makers within these companies, the Government hopes to influence companies' investment location choices. The focus will be on presenting specific

investment opportunities based on Canada's existing and emerging regional industrial strengths (e.g. research and development relationships among universities, government laboratories and core technology-producing companies; industry's supply capabilities; etc.).

International Institutions

Organization for Economic Co-operation and Development

The Organization for Economic Co-operation and Development (OECD) is a unique forum in which 25 industrialized democracies work together to study and formulate effective economic, trade and social policies. This is achieved through mutual review of policies and policy performance and co-ordination of domestic policies, legislation and regulations where they impact on other economies, particularly in the fields of trade and investment. Through this process, the OECD helps member governments to frame their national policies and to define the broad outlines of their positions in other forums at the regional and global level (e.g. GATT, WTO, United Nations Conference on Environment and Development [UNCED]).

The medium-term priorities of the OECD are to safeguard and promote the open, rules-based multilateral trading system, while fostering understanding of new trade challenges by developing rules and disciplines that could be used in new policy areas. Priority activities of the trade committee include such issues as trade and the environment, trade and competition policy, and various domestic policy issues (e.g. agriculture, investment, industry, technology). Canada believes that progress on these new trade issues can best be achieved through initial research by bodies such as the OECD, rather than by proceeding immediately to the WTO, where the lack of a common initial understanding could lead to potential negotiating conflicts and the creation of new trade barriers.

As a founding member, Canada attaches high priority to the work of the OECD. Accordingly, it will continue to promote further trade liberalization within the OECD by ensuring that the trade committee develops a concrete and achievable work program based on the post-Uruguay Round trade agenda. The focus of our priorities will be the issues of environment, investment, competition, technology and telecommunications.

Asia-Pacific Economic Co-operation Forum

Within the fast-growing Asia-Pacific region, Canada sees the APEC forum as an increasingly important vehicle for ensuring that international rules work better within a region of vital interest to Canada's economic future. Canada sees APEC as the primary instrument for the pursuit, on a regional basis, of our global trade liberalization agenda. Canada supports the vision developed by the Eminent Persons' Group and the APEC Business Blueprint developed by the Pacific Business Forum.

In his address to APEC trade ministers at Jakarta in November 1994, Minister for International Trade Roy MacLaren laid down four tracks for further progress in regard to APEC's trade liberalization agenda: (a) rapid implementation of the Uruguay Round commitments and accelerated tariff cuts; (b) investment liberalization; (c) a freeze on agricultural export subsidies; and (d) standards and conformance in one or two priority sectors. He also emphasized the necessity of ensuring that APEC meets the needs of all members, while serving as a useful vehicle for regional trade facilitation and economic co-operation.

Canada has actively participated in APEC's work in such areas as the environment, telecommunications, human resource development, marine resources conservation, fisheries and transportation. Canada also chairs the Economic Committee established at the Ministerial Meeting in Jakarta in November 1994. With respect to future work within APEC,

Canada anticipates much greater focus on small- and medium-sized enterprises.

Multilateral Development Banks/International Financial Institutions

Canada is a major contributor to various multilateral development banks, including the World Bank and various regional development banks: Asian Development Bank (AsDB), Inter-American Development Bank (IADB), African Development Bank (ADB), European Bank for Reconstruction and Development (EBRD) which, along with the IMF, are often referred to as international financial institutions (IFIs). In fact, this country currently ranks fourth to seventh in terms of contributions to these specific institutions. Unfortunately, in part because of the limited international presence of many Canadian firms, Canada's procurement performance at the various development banks has been low relative to other OECD countries (in the range of tenth to twelfth). Currently, Canadian companies win approximately \$360 million per year in procurement from the various IFI lending programs. This represents only 1 percent to 2 percent of the total effective IFI market available to foreign suppliers, estimated to be about US\$12 billion per year.

And yet, IFI procurement is arguably more important to Canada's international business development efforts than to those of many other countries. IFI projects are targeted at developing countries — countries where Canada's export penetration is often very modest. They can therefore be an important vehicle by which to diversify Canadian trade, technology and investment beyond Canada's traditional markets.

The Government is therefore exploring various options to improve Canadian participation in multilateral bank procurement activities. These will focus on:

- identifying Canadian companies with an international presence and encouraging them to make the necessary investments to compete for IFI-related projects;

- encouraging Canadian bids on IFI projects by developing the means to provide industry with timely project intelligence, market information and advice;
- reviewing all relevant government programs and initiatives, including export financing, CIDA Industrial Co-operation and Bilateral Programs, various CIDA and DFAIT consultant trust funds, and mechanisms for placing Canadians within IFIs abroad, to determine if they can be used more strategically in support of Canadian commercial interests;
- reviewing — and developing responses to — impediments to the success of Canadian suppliers;
- improving Canada's representation within IFIs by seeking to have more Canadians with industry knowledge and expertise placed in strategic areas within these organizations.

Domestic Initiatives in Support of International Business

Support for Small- and Medium-sized Enterprises

Creating international business opportunities for Canadian firms through various trade policy mechanisms is critical. But the mere existence of such opportunities cannot ensure greater Canadian success in global markets. Companies themselves must have the capability to seize promising trade, technology and investment opportunities as they arise.

A major thrust of the Government's international business agenda will be to encourage more Canadian SMEs to become active exporters and explore international investment partnerships. (Other new initiatives target Canada's rapidly growing business services sector.) SMEs represent the fastest-growing component of the Canadian economy. They are also the most responsive to rapid change, and are responsible for creating most new jobs. Their potential for creating new jobs in the future is even more promising. SMEs are therefore central to the Government's jobs and growth agenda.

Government support for SMEs will focus on the following areas:

Market Information and Intelligence

Government has an important role to play as a provider of strategic information to the private sector — ensuring that industry clients have the right information, in the right form, at the right time, so that they can make the right business decisions. Industry has said that government must make strategic information on export opportunities, outward investment, strategic alliances, technology transfer and market access and competitiveness issues more readily available, particularly to SMEs, which often lack the resources to obtain global market intelligence. The Government will therefore work to improve its ability to provide industry clients with the kind of timely, targeted, strategic information they require. This will be achieved through the following means:

- **Trade Commissioner Service (TCS)** — For over 100 years, Canada's Trade Commissioner Service has played a vital role in helping Canadian firms explore and exploit international business development opportunities. With 130 offices in 84 countries, as well as International Trade Centres across Canada, the TCS is Canada's largest overseas market information and commercial intelligence network. Its role is to promote and protect Canada's international business development interests. To ensure that Canadian businesses continue to get the support they need abroad, the Government, working with the private sector, is strengthening the ability of the TCS to respond to changes in the international environment.
- **Information/Intelligence Collection and Dissemination** — The government network of Sector Expert Groups (SEGs) — an important vehicle for collecting and disseminating intelligence across governments and to the private sector — will be expanded. In addition, dissemination of international

business information and intelligence will be improved by expanding a variety of informatics tools and information delivery systems (i.e. Market Intelligence Messaging System [MIMS], Trade Team Canada Database [WIN Exports], Electronic Bulletin Board, ACCESS '95, FaxLink, ENVINET).

- **World Trade Access 1995 Initiative (ACCESS '95)** — To maximize Canada's share of the \$1 trillion in new growth that the results of the Uruguay Round are expected to generate over the next decade, the Government recently launched ACCESS '95. This initiative is designed to ensure that Canada's international business development resources are focussed on opportunities that offer the highest payoff for industry.

By targeting opportunities arising from the Uruguay Round, the Government hopes to encourage SMEs that geared up to export under the Canada-U.S. Free Trade Agreement (FTA), to expand into offshore markets. At the same time, it is hoped that many new SME exporters (and established larger firms) will be encouraged to exploit new market opportunities throughout Latin America, Asia-Pacific and Europe.

ACCESS '95 will:

- establish a database to identify specific improvements in tariffs and non-tariff barriers representing significant gains in Canadian access for some 200 major products and 11 service sectors in 42 priority markets;
 - generate market intelligence from Canadian missions abroad that targets the best new opportunities and provides guidance on key factors to compete in emerging markets;
 - use the Government's market information and intelligence network to communicate this intelligence to firms quickly and directly;
 - provide expertise that explains the complexities of the WTO measures and their five- to ten-year implementation schedules, along with advice on the best approaches to overcome foreign barriers.
- **Trade Barriers Inventory** — The Government will develop a detailed inventory of external trade barriers encountered by Canadian exporters. Work has already begun on barriers in six countries (India, Australia, Japan, Taiwan, Israel and Brazil), with others to be added in the months ahead. A similar inventory of internal, domestic barriers (i.e. federal and provincial policies, practices and programs) that work against the international competitiveness of Canadian firms will also be compiled. This information will be used to quantify the cost of such barriers to Canadian industry and to develop an action plan for their removal, both domestically and internationally.
 - **Sector Competitiveness Frameworks** — The Government will continue its work with industry to develop a series of detailed sector competitiveness frameworks. Each framework will provide an in-depth analysis of the main issues challenging the sector, describe the performance and structure of the industry, assess its competitive position, and identify emerging trends. Opportunities for more concerted action by government and industry to help companies build the infrastructure needed to compete successfully will also be identified.
 - **Canada Business Service Centres (CBSC) Network** — Canada's network of business service centres is jointly sponsored by the federal and provincial governments and the private sector. CBSCs are a cost-effective way to provide Canadian business with fast access to information on government services, programs and regulations. To improve the existing CBSC network, the Government will work to extend service to other communities across Canada, in co-operation with various

business-oriented organizations. It will also expand efforts to make information directly available to clients on the information highway.

- **Business Networks** — Business networks allow successful SMEs from any economic sector to co-operate and collaborate in seeking business opportunities. They can also help SMEs acquire world-class business skills, gain access to new financial instruments and capital, capitalize on their competitive advantages, and expand into global export markets. To complement the many regional and sectoral business network initiatives going on across the country, the Government will work to conclude an agreement with the Canadian Chamber of Commerce to undertake a National Business Networks Demonstration Project. The project will provide for broad dissemination of information, regional round tables, network broker training, and support for business networks in a number of economic sectors and regions of Canada.

Private-sector Involvement

Ensuring that government resources devoted to international business meet the needs of Canadian industry is essential to achieving our international business development objectives. The Government will therefore expand private-sector involvement in the following areas:

- **Trade Fairs and Missions Program** — The Government will invite the exporting business community to become more actively involved in developing the Government's trade fair program. To this end, government resources will be focussed on major fairs that have the support of Canadian business. To enhance the efficiency of outgoing trade missions, a system of cost-sharing will also be implemented to ensure that participating firms are serious about the market and that they are genuinely export-ready. In addition, innovative ways to meet the special needs of new service exporters will be explored.
- **Program for Export Market Development (PEMD)** — To encourage smaller firms to become active exporters, the Government will focus PEMD resources on firms that have annual sales of less than \$10 million — those most likely to benefit from government support. Accordingly, eligibility criteria for funding under PEMD will be revised so that preference is given to such firms. To better serve the serious exporter, the Market Development Strategies portion of PEMD will also be changed so assistance can be provided for the implementation of a company's two-year marketing plan, beyond the existing one-year option. Industry involvement in the preparation of the International Trade Business Plan (discussed in the next section) will also be strengthened.
- **Export Preparation/Preparedness** — A key component of helping Canadian firms become successful exporters of goods and services is to ensure that they are export-ready. The Government will therefore encourage potential new exporters to enrol in export preparation programs, such as those offered by the Forum for International Trade Training (FITT). Consideration is also being given to developing a FITT program for service exporters. A multimedia kit on the topic of preparing to export services will be released in the near future, with emphasis on several specific markets. The Government will also explore how to improve service for companies by linking the level of government service available to them to their level of export-readiness. This could be achieved by adopting a "filtering-in" approach, whereby appropriate government resources would be focussed on companies that are genuinely export-ready (and therefore more likely to succeed in the international marketplace).
- **Aboriginal Exporters** — Canada's Aboriginal entrepreneurs have demonstrated a growing ability to market their products and services internationally. Culturally based sectors such as

food, tourism, arts and crafts, fashions and music recordings are notable examples. Potential also exists in many non-traditional sectors in manufacturing, forestry, construction, transportation, distance education and others. Exports of Aboriginal consulting services have been successful in helping other Aboriginal businesses export to Central America and various developing countries.

