

QUEEN
HD
41
.S77
1994

IC



Industry
Canada Industrie
Canada

**Strengthening Canada's International
Business Performance**

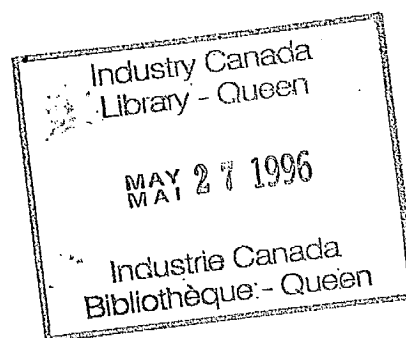
• An Industry Canada Viewpoint

Canada

Queen
HD
41
.S77
1994

Strengthening Canada's International Business Performance

• An Industry Canada Viewpoint



September 12, 1994

Preface

- *Canada's current account deficit is of such proportions that it is having a profound negative impact on the prospects for jobs and growth. Canadian business has not adapted well enough to the challenges of globalization.*
- *While this is first and foremost a matter for the private sector, there is a supportive role for governments in international business development. Canada's competitiveness policy framework must be at least as attractive as our trading partners - and our international business services and programs must be client driven.*
- *Given the complexity and interconnections of international business development activities, it is incumbent on all parties to identify their areas of greatest expertise and establish firm working relationships with others. The country can no longer afford overlap and duplication.*
- *This paper attempts to lay out an international business support system from Industry Canada's viewpoint. Industry Canada is the lead federal government department in promoting a positive competitive business environment.*
- *Industry Canada's strength in the field of international business development lies in its ability to provide a sector approach, a national approach and an integrated business approach encompassing trade, investment and technology in their domestic and international contexts.*

Strengthening Canada's International Business Performance

Contents

- 1. Introduction**
- 2. Canada in a Changing World**
- 3. Policies for the New Economy**
- 4. Sector Strengths, Sector Needs**
- 5. Trade Development**
- 6. Influencing Investment Decisions**
- 7. Technology and Innovation**
- 8. Strategic Information**
- 9. Bringing it Together**
- 10. Executive Summary**

Introduction

Strengthening Canada's international business performance

- Canada faces a very severe trade and international business development problem. Notwithstanding strong overall performance in some markets and in some sectors, the country is experiencing very large current account deficits.
 - Our trade by region is unbalanced, with 80% going to the United States and poor performance in the booming East Asian markets.
 - Our overall international business orientation is poor. Only one in ten firms export. Over half of exports come from only fifty firms.
- In today's global marketplace, domestic industrial development and international business development are becoming indistinguishable. Domestic and international efforts and strategies must be well integrated to meet the global challenges faced by Canadian business.
- Strategies must reflect the speed and extent of change in today's business environment - changes brought about by globalization, by technology, by investment-led trading patterns and by the growing importance of ideas, knowledge and information.
- Global competition, trade liberalization and current account deficits call for intensified efforts to promote international business performance - a business challenge which moves beyond just the exchange of goods and services. Yet public and private sector resource constraints are causing both governments and firms to scale back on many such efforts, thereby calling for a thorough review of Canada's international business products and services to determine:
 - What is needed for the new economy of the 1990's and beyond;
 - How such services compare to the current mix of products; and,
 - How best to develop and deliver the domestic and international strategies, services and activities.

- This deck attempts to provide a framework against which international business and trade efforts can be assessed - a framework which encompasses investment, technology, information, business networks, strategic partnerships and traditional trade development activities.
- In summary, **the major elements of the paper will include:**
 - an overview of the competitive challenges Canada faces in a changing global economy and a series of indicators reflecting Canada's need to improve its international economic performance;
 - the importance of establishing domestic policy and regulatory frameworks which promote competitiveness and the convergence of domestic and international policies;
 - the need to recognize differing sectoral strengths and needs in the promoting domestic competitiveness and working with each sector stakeholders to reach a consensus on what needs to be done;
 - involvement of Industry Canada's sectoral expertise and regional presence in support of trade development and service delivery;
 - the increased roles that technology development, diffusion and acquisition and investment development and promotion need to play in support of Canadian international competitiveness;
 - the importance of strategic information and intelligence and the role that new information technologies can play in the collection, dissemination and exchange of such information with industry; and
 - the need for strengthened planning, integrated delivery and improved networking of expertise to more effectively meet the technology, investment, information and trade development needs of Canadian industry.