The Government intends to undertake a variety of activities that promote awareness of Aboriginal export capabilities, and will be working with export-ready and near-ready Aboriginal firms to expand exports. This will be achieved by:

- facilitating access to existing exporter assistance programs and improving these programs, where possible;
 - developing special focus market planning and export-readiness training;
 - encouraging Aboriginal participation in missions and trade fairs;
 - establishing sectoral initiatives in sectors of strength such as tourism, food products, environmental industries and consulting services.
- **Industry Associations Outreach** — To promote the growing business services sector, a number of industry associations will be contacted, and their members surveyed, to determine priority export markets and market information needs within this sector. The Government will then work with each association to develop a specific export action plan. Other potential initiatives include the creation of industry association export committees, workshops, and other activities.
 - **Export Financing** — Lack of access to financing is an area that represents a major challenge for many SMEs with export potential. The Government will work with companies and Canadian financial institutions to improve SMEs' access to information on export financing and export development

services (e.g. by encouraging the banking industry to become a more effective source of information and counselling for exporters). It will also work with the Export Development Corporation (EDC) to develop new and innovative ways to increase operating lines of credit for smaller exporters, and measures to broaden SMEs access to medium-term financing. In addition, through co-operation with the Canadian Commercial Corporation (CCC) and financial institutions, it will seek to establish a mechanism to help SMEs obtain pre-shipment financing for export contracts.

- **Market Maximizer Events** — Each year, the Government proposes to support a small number of "Market Maximizer Events" of interest to both SMEs and larger firms. These are events that have strong potential to promote Canadian business internationally and therefore merit exceptional support in terms of preparation, implementation and follow-up. To qualify, an event must meet certain basic criteria regarding the presence of foreign visitors and exhibitors, the level of Canadian content, the degree of Canadian industry endorsement, and the availability of training for new exporters. The Government proposes to fund these events on a cost-shared basis with the private sector.
- **International Investment/Technology Partnerships** — The Government is currently working with approximately 700 Canadian SMEs, primarily in high-technology sectors, to help them find international investment partners and sources of best-practice technologies. Such efforts will be expanded to include more companies in other sectors. Greater use will also be made of multimedia technologies to introduce potential international partners to Canadian SMEs.

Government Co-ordination and Co-operation

Better co-ordination and harmonization between governments is critical to Canada's international business development efforts. Clearly, federal and provincial governments must work in partnership with each other — and the private sector — if programs to promote Canada's success in world markets are to be effective. An important objective will be to increase efficiency through enhanced co-operation among all levels of government.

- **Internal Trade Agreement** — If Canadian firms are to compete successfully in international markets, Canada's domestic and regulatory regimes must nurture and support competitive advantage. The federal government will work with provincial governments to implement and improve the Internal Trade Agreement to eliminate barriers to trade, investment and mobility in Canada. (The Agreement was signed by the First Ministers in July 1994.) Working with all parties concerned, the Government will seek to broaden the scope of the Agreement by extending its provisions to Crown Corporations and the municipal, academic institutions, schools and hospital sectors. To facilitate the streamlining of regulations and the reduction of compliance burden on companies across provinces, the Government will also explore the merits of a federally-led intergovernmental initiative on regulatory reform.
- **Trade Team Canada** — To minimize overlap and duplication among governments, encourage greater economy and efficiency of the use of public resources, and provide a better level of service for private-sector clients, the Government will promote a "Team Canada" approach to international business development. A major element of this approach, as recommended in the recent International Business Development Review, will be to pursue efforts to integrate the representation of

the federal and provincial governments outside Canada. The Government will also work with provincial governments to establish integrated "one-stop shops" for all federal and provincial international business development activities domestically.

- **International Trade Business Plan** — The Government will strengthen The ITBP by encouraging greater, direct participation by industry and fuller participation by provincial governments. It will also move to directly link the ITBP to government resource allocation decisions, as recommended in the recent International Business Development Review. Finally, it will ensure more rigorous year-over-year follow-up to the ITBP planning exercise, both to measure the degree to which priorities match actual undertakings, and to measure progress made toward achieving strategic objectives over time.

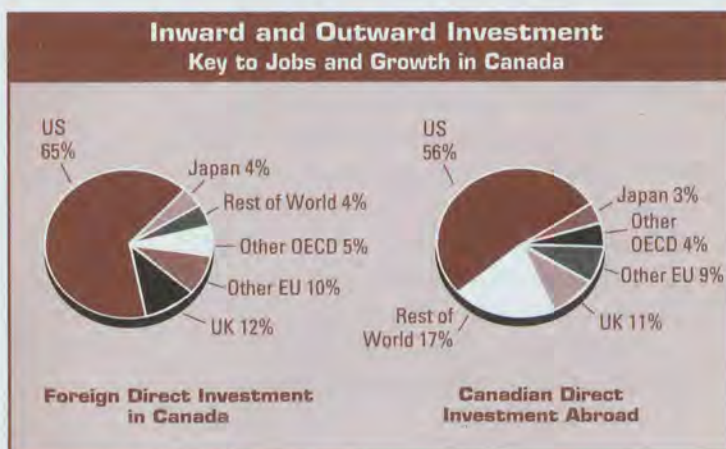
International Science and Technology Objectives

The development and acquisition of best-practice process and product technologies is critical to ensuring that Canadian firms are competitive in world markets. As globalization of the world economy proceeds, and the importance of science and technology (S&T) to competitiveness grows, it is essential that firms have access to world-class technologies. As well, international collaboration in research and development (R&D) by both the private and public sectors is increasingly important for Canada to attain its economic and social development objectives. Current priorities include:

- **Canadian Technology Network** — The Canadian Technology Network is being established to provide Canadian SMEs, especially in manufacturing and related service industries, with access to the technologies and technology management information and advice they need to compete in world markets. International sourcing of technologies will also

be improved through the Technology Inflow Program and Technology Development Officers at Canadian missions abroad.

- Science and Technology Review** — The federal Science and Technology Policy Review has identified several areas where action is needed to better ensure that Canadians take advantage of worldwide developments in science and technology. One area that has been highlighted is the need for Canada to attach higher priority to setting international standards. This will provide better opportunities for Canadian standards to be accepted in international markets, and for Canadian companies to influence international standards. Perhaps more importantly, it will provide a window to anticipated technological developments on a worldwide basis.
- S&T Intelligence** — The Government will review its role in providing Canadian industry, particularly SMEs, with international S&T intelligence. It will also seek ways to promote Canada's image internationally as a sophisticated, advanced S&T country. Increasing the international awareness of Canada as a source of advanced technology goods and services and as a location for R&D will attract both buyers and international investors. This objective will be pursued as a joint effort between government and the Canadian business community.
- International Research and Development** — The Government has recently concluded arrangements that will permit increased opportunities for Canadian firms to participate in international R&D programs. A framework agreement with the European Union (EU) allows Canadian firms to participate in R&D consortia established under the EU Program on Research and Technological Development. The Intelligent Manufacturing Systems program is a joint effort of the EU, European Free Trade Association (EFTA), Japan, the United States, Australia and Canada to provide a basis for industry-led R&D collaboration in advanced manufacturing technologies.
- Bilateral Initiatives** — The Government will continue to support selective co-operation with individual partners. Priorities include expanding industrial R&D co-operation with Germany; seeking co-operation in strategic sectors with Japan through the Japan Science and Technology Fund; and the recent establishment with Israel of a private Canada-Israel Industrial R&D Fund.
- Canadian Network for the Advancement of Research, Industry and Education (CANARIE)** — Government support for Canada's information highway (CANARIE) is based on ensuring international competitiveness by providing Canadians with access to worldwide information networks. Such access provides a solid foundation for developing competitive technology-based hardware and software products and services for world markets. The Government will continue to work with industry to develop international partnerships to capitalize on this investment and to ensure that Canadian industry is fully involved in the much larger opportunities in the United States, Japan and Europe.



Source: Statistics Canada, 1993

Competing for International Investment

Government priorities of economic growth and job creation are increasingly tied to our ability to attract investment and technology from abroad. MNEs and smaller, global firms are major sources

of investment and new, best-practice technologies. According to a recent UN World Investment Report, foreign direct investment, as managed by transnational companies, is increasingly the driving force of international economic transactions.

Communicating the opportunities for profit and growth for foreign companies that invest in Canada — opportunities that help Canadian firms develop competitive advantage — is an important priority. Building on existing investment development programs, the Government will also work with Canadian companies to capitalize on Canada as a base from which to penetrate the NAFTA market. With increasingly fierce international competition for investment, Canada's "bottom-line" attractions and favourable investment climate will need to be marketed aggressively.

Other priorities include:

- **Attracting International Investment** — The Government will make the case to CEOs and boards of international companies for new and expanded investment in Canada. The focus will be on developing and marketing specific opportunities based on comparative advantages and regional industrial strengths for attracting job-creating and technology-bearing investment to Canada. Such investment, often from foreign multinationals and medium-sized global companies, represents one of the key ways by which Canadian firms can gain access to foreign best-practice technologies. The Government will target those companies that can bring new capital and technologies to Canada, invest in innovation, serve as catalysts for technology diffusion within the country, and integrate with Canadian SME suppliers.
- **Investment Intelligence** — Each year, the Government receives thousands of inquiries from potential international investors. These inquiries represent a strategic source of intelligence for all levels of government and Canadian companies about foreign investor interests and intentions. The Government's objective is to provide potential investors with value-added, timely responses to their inquiries. To this end, it will

work to develop and apply new methods and technologies for increasing the quality, responsiveness, and impact of the investor relations service. The aim will be to turn a higher number of these inquiries into qualified investment intelligence upon which governments and the private sector can act. At the same time, it is hoped that a greater number of these inquiries can be converted into actual investment decisions that favour Canada.

Ensuring that investment intelligence and opportunities are disseminated to those who can best act upon them will require greater co-operation among government departments, and closer co-ordination among all levels of government and industry.

- **Accessing Strategic Financing for International Expansion** — Canadian SMEs can benefit from access to foreign sources of equity capital in order to expand their operations internationally. The Government will place increased emphasis on identifying and assisting internationally oriented Canadian SMEs seeking high-quality expansion financing opportunities from international sources. The primary objective will be to help Canadian SMEs gain access to international pools of venture capital that can help them position themselves in international markets.
- **Direct Investment Abroad** — While exports are vital to the prosperity of many Canadian firms, a growing number of companies are finding it necessary to locate additional facilities close to international customers to protect and increase their international market share. By expanding internationally, and becoming global companies, Canadian firms create additional, quality jobs here in Canada. As an extension of government programs to encourage and facilitate export growth, the Government will contribute to the global expansion of Canadian-based companies by introducing them to investment opportunities and potential partners in international markets.

Geographic Overview

United States

Introduction

The United States remains Canada's largest and most important market, absorbing more than 80 percent of our total merchandise exports. In 1993, Canadian merchandise exports to the U.S. increased by 20 percent to reach \$150 billion, representing the most important international factor sustaining economic growth and job creation in Canada. The growth in exports to the U.S. in 1993 (\$24.9 billion) was larger than total Canadian exports to all other OECD countries (\$22.6 billion). United States direct investment of \$95 billion in Canada accounts for the largest share (65 percent) of total foreign direct investment in Canada, which reached \$146 billion at the end of 1993. Similarly, Canadian direct investment of \$65 billion in the U.S. represented the largest share (60 percent) of the total \$107 billion Canadian direct investment abroad as of the end of 1993.

Business Environment

The U.S. market has changed considerably in recent years due to the emergence of new technologies and ongoing rationalization of the economy arising from the recession, the Canada-U.S. Free Trade Agreement (FTA), the NAFTA, the Uruguay Round and the southward movement of labour-intensive industries.