At the end of the day, it is fundamental that Canada's international business development strategies recognize that just as business does not isolate domestic from international interests, governments can not develop domestic and international policies and programs in isolation.

Canada in a Changing World

Our competitive challenge

- Global pressures are challenging industry to develop new production, financing and marketing strategies.
 - Comparative advantages are becoming far less dependent on resource endowments and more dependent on the knowledge and information needed to produce value-added services and products;
 - Service-oriented activities are taking on an increasingly important role;
 - Firms are investing more in R&D and adopting advanced manufacturing technologies - national science and technology resources are being mobilized towards defined economic objectives;
 - The nature of international business itself is changing. International commerce is increasingly viewed through the prism of investment. Sales by foreign subsidiaries far outscale world trade. Intra-firm trade, outward investment, strategic alliances, joint ventures and other partnership arrangements are the norm;
 - Competition is becoming more rigorous among countries for investments in new knowledge and skill-intensive products.
- The Canadian economy and its major industrial sectors may not be restructuring rapidly enough to position Canada for real growth in the new world economy.

Canada's international business performance

- Our overall economic performance problems are well known, clearly demonstrated by slow growth in productivity, employment and incomes.
- Given the contracting public sector and the constraints on consumption-led growth imposed by a massive current account deficit, growth and jobs will have to come more from the global market place, not domestic demand.
- But Canada is not making the best of global market opportunities.
 - **Our exports are increasingly destined for a single market -- the United States.** Although merchandise exports to the U.S. have risen almost 50 per cent since 1988, exports to the rest of the world have fallen by more than 5 per cent.
 - **Our under-performance in East Asia is particularly striking when benchmarked against the United States.** While total U.S. exports to East Asian economies rose by nearly 50 per cent between 1988 and 1993, Canadian exports fell 6 per cent.
 - **Our merchandise export surpluses have been limited to the natural resource sectors and the automotive industry.** In virtually all other sectors, including the "high-tech" industry, Canada records persistent trade deficits.
 - **In many service industries, we are not internationalizing fast enough.** In fact often many regulatory and discriminatory policies continue to "protect" Canadian service industries.

Inadequate international business attitudes

- **Not enough firms export.** Fewer than 1 in 10 Canadian firms export. Among manufactures, the export participation rate is just over 15 per cent. More than half of all exports are accounted for by only 50 firms.
- **Our international performance in R&D and technology areas is comparatively weak.** The World Competitiveness Report ranks Canada low in almost all of the indicators related to technology and technology development (e.g., patents, both resident and non-resident, ranked 19 of 24, securing patents abroad 17th).
- **More subsidiaries of foreign-owned corporations have to acquire North American or global product mandates.** The autonomy of many Canadian offices has declined, particularly with regard to investment decisions.
- **We lack an international orientation in our business approaches.** The World Competitiveness Report ranks Canada as twentieth - far below most of our European and American competitors. A recent survey of businesses in British Columbia showed trade opportunities and the global competition were not a high priority - *a surprising result from one of our more export-oriented provinces.*
- **Too few businesses understand and capitalize on the linkages between trade, investment and technology.** In developing market strategies, more attention needs to be given to the links between trade in goods, services, inward and outward-bound investment, technology, financing arrangements, strategic partnerships and intelligence. Smaller firms in particular lack the resources to gather international market intelligence - a key corporate asset in today's global economy.

Policies for a Competitive Economy

- A competitive marketplace at home is a precondition to strong international business performance. If our firms are going to compete successfully in foreign markets, our domestic and regulatory regimes and economic framework policies must support and nurture competition, and reflect policy changes taking place in the international economy.
- Industry Canada is responsible for assuring a responsive regulatory and policy environment for the orderly and competitive conduct of business. The department has lead mandates on issues as varied as S&T, investment, competition policy, consumer legislation, and regulatory reform issues. Examples include:
 - our intellectual property laws, which are continually under review to explore possible improvements for the future;
 - a modern competition law designed to facilitate pro-competitive mergers, alliances and other business practices while at the same time fostering the strong domestic rivalry; and,
 - modern consumer policies and laws are in place to promote the fair and efficient marketplace and to provide the consumer with the information and tools he or she requires to play a full role in the innovative economy of tomorrow.
- Industry Canada works with other departments on: the development of standards policies to support competitiveness; in better understanding the links between company laws and corporate strategies; and, in the continuing reform of our regulatory regimes in a manner consistent with competition at home.
- The department is now implementing a number of coordinated initiatives designed to make science, technology, and innovation integral to the domestic and international business performance of Canadian companies in all sectors of our economy.

Policy convergence

- While designing our domestic policies, it is important that we recognize the increasing linkages between the international and the domestic policy agenda.
- A large part of the 1990s international economic agenda relates to pressures for policy convergence in areas which used to be considered domestic policy. Examples include:
 - investment and services rules;
 - competition policy;
 - technology and intellectual property issues;
 - business framework policies such as standards;
 - labour market issues; and,
 - links to the environment and sustainable development issue.
- The major unfinished business from the trade negotiations of the recent past also demonstrates the convergence of domestic and international policy issues. Examples include:
 - anti-dumping and its possible reform/replacement with competition rules;
 - countervail and subsidies issues;
 - telecommunications, financial and other services (involving both cross border trade and establishment/investment issues);
 - government procurement, particularly in high technology sectors; etc.
- Issues such as convergence and competitiveness - *which engage the domestic policy responsibilities of Industry Canada and other line departments* - are central to the innovation and job creating potential of the Canadian economy and our capacity to attract investment.

The microeconomic agenda

- In order to address some of these new issues, Industry Canada is working aggressively with other departments on the development of a microeconomic agenda of policy initiatives. This agenda is designed to address challenges which the new world economy will present to Canadian industry over the balance of the decade and beyond.

- Key elements of this microeconomic agenda include:
 - entrepreneurial climate;
 - industry policy;
 - expanded markets and liberalized internal trade;
 - human resource development;
 - technology and innovation; and,
 - infrastructure.

Sector Strengths, Sector Needs

Identifying sectoral opportunities and challenges

- Governments must understand the needs of business to design appropriate framework policies and work in close partnership with business to develop appropriate market strategies and activity plans.
- **The unique nature of each industrial sector necessarily leads to a sectoral approach that focuses on well targeted, sector-specific policies**, ones which are mindful of the framework policies that work best for the economy on a cross-sectoral basis.
- Through its sector branches, policy groups and regional offices, Industry Canada works with industry to develop and implement the strategies designed to address the priority domestic and international business needs of each industrial sector.
- The department maintains a forward-looking analysis of the economic challenges and opportunities facing key Canadian industrial sectors.
- These enables government to understand a sector's international competitiveness position and - by working closely with the sector itself - to assist companies in recognizing and addressing the competitive challenges they must face.
- The particular international challenges and opportunities faced by each sector vary quite considerably.
 - Canada's **information technology and telecommunications sector** remains at the forefront of world developments, but is characterized by intensified international competition and increasing costs and risks associated with new product development. The challenge is to support and even accelerate product and service innovation and adoption;