Canada's extensive trade relationship with the United States has been consolidated and strengthened with the implementation of the FTA and the NAFTA. This relationship will be further enhanced with the implementation of the WTO Agreement in January 1995. The market liberalization brought about by these agreements, combined with favourable exchange rates and ongoing recovery of the U.S. economy, provide

many new opportunities for Canadian firms, especially SMEs.

The FTA tariff reductions continuing under the NAFTA should further improve access to the U.S. market for Canadian suppliers of natural resources as well as manufactured and consumer products.

The United States will continue to be the most important market for the Canadian tourism industry. Tourists from the United States spent an estimated \$5 billion in Canada in 1993, a 9.5-percent increase over the previous year. This contributed significantly to a reduction in the Canadian travel trade deficit.

The NAFTA has continued the substantial liberalization achieved under the FTA in a number of strategic, high value-added industries, including environment, services, information technologies, medical and health care, and biotechnology. The Agreement has also improved Canadian access to U.S. federal government contracts. Canadian construction services firms can now bid on major U.S. government contracts and use Canadian building supplies while providing their services. The NAFTA will therefore expand the U.S. market for Canadian contractors, suppliers and services companies. Important opportunities exist for Canadian firms in the environmental sector, including clean-up work related to U.S. government defence and energy sites and facilities. Canadian services companies now have improved access to both public and private services markets in the United States.

The United States is Canada's primary source of foreign investment and technology. Both the FTA and the NAFTA have reinforced the already high degree of integration between the two economies.

Market Opportunities

To capitalize on the improved business climate, the Department of Foreign Affairs and International Trade (DFAIT) has repositioned its Trade, Tourism and Investment Development Program in the United States. The program emphasizes an integrated approach to trade and investment development. It gives priority to knowledge-based and value-added activities, including generating and disseminating market information and intelligence through electronic means, promoting strategic alliances and technology inflow, and increasing the export-readiness of SMEs. The program is focussed on five priority sectors: information technologies; environmental services; health care/medical; biotechnologies; and telecommunications.

Within these sectors, U.S. export, investment or research opportunities are expected to be particularly attractive in such areas as computer hardware/software; integrated waste management; energy and air pollution control; business and professional services; pharmaceuticals; medical devices; and network, radio and telecommunications equipment.

For traditional natural resources, manufactured products and consumer goods sectors, the objective of the U.S. marketing plan is to expand the market penetration and competitiveness of these industries through participation in key trade shows and incoming and outgoing missions.

Recognizing the growing importance of services in the domestic economy and the expanding global as well as bilateral Canada-U.S. trade in services, our marketing program will continue to emphasize the promotion of Canadian services exports.

Most SMEs gain initial international experience by entering the U.S. market. An overriding objective of the Trade, Tourism and Investment Development Program is to continue to increase the participation of SMEs in a wide range of promotional activities in the United States. A key element in achieving this objective is the New

Exporters to Border States (NEBS) program. This program, which caters exclusively to SMEs, provides not only practical information on the intricacies of exporting but also first-hand exposure to the U.S. marketplace. Over the last 10 years, the program has proven its success in developing new exporters to the U.S. and, subsequently, to world markets.

The tourism marketing strategy, implemented in co-operation with Industry Canada (Tourism Canada), the provinces and private-sector partners, is to increase tourism revenues from the U.S. and to maintain Canada's share of visitors. Our program of activities is targeted to selected high-yield customers segments such as retired affluent seniors, affluent middle-aged, affluent baby boomers, associations, corporations and incentive planners.

The Investment Development Program, through specific types of activities, will continue to emphasize the promotion of alliances and teaming arrangements to help Canadian firms achieve a number of strategic objectives such as upgrading their technological capability and promoting their financial growth and capital asset strength.

We will also expand our corporate liaison program targeted at senior U.S. executives to promote Canada as a location for investment and to encourage the retention of U.S. investment in Canada. These activities are also used to promote a broad range of Canadian economic interests and to explain Canadian policies and positions on specific issues.

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Europe

Western Europe

Introduction

With 360 million consumers, Western Europe is the world's largest importer of goods and services, accounting for some 46 percent of world merchandise imports and 52 percent of world imports of business services. With the United States, it is one of the largest, richest and most sophisticated markets in the world. It is the world's leading investor, a pacesetter in scientific research and development, and Canada's most important commercial partner after the United States. Canadian exports to this region are characterized by a high percentage of high value-added goods and a large volume of business services. Seven of our first twelve merchandise export markets are within Western Europe. A market with significant potential for growth, it is also an essential market for small- and medium-sized enterprises.

In 1993, the value of Canada's merchandise exports to Western Europe totalled \$13.2 billion. While there has been a decline since 1988 in exports of certain categories of food, inedible raw materials and fabricated products, there has been a steady increase in exports of high value-added manufactured or end products (totalling \$4.3 billion in 1993), which now represents 32.5 percent of total exports compared with 27.3 percent in 1992 and 25.6 percent in 1988. From 1988 to 1993, pharmaceutical exports grew at an average annual rate of 23.6 percent, followed by printed matter (23 percent), medical equipment and supplies (14 percent), transportation equipment (13.4 percent), machinery (7.8 percent) and telecommunications and related equipment (7.6 percent).

Western Europe is also Canada's second-largest market for business services after the United States. The value of business services exported to

the region increased by 6 percent in 1992 (the latest year for which data are available), to reach a record level of \$2 billion. From 1988 to 1992, exports of such services grew at an average annual rate of 4.5 percent. Over half of Canada's 13 major services export markets are within Western Europe (the United Kingdom, Germany, France, Netherlands, Switzerland, Belgium, Italy).

Western Europe is Canada's second-largest foreign direct investor and the world's second most important destination for Canadian investments. While U.S. companies continue to account for the greatest proportion of existing foreign-owned assets, European investment has accounted for the largest share of the growth in such assets in Canada since 1985. Canadian direct investment in Western Europe grew by 168 percent between 1985 and 1992 to more than \$22 billion, while European direct investment in Canada increased by 114 percent to nearly \$38 billion.

Western Europe is a world leader in science and technology, and a key source for technology partnerships. Europe collectively accounts for about one-third of the world's R&D expenditures, and its industrial competitiveness has been significantly strengthened by its strategic use of science and technology and industrial innovation. More than 300 co-operative scientific projects are under way between Canadian and European public-funded laboratories. Scientific co-operation in the private sector, as a pre-competitive technology access tool, is also very active.

With an average growth of 3.1 percent in tourist traffic over the last five years, 1993 saw the best performance in European travel to Canada since 1988, with an increase of 8.2 percent over 1992. More than 1.8 million Europeans visited Canada in 1993, and spent an estimated \$1.5 billion. This represents the single largest growth rate of any continental market, including the U.S. and the Asia-Pacific region.

Western Europe continues to hold significant new opportunities for all Canadian companies in the short, medium and long term. The increasing

economic and political integration of Western Europe, combined with the growing economic interdependence of East and West, guarantees Europe's vital role in Canada's trade, investment, and science and technology profile.

Business Environment

Western Europe, like North America, is gradually coming out of a recession. Four of the G-7 countries (the United Kingdom, Germany, France and Italy) are located in Western Europe. According to the OECD's GDP projections, all four economies are expected to grow between 2 percent and 3 percent in 1995. Although this growth may be smaller than that of some other markets, it represents significant additional potential for Canadian exporters because of the sheer size of these economies. For example, a 2.5-percent increase applied to the German GDP of \$2.5 trillion represents \$62.5 billion. It is expected that such growth prospects will also spill over to other Western European economies, while other emerging markets such as Turkey are expecting growth rates of 7 percent or 8 percent.

Western Europe's stable and democratic governments, market economies, high per-capita incomes, and rules-based trading systems will continue to mean lower-risk markets to potential Canadian exporters and investors, particularly SMEs. This should be further enhanced with the ratification of the WTO Agreement in January 1995 as a result of the GATT Uruguay Round negotiations.

The emergence of a confident and inward-looking European Union as a dominant political and economic player puts increased strain on the traditional Europe-Canada relationship. The central challenge for Canada is to counteract this growing Eurocentrism by strengthening its ability to influence the EU trade agenda and legislative initiatives.

The consolidation of the single market and the recent enlargement of the EU also present great challenges to Canada: tougher competition;

non-tariff barriers; and competition with Canada for foreign investment. On the other hand, the single market will promote growth and stimulate demand for imports, creating greater opportunities for Canadian business.

Market Opportunities

Western Europe offers major market opportunities for Canadian exporters. Through an extensive program of fairs and missions, the NEXOS (New Exporters to Overseas) program, mission-initiated activities, and the tourism promotion program, it is expected that more companies will recognize this potential and act upon it. A detailed list of opportunities by country follows.

Despite a more competitive world environment, Canada continues to be an attractive investment destination for Western Europe's chief executive officers. Through such initiatives as DFAIT's Corporate Liaison Program, new investors will be identified, along with those who require assistance with their investment plans. Other activities on a regional basis include roundtables, support for incoming companies and investment missions, and the promotion of Canadian investment opportunities in Europe, in a NAFTA context, through public events and through high-profile Canadians visiting key European cities.

Strategic alliances between Canadian and Western European companies in selected high-technology areas will be continued in such value-added sectors as software, biotechnology, wastewater, lasers and opto-electronics, medical devices, food packaging, solid waste management, telecommunications, ocean technologies, geomatics, air pollution, agri-food, microelectronics and industrial automation.

Through DFAIT's Technology Inflow Program (TIP), the Government will continue to promote technology acquisition and transfer between Canadian and Western European companies, in consultation with the National Research Council of Canada. Other activities on a regional basis include support for incoming companies and

technology missions, promoting Canadian technology capabilities in Europe through public events (information booths, partnering activities), and support for incremental costs to pursue R&D projects.

United Kingdom: The commercial relationship with the U.K. is by almost every measure the most extensive Canada has in Europe. It is Canada's third-largest market for merchandise exports (\$2.9 billion). It is a major market for Canadian primary products and a growing market for manufactured goods and services. Canadian merchandise exports are shifting steadily to value-added products and to services, whose combined ratio to total exports has grown in 10 years from 20 percent in 1983 to 40 percent in 1993. When tourism services are added to business services, this ratio climbs from 27 percent in 1983 to 49 percent in 1993.

Sectors offering excellent opportunities include transportation, defence, informatics and telecommunications, forestry, grains and oilseeds, construction, fisheries, environment, health care, general machinery and equipment.

Germany: This is the largest economy in Western Europe with a population of 80 million and a GDP of \$2.5 trillion. It ranked as the fourth most important export destination of Canadian goods in 1993 (\$2.5 billion). The market offers a highly sophisticated financial and communications infrastructure. Transportation facilities are excellent and professional services are widely available. German companies favour long-term strategies and market share over short-term profits. They look for partners and suppliers who are committed to staying in the market through good and bad times. Consumers are not reluctant to buy from foreign suppliers, but there is a strong preference to buy from companies established in Germany, particularly in the service industry.

Sectors offering excellent opportunities include computers, telecommunications equipment, housing, agri-food, environment, automotive,

geomatics, wood products, machinery, aerospace, security, tourism, medical products and devices, and farm equipment.

The Benelux Countries (Belgium, Netherlands and Luxembourg): With two-way trade totalling \$3.6 billion and Canadian exports amounting to \$2.4 billion in 1993 (\$1.3 billion to the Netherlands and \$1 billion to Belgium, Canada's seventh- and ninth-largest export markets respectively), the Benelux region is Canada's third-largest export market in Europe and fifth-largest in the world. An extremely important source of investment, technology and strategic alliance partners, the area is also considered particularly attractive as entry points for penetrating European Union markets, as evidenced by the approximately 150 Canadian firms established there.

More than half our merchandise exports to this region consist of fabricated materials such as wood, paper, metals, chemicals and textiles. There are good market opportunities for finished products such as pharmaceuticals, medical equipment and supplies, telecommunications and related equipment, industrial machinery, transportation equipment, industrial instrumentation, office equipment, and a variety of consumer products, including sports and recreational goods. Other sectors of opportunity include defence, civilian security, environmental technologies, consumer software and business services.