- in **environmental industries**, most countries are undertaking initiatives to pursue sustainable development objectives and to promote greater domestic capabilities. These present marketing opportunities for environmental products and services but may also give rise to restrictive trade measures which can adversely affect both our resource processing and environmental industries;
- the **automotive industry** operates in an environment of intense international competition, and now facing overcapacity, price sensitivity, rapid technological change and high material costs. The sector is highly influenced by various trading arrangements and by strategic purchasing of new investments by competitors;
- the **defense industry** is being challenged by declining defense budgets, ever-increasing global competition and defense policy reviews. New policies may be required to promote the development of dual-use, high technology products and peace-keeping support;
- the **apparel and textile industries** are facing unprecedented competitive pressures, accentuated by the phasing out of the Multifibre Agreement and further tariff liberalization;
- **resource processors, machinery and equipment manufacturers, and finished goods producers** must respond rapidly to major market shifts brought about by changing input prices, product designs, processing technologies and growth of competitors; and,
- the **tourism sector**, Canada has been losing its competitiveness as a tourism destination. The industry faces unprecedented competition from abroad and Canada continues to face massive balance of payments deficits on the travel account.

Sector Competitiveness Frameworks

- Working with industry and other government groups, Industry Canada has launched a process of developing Sector Competitiveness Frameworks for thirty five industrial sectors.
- These are designed to serve as a comprehensive analytical vehicle to bring all stakeholders together to reach a consensus on the challenges and opportunities facing each sector and to agree on what needs to be done.
- Each Framework will provide an in-depth analysis of the key issues challenging the sector, describe the performance and structure of the sector, assess its competitive position, and identify emerging trends and explore potential shocks and "sea changes". Each will identify the new directions required for the sector and identify changes needed in government policy to enhance competitiveness.
- The Frameworks provide a structure and a context within which government and the private sector can talk to one another. In addition, the process should play an important role in reducing overlap and duplication in the development of sectoral policies and the delivery of programs.
- Six of the Frameworks are nearing completion (automotive, apparel and apparel textile, refined petroleum products, forest industries, steel and plastics).
- Another eight are scheduled for completion over the next six months (telecommunications equipment, aircraft and aircraft parts, guided urban transit and rail, furniture and components, pharmaceuticals and fine chemicals, non-residential construction, consulting engineering and computer hardware)

Trade Development

- The scope, complexity and importance of trade development as an economic development priority is such that a number of departments contribute to the government's overall effort, with the DFAIT playing a central role. DFAIT operates and manages Canada's trade services abroad, provide direction and support for trade development programs, events and services and has lead responsibility for trade agreements.
- Industry Canada is also a major contributor to the government's trade development efforts, with a strong focus on in-Canada activities and on sectoral initiatives. Industry Canada's trade development efforts are primarily undertaken through its sector branches and regional offices, which house Canada's International Trade Centres.

Sectoral trade development efforts

- Industry Canada sector branches serve as the department's and the government's window on industry, providing both a sector perspective and a source of sector expertise.
- For each sector, Industry Canada assesses domestic capabilities and an international trends, issues and opportunities facing the sector. They identify prime market areas and assess what is needed to allow Canadian companies to be successful in those market areas.
- Using our sectoral expertise, Industry Canada works with DFAIT, other federal and provincial partners and with industry groups to develop trade strategies and craft market initiatives to reflect the sector's stage of development, aspirations and capacity.
- The activities which the department becomes involved in depends entirely upon the characteristics of the sector. As part of an integrated sector-specific approach to trade development, the range of activities can be quite varied, including:
 - identification of Canadian sourcing capabilities;
 - planning, support and/or leadership of sector-specific trade fairs and missions;
 - assessment of sectoral market information requirements and dissemination of sectoral market intelligence;
 - promotion of export awareness and preparedness training.