France: With a population of 57.7 million and predicted GDP growth of 3 percent in 1995, France plays a key role in the European economy. Given the potential of both partners, current levels of trade are modest (France is Canada's eighth-largest market for merchandise exports \$1.3 billion in 1993). The value of finished products exported to France has doubled in five years, with major sales in the aviation/aerospace sector.

The following sectors have been identified as areas of commercial opportunity: aerospace and defence; agri-food; automotive parts; biotechnologies; cable broadcasting networks;

chemical products; consumer products; electrical equipment; environmental technologies; fishery products; forestry products; information technologies/computers; medical equipment; ocean industries; packaging; retail distribution; telecommunications; tourism; and transportation equipment.

Italy, Austria and Switzerland: Italy offers tremendous potential for Canadian commercial interests. While it is the fifth-largest world economy, it ranked only as Canada's eleventh-largest export market (\$969 million) in 1993. The Government has undertaken an aggressive privatization plan of state-owned enterprises and conglomerates, which heightens Italy's attractiveness to Canadian business. There are advantages to linking with Italian firms to penetrate Italy's highly industrialized market and secure a long-term presence. Moreover, Italy is a potential gateway to Eastern Europe and the Mediterranean countries. Excellent opportunities exist in the following sectors: transportation; telecommunications equipment and services; computer software; environmental equipment and services; cereals and feed grains; forestry; and high-value fish products.

Switzerland is the twelfth-largest export market for Canada, valued in 1993 at \$954 million. Imports accounted for \$651 million for a two-way trade total of \$1.6 billion. Canada is the second most favoured overseas destination for Swiss tourists, who spent \$97 million in Canada in 1992. With a population of 7 million and an anticipated GDP growth of 2.5 percent in 1995, Switzerland is a good country in which to do business. Major opportunities exist in the following sectors: environment; health-care products; information technology; sporting goods; and tourism.

Austria is a small prosperous country that offers good potential for Canadian business interests. In 1993, Canadian exports to Austria were \$144.3 million. Manufactured products represent approximately two-thirds of Canadian

exports. Austria joined the European Union in January 1995. This will enhance its favourable position as a source of project and trading partnerships for new business in countries of both Eastern and Western Europe. Major opportunities for Canadian exports, joint ventures and technology transfer exist in the following sectors: aerospace; automotive; forestry; informatics and telecommunications; environmental products and services; and agri-food.

Scandinavian Countries: At \$3.3 billion, the level of our two-way trade with the Nordic countries is close to the level of our trade with France. Canadian exports to the Nordic countries amounted to \$986.4 million in 1993. Nordic countries' investments in Canada are quite extensive, with Sweden leading the way with both direct investment (in excess of \$1 billion) and corporate presence (close to 140 companies have subsidiaries in Canada). With Sweden and Finland joining the European Union on January 1, 1995, integration with the EU will be complete. The Nordic countries, with a combined GDP of \$591 billion, have more commercial importance than their total population of 23 million would suggest. While the recession caused a decline in trade in most Scandinavian economies in the last few years, economies in the region are bouncing back.

The following sectors have been identified as offering excellent opportunities: oil and gas; computers; telecommunications equipment; agri-food; environment; fisheries; forestry; transportation; health care; and sporting equipment.

Iberian Peninsula (Spain and Portugal): Spain is the world's tenth-largest importer (\$125 billion in 1993) and Canada's twenty-second export market (\$384 million in 1993). Canadian commercial activities in Spain centre on the export of raw materials such as mining commodities, pulp and paper, mineral fuels, wood and fishery products. To improve our share of the Spanish market, Canadian companies must be active in

carving out a specialty niche, bearing in mind competition from other EU members. Major opportunities exist in the following sectors: environmental products and services; transportation; telecommunications; mechanical and electrical equipment; mineral fuels and oils; construction; and business services.

Since Portugal became a member of the EU in 1986, the composition of its international trade has shifted dramatically. While prior to 1986, approximately 75 percent of Portugal's imports came from outside the EU, today the same percentage comes from within. As well, 75 percent of Portugal's exports are now destined for the European Union. Our two-way trade amounted to \$282 million in 1993, with Canada's exports totalling \$103 million. Portugal's economy has recently undergone a radical transformation leading to a surge in wealth, as demonstrated by a US\$10 000 increase in per-capita GDP from the 1985 level of US\$2000. This new wealth offers opportunities for Canadians to diversify their exports from resource-based commodities to value-added goods. Canadian environmental technologies, multimedia and information technologies, as well as wood frame housing techniques, are excellent niche opportunities in the Portuguese market.

Greece and Turkey: Notwithstanding its current economic difficulties, Greece will offer opportunities for sales growth in 1995. Two-way trade in 1993 was \$162 million, with Canadian exports totalling \$103 million. Greece will be the recipient of a

substantial sum of money — about \$13 billion — under the EU's Delor 11 program. This will be dedicated to a large number of infrastructure projects in the transportation, telecommunications and environmental fields. Other opportunities exist in forestry, agri-food, consumer products, machinery and equipment, and defence.

Turkey's economy continued to show very strong growth in 1993 with an annual increase in GDP in the range of 7 percent to 8 percent, the best growth performance of any OECD country. This growth should be maintained in 1995. Two-way trade in 1993 was \$242 million, with Canadian exports accounting for \$160 million. Canadian exports of services were boosted by the commencement of the Ankara Metro Project in March 1993, which generated some \$200 million in engineering services that year. Major opportunities exist in the following sectors: agri-food; construction; defence; power and energy; and environment.

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Central and Eastern Europe

Central Europe

Introduction

The territory of Central Europe includes the Czech Republic, Poland, Slovakia, Romania, Moldova, Hungary, Slovenia, Croatia, Albania, Bulgaria, Bosnia-Herzegovina, the former Yugoslavian Republic of Macedonia and Yugoslavia/Serbia Montenegro. The region has a population of approximately 120 million. Canadian exports to Central Europe reached \$233 million in 1993, a 7-percent increase over 1992. Priority countries for Canada in the region are the Czech Republic (population 10 million), Poland (38 million) and Hungary (10 million).

Business Environment

The transition from former communist-controlled command economies to new free market economies is a major challenge in the region. Certain countries are more advanced than others, and privatization programs are evolving rapidly, creating opportunities for Canadian businesses and investors whether through projects funded by the World Bank, IMF or EBRD, greenfield activities or joint ventures.

Debt reduction has become the main goal as Central Europe adapts to free market economy operations allowing bilateral financing arrangements to be put in place. The Czech Republic's repayment of its entire IMF debt is particularly noteworthy. Canadian lines of credit are now becoming available to assist exporters in countries that have made the most progress. Most currencies are non-convertible, although many countries in the region are moving toward making their currencies convertible in the near future.

The countries of Central Europe are gradually moving toward joining the European Union, with

the Czech Republic, Poland and Hungary at the forefront. All countries in the region are beginning to adjust their legislation and trade policies to be compatible with Western democracies. Concerns relate to the protectionist trade policies, high tax rates and entrenched bureaucracies that still exist. Membership or association with multilateral organizations such as the GATT, the IMF, the World Bank, the OECD and NATO, and agreements on special tariff status, double taxation, investment and insurance, are actively sought by countries in the region. Hungary has been a member of the GATT since 1973.

As countries in the region move toward free market economies, the market and investment opportunities for Canadian businesses should be very positive.

Hungary: The sectors currently offering the best commercial prospects for Canadian companies in Hungary include services; transportation; construction; energy; environment; tourism development; and infrastructure development. Many investment opportunities also exist in the Hungarian economy, whether greenfield or joint venture.

Additional opportunities exist for exports within the framework of multilateral bank projects (World Bank, EBRD), government privatization programs, and in the area of municipal affairs. Others may be found in agriculture, training, distribution and retailing, commercial legal services, health care and administration, and cultural industries.

Poland: The main opportunities for Canada in Poland are currently found in construction, telecommunications, informatics, geomatics, agriculture and food processing and environmental goods and services. Poland also offers opportunities in forthcoming World Bank projects in forestry, energy, telecommunications, steel, health care and rail equipment. In addition, there will likely be increased demand for pharmaceutical products in the years ahead.

Czech Republic: Numerous opportunities exist throughout the Czech Republic both for Canadian business expertise and Canadian technology. In chemical and metallurgy-related industries, for example, projects are either under way or are being developed with the goal of modernizing existing plants and researching and/or developing new chemical preparations, including organic plants, epoxy resins, surface finishes, preparations for veterinary and human medicines, synthetic lubricants, and cement. Canadian expertise may also be required in the ongoing transformation of the food industry from large-scale enterprises toward small- and medium-sized plants, which involves, among other things, the modernization of processing equipment and the need for modern packaging and labelling technology. In the textiles and garment manufacturing fields, the relatively low wages and high level of craftsmanship found in the Czech Republic may provide the foundation for promising partnerships with Canadian and other foreign companies active in this field. Similar conditions exist in the leather and footwear sectors.

In the field of wood processing, opportunities are arising from the need to manage the exploitation of available domestic raw materials, as well as the introduction of new products such as recycled paper, thermal insulation panels and multi-layered cardboard. In the agricultural sector, there is a considerable need for modern technology and expertise in the wake of large-scale privatization over the last year. The construction and telecommunications sectors are also promising.

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Eastern Europe

Introduction

The region includes the countries of Russia, Ukraine, the Baltics (Latvia, Lithuania, Estonia), Kazakhstan, Uzbekistan, Tajikistan, Turkmenistan, Kyrgyz Republic, Georgia, Armenia, Azerbaijan and Belarus. The population of the region is approximately 285 million and the priority countries for Canada in the region are Russia (population 148 million), Ukraine (51 million) and Kazakhstan (17 million). In 1993, Russia was Canada's twentieth-largest market for exports, totalling \$464 million.

Business Environment

Two-way trade between Canada and Russia in 1993 amounted to almost \$1 billion, with Canada enjoying a small surplus. The recent events in the break up of the former Soviet Union (FSU), the coming of the market economy and the change-over from central planning to free markets has resulted in a breakdown of the old social structures. In spite of the difficulties, over the long term Russia will remain a major economic and political power in the region. The FSU market comprises over one-half billion people; Russia's natural resources are immense and its industrial base is established. The task is to find a way to enter the market while controlling the economic and political risks of doing business. There is a great deal of poverty, social dislocation and fear for the future. As a result, crime and corruption are major problems.

The markets in this region must be approached with a great deal of preparation. Market research, legal, auditing and other Western business support services are now available in Moscow and some regional capitals. However, local authorities are demanding a piece of the action and asserting their decision-making, taxation, and territorial ownership rights. The business person must deal with them, as well as regulators, tax officials and import/export bureaucracies. There is a slowness

evident in implementing new laws and a lack of transparency. Nevertheless, the transition from a command economy to the new market economy has started. DFAIT's Renaissance Program for Eastern Europe assists the setting up of joint ventures, and can share the Canadian private sector's costs in determining the feasibility of entering the market.

Russian Federation: Export opportunities exist in a number of sectors, including:

- **Oil and Gas:** This sector probably provides the best opportunities for Canadian firms. The Russian oil and gas sector needs Western exploration and production companies, well make-over firms and suppliers of oilfield equipment, services and technology to stem its nearly 50 percent production decline since 1989.
- **Mining and Metallurgy:** Many Russian mines are unsafe and inefficient, and in many instances, antiquated equipment is still in use. There is considerable potential for sales of Canadian expertise, technology and equipment in mining, especially in the coal mining sector. Similarly, blast furnaces at Russian steelworks often date from the 1930s, so there is scope for sales of both metallurgical equipment and services for Canadian suppliers.
- **Forestry and Forest Products:** Opportunities exist for sales of equipment, technology and services, and for licensing agreements for the technology to manufacture equipment.
- **Construction:** With the return of some 750 000 military personnel from Central and Eastern Europe, the Russian Federation is facing a severe housing shortage. A considerable need exists for construction equipment, building materials, technology and services, and related training.
- **Telecommunications:** Russia's telephone system needs to be modernized. There are therefore important opportunities in the area of telecommunications products, technologies and services.