The sectoral approach - an example

- The Environmental Affairs sector provides a strong example of the range of sectoral trade development efforts undertaken by Industry Canada in working cooperatively with DFAIT.
- Industry Canada led a cross-Canada sectoral consultation with over 700 firms to create an industry-responsive and integrated plan for domestic and international markets, technology, financing and human resources development.
- Agreed-upon activities included:
 - encouraging the formation of strategic alliances and virtual corporations to strongly market-position small firms;
 - developing strategic intelligence and its delivery through the interactive ENVINET bulletin board for market information, technologies, programs and other data requested by industry;
 - targeting priority markets and creating "Team Canada" groups to set clear objectives, integrate varied resources and to ensure a continuity of effort;
 - building linkages with Canadian environmental industry associations and supporting linkages with their foreign counterparts in target markets;
 - pursuing trade, partnering and investment opportunities provided by specific agreements with other countries;
 - seeking greater Canadian industry participation in opportunities found in international agreements and conventions; and,
 - providing two-way sectoral orientation and marketing training for the environmental industry and for trade commissioners.

Regional office trade development efforts

- Industry Canada has a five region structure (British Columbia, Prairies, Ontario, Quebec, and Atlantic) with over 100 points of service across Canada and at least one full service office in each province.
- Within the regional offices, Industry Canada operates a network of 10 International Trade Centres, in close collaboration with DFAIT.
- These Centres provide a wide range of trade and international business services and programs, including:
 - trade missions;
 - counselling;
 - seminars and exporter education;
 - delivery of PEMD;
 - liaison with posts;
 - federal-provincial relations; and
 - planning and coordination of trade and international business development activities.
- The International Trade Centres are supported by sector specialists within the regional offices and in the sector branches in Ottawa.

Focussing our efforts

- Industry Canada and DFAIT work closely in the planning, support and implementation of trade development programs and activities, but the potential market opportunities to be pursued are immense and the resource constraints faced by all parties are severe.
- Future directions for improvements in trade development efforts might include:
 - Industry Canada and DFAIT rationalizing their various industry advisory panels (SAGIT's, Industry Canada sectoral groups) to help develop a shared vision of needs and priorities;
 - Trade service offerings to be increasingly designed to be more client-driven, and include an export-readiness diagnostic service, pre-export preparation and training;
 - Easier access to information on partners' activities (fairs and missions, seminars, promotional events) and services (market information, referrals, and research), and client counselling.
 - Based on a more strategic approach, undertaking fewer fairs and missions with a higher cost-recovery level. More emphasis on preparation in Canada before firms participate in these events.
 - Expanding efforts to secure foreign capital projects, including IFI contracts, by implementing the recommendations of the IFI Task Force and by using the "Team Leader" model developed by the International Trade Centre in Quebec.
 - Based on sector analyses, enhancing and expanding liaison with MNE's and focus on influencing investment and product mandate decisions in favour of Canada. This should include provision of analytical support to Canada-based management of foreign MNE's.

Influencing Investment Decisions

Importance of Investment

- Sylvia Ostry has identified the need to see the world economy through the prism of investment.
- International investment growth now surpasses growth in trade and output. Trade, technology and investment are now complements, not substitutes.
- Direct investment increasingly leads trade and technology flows, typically through the instrument of intra-firm trade.
- Foreign direct investment is growing rapidly, greater than 28% per year, reflecting accelerated globalization.
- More and more, micro-economic policies will define the attractiveness of a country as an investment location - particularly as they relate to regulatory and legal frameworks, business assistance, technology development, infrastructure and human resources.
- Canadian direct investment abroad and various forms of joint ventures/strategic partnerships are increasingly important to secure access to foreign markets and technology.
- Investment is needed to increase the competitiveness of Canadian industry in world markets, to stimulate job creation, to respond to global competition and to facilitate industrial restructuring - ***resulting in a stronger, more diversified and productive economy and greater wealth for Canadians.***

Competitive investment climate

- Competition for "quality" investment to Canada is increasingly difficult. Global integration and fierce competition in private sector markets have increased the level of "competition" amongst governments and firms for strategic investment.
- Other countries continue to strengthen their efforts to attract investment and employ "state of the art" investment promotion strategies which have the potential to draw attention away from Canada.
- Bidding for foreign investments becoming very focused and can be very expensive. Alabama paid \$250 million for a Mercedes-Benz plant. South Carolina paid \$150 million to BMW. Kentucky offered a \$222 million incentive package to Dofasco/Co-Steel for a mill. Mississippi is planting 300,000 trees and is offering \$9 million in incentives to Noranda to build a board mill. *This is clearly a mugs' game - but we have to face that reality.*
- Things will get tougher as both developed and developing economies compete for "slices" of the expanding economic pie. China, for example, received the second largest inflow of capital in 1993, the largest recipient being the United States.

Capability to invest and sell abroad

- In many markets and geographic areas, market presence is an essential pre-condition to export sales. In these areas, government can help to establish linkages and policy frameworks that encourage and facilitate the international business efforts of canadian firms.
- Industry Canada supports efforts to increase opportunities available to Canadian business abroad and to promote business understanding of these opportunities. Our work in this area has been pursued through international trade and investment policy vehicles (TRIMs, NAFTA Chapter 11, APEC) as well as through trade development and related international business efforts.

Current investment development efforts

- Investment development involves: identifying opportunities for new investment; developing and communicating these to potential investors; and, assisting in realizing the investment potential.
- DFAIT undertakes a number of investment development promotional events at missions around world, maintains six full time counsellors in major international cities, operates corporate liaison programs in USA and Western Europe and produces various investment opportunity kits.
- Industry Canada and it's predecessor departments have been involved in investment development for many years as an integral part of their industrial development activities and program. Sector branches pursue investment based on varying needs and priorities of industry sectors. Examples include:
 - ***Automotive, Urban Transit & Rail*** - uses a strategic approach in its liaison program with the Big 3 and with assemblers and parts suppliers in Germany and Japan;
 - ***Aeronautics*** - utilizes a direct approach with key players (where government participation is required) to develop partnering opportunities and to gain significant positions on new major aircraft programs;
 - ***Space, Marine and Defence*** - pursues investment and international alliances and technology acquisition by brokering investment opportunities. Examples of companies targeted are Rockwell and Thomson CSF; and,
 - ***Information Technologies Industry*** - ongoing investment liaison program with the foreign-based MNEs who dominate in most parts of this sector. The Branch also uses the leverage of procurement policy to strengthen partnerships with leading companies.

Lessons learned

- We cannot and should not compete on an incentive basis:
 - decreasing funds available;
 - leverage through industrial benefits fallen; and,
 - provisions on MTN subsidies constrain options.
- Investment promotion must be limited in financial terms but highly focused, sophisticated and coordinated. Success will increasingly rely on an ability to influence investment decisions of MNEs and to secure a home base for global mandates.
- Sectoral approach is key. Investment decisions made by firms, so focus must be on firms...but in a sectoral context. Many micro-economic climate, infrastructure and regulatory regime issues are also sector-related.

Need for a more structured approach

- Canadian investment promotion efforts need a more sophisticated and articulated view of the competitive situation of sectors and their requirements for capital, technology and management expertise.
- Need exists for a more responsive client-oriented system with clearly defined roles, continuous feedback, clear expectations, well defined products and services, and clear accountabilities.
- A move to a more structured approach - *based on sector investment capability and needs assessments* - would permit more strategic targeting and directing of investment programming initiatives.
 - Better linkages needed with DFAIT and other "investment development partners" in areas such as corporate liaison, investment prospecting and the promotion of strategic alliances.
 - MNE-targeted initiatives warrant particular attention by Industry Canada.