Ukraine: Canadian export opportunities in Ukraine exist in several sectors, including agriculture and food processing, energy, mines, metals, mineral products and services, pharmaceuticals, medical and health-care products and services, telecommunications and electronics, construction and environment. Canada has initialled a double taxation agreement with Ukraine, and signed a foreign investment protection agreement and an economic co-operation agreement. A line of credit for \$20 million (non-concessional) for capital and quasi-capital goods and services is being provided to Ukraine through the Export Development Corporation.

Kazakhstan: The following sectors currently offer the greatest prospects for Canadian companies in Kazakhstan: oil and gas exploration and production; mining and metallurgy; agri-food production, storage and processing (including farm machinery); transportation, distribution and other services; construction and building materials; telecommunications; tourism; business and professional services; and environmental protection.

Additional opportunities for Canadian firms arise from the conversion and/or diversification of defence industry facilities to high technology or other civil production, together with housing construction and municipal planning and services, rehabilitation of existing industrial facilities, computer informatics, medical device manufacturing, consumer goods production (such as footwear) and retail distribution.

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Latin America and the Caribbean

Introduction

The Latin America and Caribbean region represents an aggregate GDP of about \$1.3 trillion. In recent years, the economy of the region has experienced the world's second-highest growth rate, after Asia-Pacific. In terms of political stability, all countries (with the exception of Cuba) have democratic governments — a sharp contrast to the situation that prevailed in 1980.

Economic and market liberalization has been the basis of economic policy in the region. This process, led by Mexico and Chile (and now including almost all countries in the region) has led to substantial lowering and removal of both tariff and non-tariff barriers, massive privatization programs, and a more friendly foreign investment and intellectual property environment. Most countries within the region are committed to the principle of hemispheric trade integration, preferably through a broader NAFTA, although regional groupings (Mercosur, G-3, Andean Pact, CARICOM, etc.) are also emerging. These commitments have translated into concrete actions, particularly in the case of the Mercosur. Canadian exports to the region in 1993 totalled \$3.5 billion, an increase of 5 percent over 1992. About 58 percent of Canadian exports were made up of fabricated goods or end products.

Business Environment

The biggest trade policy challenge is to maintain the momentum of NAFTA accession in view of the fact that the U.S. Congress has not renewed "fast track" authority for trade negotiations. If a broader NAFTA is not achieved, there could be a proliferation of bilateral and subregional agreements, each with a separate set of trade rules — a situation that would make it increasingly difficult to conduct business.

Although the Uruguay Round has resolved many market access issues in the region, several irritants remain. The issue of export subsidies for agricultural products, particularly grains, has yet to be resolved and could have a major negative impact on Canadian exports. Canada is also trying to resolve, through bilateral negotiations, access issues for products such as seed potatoes (Mexico, Venezuela, Dominican Republic) and pork (Argentina). Customs delays in Mexico and other countries are also of growing concern.

Availability of medium- to long-term export financing remains a problem with several countries in the region (e.g. Central American countries, Cuba, Venezuela, Brazil, Peru) and innovative mechanisms are often needed to assist in financing Canadian exports of capital goods.

Market Opportunities

The Government will focus on opportunities arising from market liberalization and economic expansion in key sectors of Canadian technological expertise. Given the nature of the changing economies in the region, a shift from straight exports to exports that lead to technology transfer, joint ventures and direct investment are becoming the norm. An underlying objective is to continue the shift from resource-based exports toward higher value-added manufactured products. Priority sectors for the region include:

- **Mexico:** mining, energy, oil and gas, energy, electricity, manufacturing technology, agri-food industries.
- **South America:** energy, oil and gas, environmental industries, agri-food industries, telecommunications, informatics, mining, forestry, manufacturing technology, transportation.
- **Central America:** telecommunications, health services products, informatics, consulting services, agri-food industries.
- **Caribbean:** tourism industry products and services, environmental industries, oil and gas (Cuba), mining (Cuba), agri-food industries.

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Asia-Pacific

The Asia-Pacific region offers some of the fastest-growing markets in the world. These markets are as varied and different as the region, presenting opportunities to almost every sector of Canadian business expertise.

The markets of Asia-Pacific are not without their challenges, including language, culture and different business methods. However, these are compensated for by the dynamism, innovation and absorptive capacity of Asia-Pacific societies. From the economic giants of China and India, to the "Tigers" of Korea and Thailand and the touchstone Asia-Pacific economies of Japan, Australia and New Zealand, this region holds the key to world economic growth. Binding this economic colossus together are multilateral mechanisms, including the Asia-Pacific Economic Co-operation forum (APEC) and subregional groupings such as the Association of Southeast Asian Nations (ASEAN).

In 1993, Canadian merchandise exports to the region totalled almost \$19 billion. The recent conclusion of over \$8 billion in contracts with China is but one indicator of even higher results in 1994 and for the future.

Japan**Introduction**

Japan is Canada's third largest trading partner, after the United States and the European Union. The overall trading relationship is generally harmonious. The volume of trade has more than doubled since 1985, and is increasingly diversified in its composition.

In 1993, Canada's exports to Japan amounted to \$8.4 billion, an increase of \$1 billion from 1992, almost matching the peak reached in 1989. Canadian imports from Japan stayed constant at \$10.7 billion, leaving a deficit of \$2.3 billion.

Total trade in the first half of 1994 continued at about the same level, with a slight increase in imports.

Business Environment

Canada's exports to Japan dropped by over \$1 billion in 1991 and recovered only slightly in 1992. In 1993, however, we regained \$1 billion and more. Fluctuating commodity prices are a major factor in year-to-year figures. In the longer term, however, we are seeing major growth in Japan's imports of value-added products, while imports of basic resource materials are remaining flat or decreasing.

Canadian companies that have seized this trend are experiencing real success in the Japanese market for specialized manufactured goods and services. More firms should appreciate Japan's long-term strategic importance and follow suit.

By responding to Japan's evolving economy, Canadian business can take advantage of emerging market opportunities and adapt to Japan's changing import needs. Participation in the growth segments of the market will ultimately position Canadians for business opportunities in Asia-Pacific and other world markets.

Market Opportunities

Canada's Action Plan for Japan, launched in May 1993, is a co-operative venture to tailor government's role as the provider of services and information in support of private-sector efforts to develop and grow business with Japan. An analysis of the Japanese market and Canadian industrial capabilities established seven priority sectors: building products; fish products; processed food; auto parts; aerospace; information technology; and tourism.

The plan's major focus is on business-led development of strategic sectoral action plans that will position Canadian products in the changing Japanese market. The three key objectives of the plan are to:

- increase awareness of Japan's changing market dynamics;
- adapt products to these changes;
- respond to the marketing challenges of these changes in Japan.

A co-operative team approach is critical to the plan's success. Industry groups (one for each priority sector) take the lead. In some cases, these are coalitions of industry associations; in others, private-sector groups have come together specifically to tackle the Japanese market. Government teams from both the federal and provincial levels support these groups, as appropriate for each sector.

These are not advisory bodies. The idea is to take advantage of the synergies of a "Team Canada" approach in penetrating the Japanese market. Governments stand ready to support activities to make industry more export-ready and to deliver better strategic and market intelligence. They can help to adapt products, to acquire technology, to seek partners or to establish an industry presence in the market — on a collaborative, partnership and cost-shared basis.

As our trading relationship develops with Japan, the potential for Japanese investment in Canadian businesses and for Canadian investment in Japan increases dramatically, since sustained trading relationships are often a necessary precursor to the development of investment relationships. If one includes in the definition of investment, strategic alliances, exchange of technology, licensing and joint ventures in marketing and distribution, then there is potential for investment in both directions in all action plan sectors.

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China and Hong Kong

Introduction

The Chinese economic area, which includes Hong Kong, is the most dynamic in the world today. Although the recent high annual growth rates of 12 percent to 13 percent are likely to slow in the year ahead, the prospects for sustained growth for the latter half of the decade appear good. The World Bank, using the standard of relative purchasing power, assessed China to be the world's third-largest economy. In more quantifiable terms, China conducted a record US\$196 billion of trade with foreign partners in 1993, recording a US\$6-billion deficit.

The expansion of our economic relations with China is a priority, as witnessed by Prime Minister Chrétien's November 1994 "Team Canada" visit. The Department of Foreign Affairs and International Trade also reorganized its China trade program in 1993-94, integrating more closely the business development activities of our missions in Beijing, Shanghai and Hong Kong, and opening a new trade office in Guangzhou.

Although China is currently our fifth-largest trading partner, exports in 1993 were only \$1.5 billion, down from 1992's record high of \$2.1 billion. The prospects for an early increase in exports appear good, however, as China's appetite for high valued-added Canadian manufactured goods and agricultural commodities continues to increase. In view of ongoing uncertainty on the political scene, however, it is important to be cautious (i.e. to consider both commercial risks and country risks when making investment decisions).

The importance of Hong Kong as a player in Canada-China economic relations, and as an important market in its own right, is difficult to overstate. It remains the primary financier of China's economic development and the gateway to the lucrative South China market, the most dynamic regional economy in Asia. Hong Kong is also the home of the largest Canadian commercial presence in Asia.

Business Environment

China has been uniquely successful in overcoming the legacy of 30 years of central planning. In 1993, over 50 percent of China's total economic output was generated by non-state-controlled economic entities. Additionally, state-run enterprises are increasingly obliged to operate on a corporate, profit-oriented basis. Individual entrepreneurship has reasserted itself strongly, and is even evident in the government bureaucracy.

Doing business in China on an individual scale is much like doing business elsewhere; good price, product quality and supplier reliability are all essential to commercial success. The market is extremely competitive, especially in all matters related to price and financing. Moreover, Chinese partners greatly value personal contact in business dealings. Success invariably requires persistence, patience, a sustained presence on the ground, and a price-competitive product.

China's regulatory regime, especially in sensitive sectors such as telecommunications, remains strongly influenced by its socialist past. The approval process for any medium- to large-scale project (i.e. less than \$10 million) is cumbersome, slow and prone to abuse. The move toward economic decentralization, however, is making doing business on a larger scale generally easier than in the past.

To help overcome the bureaucratic obstacles and uncertainties connected to doing business in China's still opaque market, Canada has made the negotiation of China's entry into the new WTO a priority. Our negotiating priorities cover important sectors of Canadian strength, in both the goods and services sectors, for which Canada requires improved and more predictable access. It is China's stated desire to enter the WTO as a founding member in 1995. The negotiation process necessary to bring this about, however, remains difficult.

Market Opportunities

China is really a collection of regional markets, with differing development priorities and economic characteristics. The single richest regional market remains the South China coastal provinces of Guangdong and Fujian, adjoining Hong Kong. Guangdong alone accounts for 40 percent of China's foreign trade capacity, and consumes a disproportionate amount of high value-added imported goods. Other potentially lucrative regional markets in China include the Northeast provinces, Shanghai and the densely populated Yangtse River basin, including Sichuan province.

China's development needs are well matched by Canadian capabilities. Our sectoral priorities for China and Hong Kong include:

- **Energy:** thermal, hydro and nuclear power generation equipment and services.
- **Minerals:** including oil and gas, equipment and services.
- **Telecommunications:** all aspects, including equipment sales, services, space-related telecommunications, data communications.
- **Transportation:** including automotive, aviation and rail.
- **Environment:** technologies and services.
- **Agri-food:** including livestock, agricultural commodities, value-added processed foodstuffs, and fish.
- **Urban Management:** including traffic control, solid waste disposal, law and order, education and welfare.

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Korea and East Asia

Introduction

Composed of South Korea, Taiwan and Indochina, the Korea and East Asia region is one of the fastest-growing economic areas in the world. South Korea, Canada's fifth-largest trading partner, receives the lion's share of Canadian exports to this region, with two-way trade totalling \$3.9 billion.

Developments in the region, specifically with respect to the emergence of Korea and Taiwan as industrialized, developed nations, have necessitated a rethinking and reorganization of Canadian objectives and strategy, which have kept abreast of these developments.

Business Environment

The business climate is excellent for Canadian companies as Korea and Taiwan open markets and mature economically. There is still much progress to be made, however, especially in the Korean agriculture and food sector. The election of Kim Young Sam as President of Korea in 1993 is a promising development. A five-year economic plan encompassing a host of reforms aimed at reducing government interference in the economy has been introduced.

Taiwan's economy is forecast to grow by between 6 percent and 7 percent per annum for the next three years. The primary engine of growth is proving to be the \$250-billion Six-Year National Development Plan. There are currently 35 Canadian companies pursuing 56 projects worth over \$5 billion in Taiwan.

In Korea and Taiwan, there are prevailing moods of having "arrived" as economies. As evidence of this new-found prosperity, both Taiwan and Korea are now among the leading investors in Asia, particularly in Viet Nam and China. Only a generation ago, they were the recipients of aid from developed Western nations. Naturally, with more disposable income and more

leisure time, Korean and Taiwanese consumers are demanding a better quality of life, resulting in increased demand for consumer products and services.

Viet Nam, however, is in a different category altogether; it is a country that has just recently taken the first steps toward development. The recent end of the U.S. trade embargo on Viet Nam, the release of the first tranche of World Bank and Asian Development Bank financing for infrastructure and the announcement by the Vietnamese government of the need for \$9 billion in foreign investment for infrastructure development has created a heady, gold-rush atmosphere, with the lure of great profits. Coupled with the state-sanctioned doctrine of "Doi Moi" (renovation) and the easing of business regulations, there is indeed great potential for Canadian companies in Viet Nam. Yet these recent developments must be tempered by reality. Viet Nam is still very much a socialist state. Its bureaucracy is burdensome, its people largely unfamiliar with accepted business practices, and despite all of the recent attention, the current state of Viet Nam's infrastructure is not capable of sustaining large-scale economic activity.

Market Opportunities

Canada maintains a good trade relationship with the region. There is, nevertheless, further potential to expand our market shares in a variety of well-targeted industries.

Canada and Korea are in the process of developing a special partnership, with the idea first broached at the 1993 APEC Summit attended by Prime Minister Chrétien and President Kim Young Sam, and followed up by Minister for International Trade Roy MacLaren in Seoul in April 1994. In view of our mutual importance to one another as middle powers in the Asia-Pacific region, our trade mission revolves around the "Korea Strategy." It is composed of the following five objectives:

- increase trade in manufactured and high-technology products;
- expand our agriculture-food exports through continued pressure on Korea to address market access issues and shift priority to processed/value-added goods;
- increase two-way investment;
- promote co-operation/partnerships between Canadian and Korean firms pursuing third-market opportunities;
- establish stronger long-term commercial links in newly emerging service and technology sectors.

Due to the massive scale of Taiwan's Six-Year National Development Plan, there are abundant market opportunities within the infrastructure (building materials, construction, engineering and consulting industries) sector. There has recently been, however, a fresh boom in demand for consumer products, including imported durables. As well, the rising cost of labour and appreciating currency prices are forcing Taiwanese industry to rationalize and improve production automation and quality to remain globally competitive. Thus, there is significant potential in advanced equipment technologies, environmental goods and services and engineering consulting services.

Tourism is also a high-growth industry for both Taiwan and Korea, with spectacular growth in the order of 30 percent for Taiwan, and more than 100 percent for Korea over the previous year. Canadian Airlines International is expanding its service to Taiwan to keep up with the demand, while the dramatic increase in traffic between Korea and Canada can be attributed to Air Canada's new routes to Korea.

Canada's current top three export sectors to Viet Nam based on actual export sales are: agriculture-food, health care, and general machinery and equipment. There is considerable growth potential in these sectors as well as in oil and gas, transportation and telecommunications and informatics.

The major potential market sectors by country are:

- **Korea:** transportation (specifically aerospace, as Korea will soon upgrade air traffic control and airport facilities); power and energy (e.g. CANDU-related equipment and support, electrical transmission and distribution); environmental technologies, equipment and consulting services; tourism; value-added food products (e.g. processed goods).
- **Taiwan:** infrastructure-related industries (construction, building and construction materials, engineering and consulting services); advanced equipment sales (plant automation machinery, components and consulting services); environmental technologies, equipment and consulting services (pollution control and abatement issues are rising to the top of government agendas, drawing increased legislation and funding); legal reform; tourism.
- **Viet Nam:** infrastructure-related industries (construction, engineering and consulting services); transportation (vessel traffic management systems, air traffic control and broad construction); agriculture-food (high-quality livestock and food-processing equipment); telecommunications and informatics (digital-switching equipment, rural telecommunications and multiplexing systems); oil and gas exploration and development (recovery and distribution technology, equipment and expertise).

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South Asia

Introduction

In 1993, Canada's merchandise exports to South Asia totalled \$400 million. South Asia has not been a traditional Asia-Pacific market for Canadian goods, services and investment. This is rapidly changing as the countries of South Asia turn away from inward-looking economic policies, open their markets to free competition, and seek to become more engaged with the world economy.

Business Environment

Canadian commercial interest in South Asia has grown exponentially over the past five years. This interest is beginning to be translated into actual business contracts, especially in India. Canada's currency in the region is well founded on development assistance, co-operation through the Commonwealth and the United Nations, and strong human bonds through emigration of large numbers of South Asians to Canada. The fact that the countries of South Asia are English-speaking, democratic and familiar with market structures enhances the business environment.

The financial sector is well developed in South Asia, and the Export Development Corporation has an increased interest in the region. International financial institutions are active in the region, including the World Bank and the ADB. Their activities enhance the business environment, especially in countries such as Bangladesh. Aid-related trade prospects exist in most countries.

Market Opportunities

Canada is recognized in South Asia as a well-developed country, capable of supplying sophisticated, quality goods and services. Beyond this, the countries of South Asia see particular advantages in pursuing partnerships, joint ventures and licensing agreements with Canadian firms. The acquisition and application of higher technology are of special interest.

The major sectors of opportunity throughout the region include power generation, oil and gas development, environmental services and goods, telecommunications and agriculture. Opportunities also exist in the field of education and training.

There is a market for services in South Asia. This includes consulting engineering, geomatics, the environment, and general management services. Investment in the various sectors, including telecommunications, mining and food products is growing, while investment in other sectors, such as insurance, is emerging.

The major potential market sectors by country are:

- **India:** By far the largest market in the region, there is enormous scope for commercial co-operation. Power and energy, environmental products and services, aviation, agri-food and telecommunications are the key sectors, but there are opportunities in virtually all sectors, especially under the reform and liberalization policies of the Rao/Singh regime.
- **Pakistan:** telecommunications equipment and information technologies, agri-food, power and energy, metals and minerals.
- **Sri Lanka:** power and energy, telecommunications, food and beverages, specialized building materials.
- **Bangladesh:** power and energy, oilseeds and wheat, telecommunications.

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Southeast Asia/ASEAN

Introduction

Within the dynamic Asia-Pacific region, the Association of Southeast Asian Nations (ASEAN) is gaining in commercial importance.

ASEAN was formed in 1967 and includes six member countries: Brunei, Indonesia, Malaysia, the Philippines, Singapore and Thailand. ASEAN countries have forged economic, political and cultural ties among themselves and with the international community. Their market-oriented economies are open, dynamic and increasingly prosperous. Over the past decade, the rate of economic growth in ASEAN countries has been among the highest in the world.

Rich in natural resources, the ASEAN region accounts for much of the world's output of rubber, palm oil, tin, copra, copper, sugar, coffee, timber, tropical fruits, liquefied natural gas (LNG) and minerals. The region has also become a market leader in manufactured exports of garments and textiles, electronics and consumer goods.

Business Environment

Canada's economic and commercial relationship with ASEAN as a region is expanding. The dynamic growth and diversification of the economies of the ASEAN member countries offer excellent opportunities for Canadians.

Bilateral trade between Canada and the ASEAN region reached a high of \$4.78 billion in 1993. The total dollar value of trade has increased by 50 percent in the past five years, and almost quadrupled over the past decade. In spite of this increase in total trade, Canadian exports to ASEAN markets in 1993 at \$1.5 billion, remained the same as 1992 levels. At the same time, Canadian imports from the ASEAN region at \$3.26 billion increased by over \$750 million, leaving Canada with a \$1.75-billion deficit in its ASEAN trade.

Within ASEAN, Indonesia represents Canada's largest export market, followed closely by Thailand, Singapore and Malaysia. These four markets account for about 87 percent of Canadian exports to the region. The Philippines receives approximately 12 percent of Canada's exports to the ASEAN region.

Canada receives close to 2 percent of its imports from the ASEAN region. In 1993, import levels were at \$3.26 billion. Principal imports from the ASEAN region consisted of electrical, electronic and mechanical equipment and parts, articles of apparel, prepared fish and meat, and rubber.

Despite the growth in trade, ASEAN and Canadian exports account for less than 2 percent of each other's markets. There is tremendous potential for future growth in the ASEAN-Canada trading relationship, with much in common between Canadian consulting skills and strength in manufacturing sectors such as telecommunications, transportation and energy, and ASEAN development and investment needs.

There are no major trade barriers or impediments to exporting to ASEAN countries, but some products in the defence and high-technology sectors are subject to export permits. The requirement for export permits in the sale of defence products applies especially to Indonesia.

Market Opportunities

Specific priority sectors for 1995-96 for each country are:

- **Brunei:** oil and gas exploration and processing equipment and services, telecommunications equipment and services, power equipment and services.
- **Indonesia:** power equipment and services, information technology, environmental equipment and services, forestry products, mining equipment and services, construction equipment and services.
- **Malaysia:** oil and gas equipment and services, transportation equipment and services, advanced technology, power and energy equipment and services, agricultural and food products.
- **Philippines:** advanced technology, power equipment and services, mining equipment and services, grains and oilseeds, agricultural and food products, environmental products and services.
- **Singapore:** informatics and telecommunications, construction, defence, agricultural and food products, transportation, oil and gas services, environmental products and services.
- **Thailand:** information technology, power and energy equipment and services; transportation equipment and services, agricultural and food products, environmental products and services.

Contact

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South Pacific

Australia

Introduction

Australia is our fourteenth-largest market, and is among Canada's most important markets for manufactured goods. In fact, more than three-quarters of our exports are manufactured goods and end products, often exported by small- and medium-sized companies. After two consecutive years of major declines, exports rebounded slightly in 1992 and continued to increase in 1993, exceeding \$800 million, according to Statistics Canada. The actual level of exports, due to trans-shipments, is more likely to be in excess of \$1 billion, according to Australian import figures.

Business Environment

There is a natural affinity between Canada and Australia, the result of a shared Commonwealth heritage, a common language, similar legal and regulatory systems, and a mutually satisfactory trading relationship pre-dating the arrival of John Larke, Canada's first Trade Commissioner, in Sydney in 1895. In addition, the preferential tariff rates accorded to approximately 17 percent of Canadian exports under the Canada-Australia Trade Agreement (CATA) offer advantages to some Canadian producers. More recently, Australia has embarked on a unilateral tariff reduction program that will see most tariffs eliminated or reduced to 5 percent by 1996. Textiles, clothing and footwear tariffs are also scheduled for reduction, but on a more modest basis, with the effective rates targeted for 15 percent.

Australian investment in Canada to the end of 1993 was approximately A\$1.7 billion or a meagre 1 percent of total Australian investment abroad. This investment is largely attributable to several high-profile acquisitions such as Elders IXL's purchase of 50 percent of Molsons, Teck Corporation's purchase of 31 percent of Cominco from CP Ltd., and Giant Resources acquisition of

control of Giant Yellowknife Mines, the Bell Creek mine, the ERG Resources tailings treatment operation in Timmins and the Curragh Resources lead and zinc mine in Faro, Yukon.

Many Canadian companies have established a direct presence in Australia through investment, joint ventures, sales offices or licensing agreements. The similar size and technology levels of the two economies contribute to the formation of technology transfers and joint ventures. Canadian investment in Australia is approximately \$3.7 billion (2 percent of total foreign investment) and is characterized by numerous, small-scale operations. A notable exception is the recent acquisition of the Fairfax Group by a consortium led by Conrad Black. Other Canadian firms with Australian operations include Alcan, Northern Telecom, Moore Corporation, Placer Development, Norcen and McCains.

Market Opportunities

- **Agri-food:** Canadian agri-food exports in 1993 were valued at approximately \$70 million. There is good potential for highly processed products such as frozen confections, seafood, specialty/confectionery goods and processed vegetable products, as well as pork for processing into ham and bacon.
- **Forestry Equipment:** Australia offers excellent export and investment opportunities for forest harvesting and sawmilling equipment. Our objective is to increase the presence of Canadian advanced technology and equipment for sawmills through agency agreements and licensing agreements with Australian companies. The National Association of Forest Industries estimates that \$7 billion in new investments is possible in the next few years.
- **Rail Equipment and Services:** Australia is in the process of upgrading and restructuring its railway industry. Over the next five years, \$3 billion will be spent on capital works and machinery to create a more efficient and cost-effective rail system.

- **Environmental Equipment and Services:** The Australian market for environmental goods and services is worth US\$2 billion to US\$3 billion. Joint ventures and strategic alliances are the key to success.
- **Advanced Technology and Telecommunications:** The market for Canadian manufacturers, notably for high-technology products in advanced technology and telecommunications, is estimated to be \$20 million to \$23 million annually. Australia's information technology (IT) sector has enjoyed boom conditions in contrast with the sluggish growth of other industry sectors, with investments in excess of \$10 billion in the past two years in the communications industry alone. Deregulation of the Australian telecommunications industry, coupled with the extensive investment program of both Australian Telecom and the new second carrier, Optus Communications, offer excellent market conditions for sales of new equipment and the most up-to-date technologies. A number of large Canadian companies as well as SMEs have already established a presence through strategic alliances, agencies/distributors or local offices.
- **Defence:** In the defence sector, the Australian government is buying new equipment for its armed forces, notably light armoured vehicles (LAV) from General Motors Diesel Division, F-18 related equipment, airborne search radar, CRV-7 rockets and sonobuoy processors. Canadian companies have also won contracts with the Royal Australian Navy to refurbish submarines and build 12 frigates, 10 for Australia and at least two for New Zealand.
- **Mining:** Mining is a mainstay of the Australian economy, and will continue to provide opportunities in the medium and long term. Australia is the world's fourth-largest gold producer and has significant supplies of coal and other minerals. Canadian replacement equipment, ranging from drill bits to hard rock crushing and processing equipment and associated mining services, is being sold in Australia.

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New Zealand

Introduction

With a population equivalent to that of Metropolitan Toronto, New Zealand is sometimes dismissed as a small and distant market. Nevertheless, it is a \$100-million market, particularly profitable for small- to medium-sized export companies.

Since 1984, the New Zealand economy, once one of the most highly regulated and protected in the developed world, has undergone radical liberalization designed to force New Zealand industry to become more internationally competitive. The import licensing regime has been dismantled and a significant program of tariff reductions has been implemented. Government subsidies have been eliminated and other forms of protection for business have been abandoned or reduced. While the process of adjusting to these reforms has been difficult, the New Zealand economy has begun to show signs of strength.

Business Environment

Canada and New Zealand enjoy excellent bilateral trading relations based on the Trade and Economic Co-operation Agreement (signed August 1981, effective January 1982). This replaced the 1932 Canada-New Zealand Trade Agreement, and provides for the exchange of preferential tariffs, among other things. The Agreement also provides a mechanism for consulting on the state of the relationship and encourages closer business co-operation. The next meetings are scheduled for fall 1995.

In recent years, Canadian exports to New Zealand have increased. In 1993, exports rose to approximately \$117.5 million, up from \$104 million in 1992. Increased sales of fertilizers, wood and mechanical appliances accounted for most of this growth, although value-added exports, such as electronic and industrial equipment, precision equipment, sporting equipment and pharmaceuticals were also up by about 30 percent.

New Zealand's exports to Canada have consistently outpaced Canadian sales there, driven in large measure by significant sales of bulk commodities. Valued at \$253.5 million in 1993, New Zealand exports have risen steadily (up 25 percent from 1992).

Market Opportunities

- **Agri-food:** New Zealand traditionally imports food items that are not produced locally. Canada, with 5 percent of the imported food market, is an established supplier of canned salmon, canned sardines, pork (for processing in New Zealand) and white beans. Canada has a reputation with both importers and consumers that can serve as a sound basis for efforts to introduce new lines of food products. Opportunities for Canadian exporters lie in specialty cheese, confectionery, canned and frozen fish, canned and frozen vegetables and fruit, pet foods, convenience meals, sauces, apples and pork products in consumer packages.
- **Consumer Goods:** Increased purchasing power arising from the New Zealand government's switch to a market-driven economy and the dismantling of the import licensing system presents Canadian exporters with an unprecedented opportunity to expand sales of consumer goods, particularly hardware, housewares and giftware items. Canada has traditionally been a preferred source of imports in this sector, and the relaxation of import protection has only served to reinforce this trend.
- **Forestry:** The sale of harvesting rights to half of the Crown plantation forest holdings (550 000 hectares of mature radiata pine) is well under way, and "the decade of development in the forest industry" is beginning. Many Canadian forestry equipment and consulting companies are already established in the New Zealand forestry sector, and the eventual requirements for new equipment offer opportunities for other Canadian manufacturers.

■ **Telecommunications:** Deregulation of the telecommunications industry and the creation of a new state agency, Telecom Corporation, have resulted in new market potential for telecommunications equipment. In addition, Bell Canada is a major shareholder and operating partner in New Zealand's private-sector second carrier, Clear Communications. Modernization of the previous network, and expansion of Clear's second network will create opportunities for equipment and services, particularly in support of computerized billing systems, regional maintenance centres, and automatic telephone exchanges.

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Africa and the Middle East

Introduction

The markets in Africa and the Middle East are sometimes overlooked by Canadian businesses seeking new export markets. Several factors are responsible, including language differences, long distances and lack of familiarity with local cultures.

Although access to these countries is undeniably more difficult than to other more familiar markets, an effective penetration strategy and a sustained effort can lead to profitable business opportunities and an important return on investment. The oil and gas, telecommunications/high-technology, transportation and agri-food sectors currently offer the best business prospects. Nevertheless, other sectors such as services (e.g. education, banking/financial), environment, mining and energy are also expected to grow as a number of African countries move toward greater privatization and trade liberalization, and the benefits of the Middle East peace process become apparent.

In 1993, Canadian merchandise exports to the region totalled some \$2.5 billion, to which can be added an estimated \$1 billion in services.

Africa

Business Environment

In 1993, Canada's merchandise exports to Africa totalled \$1.2 billion. The range of Canada's exports varies considerably, from such basic products as wheat, timber and minerals to high-technology products such as telephone equipment, flight simulators, helicopters, as well as mining, oil, and equipment for generation and transportation of electricity. Africa is now an important market for Canadian service firms in engineering, management, education, health-care, informatics, and financial and banking services, to name only a few. In 1993, the estimated value of

Canadian services contracts with Africa was some \$500 million.

Over 50 percent of Canada's exports to the continent go to North Africa. These include cereals, dairy products, sulphur, lumber and minerals, as well as a wide array of manufactured products such as locomotives, telecommunications equipment, helicopters, construction machinery, chemical products, oil and gas and hydro-electricity generation and transmission equipment. North Africa is also an important market for Canadian services (engineering, consulting, education, health care, computer, financial services, etc.).

Canada's commercial involvement in Africa has increased remarkably over the past 25 years. Our development assistance programs, the funding programs of the Export Development Corporation (EDC), our involvement in la Francophonie and the Commonwealth, our initiatives with respect to fighting apartheid and forgiving the debts of a number of African countries, have reinforced Canada's positive image on the continent. The fact that Canada is a bilingual country, and the complementary nature of these countries' needs and Canada's sectoral expertise, give Canadian exporters a further advantage.

In recent years, an increasing number of African countries have adopted political and economic reforms to establish multipartite systems, liberalize foreign trade, streamline public finances and develop the private sector. These reforms (which Canada actively supports) have served to create many new business opportunities for equipment, services and investment. Various privatization programs have also led to a renewed emphasis on education and training, and important new business opportunities in consulting, training, management and financial services. Many of the reform initiatives that are being implemented have been financially supported by the World Bank and the African Development Bank, with additional support from the Canadian International Development Agency.

Government activities in Africa are designed to take advantage of trade and investment opportunities arising from the various economic restructuring programs that are under way. Priority will be placed on developing commercial and investment relations with the emerging private sector of these countries and on opportunities funded by international financial institutions (IFIs). Export development initiatives will be complemented with activities to promote opportunities for joint ventures and technology transfers.

Export financing is an issue in many African countries. Exporters therefore often consider seeking offshore guarantees, and focus on revenue-generating sectors and/or development initiatives supported by IFIs.

Market Opportunities

Sectors offering the most promising opportunities for Canadian exporters in each country are:

- **South Africa:** The dismantling of Canada's trade restrictions continues to spur rapid growth in Canadian exports in a wide range of sectors. In the first half of 1994, Canadian exports were valued at \$105 million — an increase of 76 percent over the same period last year. (Before the sanctions, the export market was valued at \$500 million.) A significant proportion of Canadian products sold are manufactured and high-tech products. The prospects for future business opportunities are also bright. As South Africa becomes more fully integrated into the regional and global economies, new business opportunities will emerge in the fields of mining, telecommunications and informatics, geomatics, environment, security products and medical products and services.
- **Algeria:** This is Canada's single-largest market on the continent. Significant opportunities exist in oil and gas, transportation, construction, telecommunications, irrigation, agriculture, industrial development and services

(engineering, management, education and training, banking and financial). Recently, Algeria indicated that it will give priority to importing agricultural commodities, construction material and pharmaceutical products.

- **Morocco:** Opportunities exist in agriculture, telecommunications, transportation, industrial infrastructure, oil and gas and energy, environment, computer equipment and services, education and training, and financial services.
- **Tunisia:** There is potential in oil and gas, environment, telecommunications, transportation, electricity generation and transmission, and financial services.
- **Sub-Saharan Africa:** With the exception of South Africa, available resources dictate that Canada target its trade development program on the following countries: Nigeria, Gabon, Ghana, Angola, Kenya, Zimbabwe, Cameroon, Zambia, Tanzania, Senegal and the Ivory Coast. The following sectors have been designated as priorities: hydrocarbons, telecommunications, mining and related services.

Middle East

Business Environment

With the reconstruction efforts that followed the end of the Gulf War and the new political environment created by the Middle East peace process, the regional trade environment has tended to improve. Awareness of Canada's capabilities as a trading partner has also increased. A significant potential therefore exists for Canada to increase its market share in the region, in spite of stiff competition and current economic and financing constraints. The key challenge confronting the Canadian business community will be to capitalize quickly on new trade opportunities as they develop.

Including Egypt, merchandise exports to the region in 1993 totalled close to \$1.3 billion; when services are added to these figures, Canadian

exports amounted to more than \$1.8 billion. Merchandise exports in the first seven months of 1994 exceeded \$718 million.

For the most part, the region is a cash market with a large appetite for Canadian high technology, including security equipment. Canada's status as a significant importer of Middle East oil (in the range of \$800 million annually) may offer opportunities for exchanges for manufactured and advanced technology exports. Currently, commodities make up much of what Canada exports to the region, although value-added goods, services, technology transfer and joint ventures represent areas of significant growth. In recent years, for example, Canada has registered major sales of defence and high-technology products. Substantial trade opportunities in other sectors are being actively pursued by a number of Canadian exporters.

On the financing side, EDC has designated the Middle East as a priority market and is eager to review opportunities for project financing. It has concluded a line of credit of \$500 million with Kuwait, and a \$1-billion line of credit is under discussion with Saudi Arabia. EDC is also insuring certain transactions with Iran and has three lines of credit with Israeli banks.

Market Opportunities

Canada enjoys a reputation as a reliable supplier of quality goods and is recognized as a country willing to assist in development and technology transfer. A number of opportunities exist in the education and training field that Canada is well-positioned to exploit, given its bilingual character. Many Canadian universities and colleges, as well as services exporters, are already active in this sector and could therefore capitalize on emerging opportunities.

Canada is increasingly recognized throughout the region as a world leader in telecommunications and information technology, transportation, environmental technologies, agriculture, biomedical technologies, and power generation

and energy transmission. All of these sectors are considered priorities by Canadian trade missions in the region, and are likely to present viable business opportunities to active Canadian exporters.

Services exports, estimated at several million dollars per year, represent a significant part of Canadian sales to the Middle East. Consulting engineering in the oil and gas and the power generation sectors has traditionally accounted for most of these exports. Nevertheless, Canadian expertise is gradually being recognized in such diverse fields as environment, livestock management, dairy genetics, architectural services, education, training, geomatics and financial services.

The major potential market sectors by country are:

- **Iran:** As the second-largest Canadian market in the region, Iran offers the best prospects in the agriculture and oil and gas sectors. Strong potential also exists in the transportation, high-technology and educational sectors.
- **Israel:** Canadian exports cover a full range of goods, including commodities, manufactured goods and advanced technologies. Other interesting prospects are information technologies and telecommunications, transportation, biotechnologies, environment and power generation. Significant opportunities also exist for greater joint venture co-operation.
- **Jordan:** Opportunities exist in telecommunications, agri-food industry, mining equipment and services, industrial machinery and transportation.
- **Lebanon:** A major reconstruction effort estimated at \$10 billion over the next 10 years offers a number of business opportunities to Canadian firms in the areas of telecommunications and related technology, energy, health products and services, and construction.
- **Saudi Arabia:** Saudi Arabia represents Canada's primary market in the Middle East. Contracts of several billion dollars are being actively pursued by Canadian firms in the fields of telecommunications and advanced technologies, security products, transportation, agriculture and food products, mining and mineral equipment, oil and gas and services.
- **Syria:** Interesting potential exists in transportation, mining, industrial machinery, oil and gas, aeronautics, telecommunications and power generation.
- **Kuwait:** Sectors offering potential for Canadian sales include transportation, security equipment and services, agri-food, geomatics, telecommunications, oil and gas, health care, and power and energy.
- **United Arab Emirates (UAE), Oman, Qatar, Bahrain:** The UAE and Qatar are seeking Canadian technology in the petrochemical sector. Opportunities also exist in agriculture and telecommunications, as well as in education and training services, defence products, transportation, construction and oil and gas. In April 1993, a Canadian consulate was opened in Dubai to better serve Canadian companies pursuing opportunities in the region. In Oman, potential exists in the fishing industry for sales of fishing vessels, port facilities, equipment and related services.

Contact

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Canada Business Service Centres

A network of Canada Business Service Centres (CBSCs) has been established across the country to provide business with a single point of contact for queries about federal or provincial government programs and services. CBSCs either respond directly to queries or identify where answers may be obtained.

For further information, please contact one of the following Canada Business Service Centres:

Canada/British Columbia Business Service Centre (Vancouver)

1-800-667-2272
Tel.: 604-775-5525
Fax: 604-775-5520
Faxback: 604-775-5515

Canada Business Service Centre (Edmonton)

1-800-563-9926
Tel.: 403-495-6800
Fax: 403-495-7725

Canada/Saskatchewan Business Service Centre (Saskatoon)

1-800-667-4374
Tel.: 306-956-2323
Fax: 306-975-2328
Faxback: 306-956-2310
Faxback: 1-800-667-9433

Canada Business Service Centre (Winnipeg)

1-800-665-2019
Tel.: 204-984-2272
Fax: 204-983-2197
Faxback: 204-984-5527
Faxback: 1-800-665-9386

Canada/Ontario Business Service Centre (Toronto)

1-800-567-2345
Tel.: 416-954-4636
Fax: 416-954-8597
Faxback: 416-954-8555

Info Entrepreneurs (Montréal)

1-800-322-4636
Tel.: 514-496-4636
Fax: 514-496-5934
Infobox: 514-496-4010
Infobox: 1-800-322-4010

Canada/Prince Edward Island Business Service Centre (Charlottetown)

1-800-668-1010
Tel.: 902-368-0771
Fax: 902-566-7098
Faxback: 902-566-7098
Faxback: 1-800-401-3201

Canada/Nova Scotia Business Service Centre (Halifax)

1-800-668-1010
Tel.: 902-426-8604
Fax: 902-426-6530
Faxback: 902-426-3201
Faxback: 1-800-401-3201

Canada/Newfoundland Business Service Centre (St. John's)

1-800-668-1010
Tel.: 709-772-6022
Fax: 709-772-6090
Faxback: 709-772-6030

Cross-sectoral Activities

The International Trade Business Plan comprises this Overview and 23 separate Industry Sector Strategies, each with an accompanying list of proposed activities. A list of these sectors can be found on the inside front cover of this publication.

The following is a list of international business development activities that do not relate to any specific sector, but are cross-sectoral in nature.

Activity	Date	Location	Dept.	Contact
Africa and the Middle East				
Cairo International Fair: Info Booth	Apr-95	Cairo	DFAIT	613-944-6994
Canada-Israel Joint Economic Commission	Apr-95	Jerusalem	DFAIT	613-944-6994
"Doing Business in Israel" Guide for Exporters	Apr-95	Tel Aviv	DFAIT	613-944-6994
South Africa Guide for Exporters: Update	Jun-95	Johannesburg	DFAIT	613-944-6590
Transport Expo '95: Info Booth	Sep-95	Johannesburg	DFAIT	613-944-6590
Damascus International Fair: Info Booth	Sep-95	Damascus	DFAIT	613-944-6346
Tehran International Trade Fair: National Stand	Oct-95	Tehran	DFAIT	613-944-7029
Saudi Council of Chambers of Commerce Mission	Oct-95	Canada/Various	DFAIT	613-944-5984
South Africa Market Opportunities Study	Oct-95	Various Cities	DFAIT	613-944-6590
SAITEX '95: Info Booth	Nov-95	Johannesburg	DFAIT	613-944-6590
Asia-Pacific South				
Ristek '95: Info Booth (Science & Research Technology)	May-95	Jakarta	DFAIT	613-992-0959
Catalogue Show	Sep-95	Manila	DFAIT	613-995-7659
Catalogue Show	Nov-95	Khulna	DFAIT	613-992-0952
Keynote Conference	06-Feb-96	Manila	DFAIT	613-995-7659
Canada				
Canada Export Award Program	Feb-95	Fredericton	DFAIT	613-996-2274
Central/Eastern Europe and the Commonwealth of Independent States				
Multisectoral Mission to Bulgaria	May-95	Sofia	DFAIT	613-992-1449
Corel World Conference and Exhibition	Jun-95	Ottawa	IC	613-954-3294
Poznan International Fair - Investment Goods: Info Booth	Jun-95	Poznan	DFAIT	613-996-7107
Multisectoral Mission to Russian Far East	Sep-95	Siberia	DFAIT	613-996-6429
TIB '95 Industrial Fair: National Stand	Oct-95	Bucharest	DFAIT	613-992-1449

Note: Dates and locations are subject to change.

Activity	Date	Location	Dept.	Contact
East Asia				
Canada/Korea: Third Markets Studies	May-95	Seoul	DFAIT	613-995-8744
Catalogue Shows	Sep-95	India/Various	DFAIT	613-996-5903
Solo Canadian High Technology Event	Oct-95	Shanghai	DFAIT	613-995-6962
Canada Week/Mission	Oct-95	Pusan, Korea	DFAIT	613-995-8744
Aftak (Korea Foreign Trade Agents) Mission	Mar-96	Vancouver, Toronto, Halifax	DFAIT	613-995-8744
Latin America and the Caribbean				
Puerto Rico Trade Show: National Stand	Apr-95	San Juan	DFAIT	613-944-9479
Mission: IFI Funded Projects	18-Apr-95	Caribbean/Various	IC	514-283-8795
Canada Expo '95: Solo Show	Nov-95	Sao Paolo	DFAIT	613-996-5549
Consulting Services and Trading Houses Mission	Nov-95	Kingston	DFAIT	613-943-8807
United States				
Port Authority of New York & New Jersey: Market Opportunities	Apr-95	New York, N.Y.	DFAIT	613-944-9441
New Jersey State Government Procurement Study	Apr-95	New York	DFAIT	613-944-9441
Company Showcase/Partnering	Apr-95	New York	DFAIT	609-452-0777
Investment Newsletter	Apr-95	Ottawa	DFAIT	613-944-9485
New Exporters' Missions from Manitoba, Saskatchewan, Alberta	Apr-95	Minneapolis	DFAIT	613-944-6577
New Exporters' Mission to Seattle	Apr-95	Seattle	DFAIT	613-944-6577
Software/Multimedia Directory Update	Apr-95	Boston	DFAIT	617-262-3760
Profile of Financial Services Firms in New England	Apr-95	Boston	DFAIT	617-262-3760
Northeast Foodservice Show: National Stand	24-Apr-95	Boston	DFAIT	617-262-3760
Trade Mission to Western U.S. Public Procurement Conference	May-95	Los Angeles	DFAIT	613-944-9441
Market Study: New Sectors in U.S. Federal Procurement	May-95	Washington, D.C.	DFAIT	613-944-9441
National Restaurant Association: National Stand/Mission	20-May-95	Chicago	DFAIT	613-944-9474
Venture Capital Forum	Jun-95	New York	DFAIT	212-596-1655
Investors' Mission from New York	Jun-95	Toronto, Ottawa	DFAIT	212-596-1655
New Exporters' Mission: Border Crossing Procedures/Markets	Jun-95	Fargo	IC	204-983-4586
Economic Development Outgoing Mission	Jun-95	Boston	DFAIT	613-944-7348
Venture Capital Forum	Aug-95	Detroit	DFAIT	313-567-2340
Market Study: Mid-Atlantic State Procurement Opportunities	Sep-95	Washington, D.C.	DFAIT	613-944-9441
Market Study: U.S. Acquisitions System Electronic Bidding	Sep-95	Washington, D.C.	DFAIT	613-944-9441
Ontario Matchmaker Partnering Event	Sep-95	Detroit	DFAIT	313-567-2340

Acronyms and Initialisms Used in The International Trade Business Plan

(This list does not include sector-specific references)

ACOA	Atlantic Canada Opportunities Agency	IC	Industry Canada
AG Can	Agriculture and Agri-Food Canada	IDRC	International Development Research Centre
ASEAN	Association of Southeast Asian Nations	IFI	international financial institution
BBS	electronic bulletin board system	ISO	International Standards Organization
BOSS	Business Opportunities Sourcing System	ITBP	International Trade Business Plan
CCC	Canadian Commercial Corporation	ITC	International Trade Centre
CIDA	Canadian International Development Agency	MAPAQ	Ministry of Agriculture, Fisheries and Food of Quebec
CIS	Commonwealth of Independent States	MDB	multilateral development bank
CSA	Canadian Standards Association	NAFTA	North American Free Trade Agreement
DFAIT	Department of Foreign Affairs and International Trade	NATO	North Atlantic Treaty Organization
DFO	Department of Fisheries and Oceans	NRC	National Research Council
DND	Department of National Defence	NRCan	Natural Resources Canada
EC	Environment Canada	NRCan-CFS	Natural Resources Canada - Canadian Forest Service
EDC	Export Development Corporation	OECD	Organization for Economic Co-operation and Development
EU	European Union	PEMD	Program for Export Marketing Development
FIIT	Forum for International Trade Training	R&D	research and development
FORDQ	Federal Office of Regional Development - Quebec	SMEs	small- and medium-sized enterprises
FSU	former Soviet Union	UNEP	United Nations Environmental Program
FTA	Canada-U.S. Free Trade Agreement	WED	Western Economic Diversification
GATT	General Agreement on Tariffs and Trade	WTO	World Trade Organization
GDP	gross domestic product		
GNP	gross national product		
HRDC	Human Resources Development Canada		

INDUSTRY CANADA / INDUSTRIE CANADA



222512



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