Technology and Innovation

Importance of technology support

- Technological change has become the dominant vehicle of growth. It is no longer capital, resources or labour. It is, and will be, knowledge.
- The new reality has been embraced by most G-7 countries who have significantly enhanced their technology support/development efforts.
 - the European Union's Framework Programs for R&D are designed to boost Europe's industrial competence in high technologies; and,
 - The U.S. has recently announced major new technology initiatives to improving the competitive advantage of their firms.
- Although Canada spends about \$10 billion on R&D (3% of world R&D), our overall international performance in technology and R&D has been weak.
 - The World Competitiveness Report ranks Canada low in almost all of the indicators related to technology and technology development (e.g., patents, both resident and non-resident ranked 19 out of 24, securing patents abroad #17).
 - Canada has a relatively low participation rate in international R&D alliances.
 - Canada does not have a large machine and tool manufacturing industry, which is one of the major ways technology is developed, adapted and diffused.

At a time when a home-grown technology development talent is increasingly a necessity for industrial excellence, Canada continues to rely overwhelmingly on imported technologies.

Current government activities

- The government has a broad range of policies, diagnostic tools and support programs to encourage technology development, acquisition and diffusion. Industry Canada involvement includes:
 - negotiating access to consortia supported by R&D programs of other countries so that Canadian firms can contribute to and benefit from such research (eg. U.S. Clean Car, E.U.'s 4th Framework Program);
 - negotiating provisions in trade, investment, intellectual property, competition and standards agreements that reflect Canadian technological interests;
 - reviewing and modifying technology development programs. Support for creation of a new technology investment fund;
 - improving technology linkages. Working to ensure that the new Canadian Technology Network links firms to diagnostic and business services and to public and private overseas technology diffusion services;
 - assessing the changing international S&T rules that may be brought about by organizations such as OECD, UNCTAD, WTO and WIPO, and by international treaties such as NAFTA and GATT-TRIPs;
 - administering Canada's Competition Act, which fosters rivalry while permitting efficient restructuring and limited forms of strategic alliances among competitors in areas such as pre-competitive R&D; and,
 - strategically re-positioning international S&T arrangements to encourage greater involvement by and relevance to industry.

Policy and program thrusts

- Canada has to ensure that Canadian firms and researchers can benefit fully from increasingly liberal trade, investment, standards, technology and competition measures.
- Industry Canada is heavily engaged in this work and has lead responsibility for the government's R&D and technology development efforts. Priorities include:

Designing federal framework policies

- Recommending sectoral S&T priorities to strengthen and focus technology support efforts and to enhance the proprietary industrial technology base in Canada;
- Recommending changes to management practices to enable government labs to respond more effectively to firm's needs;
- Improving technology receptor, problem solving and innovation capacity of SMEs - many of which are not adjusting to technological change and globalized markets; and,
- Working with DFAIT to enhance the capacity of its key posts abroad in providing technology and innovation intelligence to domestic clients.

Improved international intelligence

- Working with others to establish more effective tasking for the gathering and disseminating S&T and innovation intelligence. Priorities include: identifying specific technology-based opportunities for firms; intelligence on product and process technologies; strategic plans and activities of key international S&T firms and consortia; and, information on innovation programs and policies of major trading partners.

Negotiating international S&T instruments

- Working to strengthen the GATT Technical Barriers to Trade Agreement to ensure that standards cannot be misused to restrict market access, particularly for technology-based goods and services;
- Negotiating entry for Canadian industrial and research institutions as participants in leading R&D programs and technology consortia of the US, Japan and the EU;
- Promoting adherence to national treatment, non-discrimination and transparency principles in R&D consortia and technology-driven strategic alliances.

Enhancing industry awareness of the regulatory environment

- Developing and implementing a comprehensive awareness program to enhance private sector ability to gain advance warning of changes in international standards;
- Encouraging active industry participation in international and regional standardization bodies. Includes integrating standards development efforts, negotiating mutual recognition for product certification, quality system registration, accreditation of testing and calibration laboratories;
- Reforming the standards-related institutional structure, specifically the Standards Council of Canada, to better coordinate and lead domestic standards activities;
- Develop an integrated database of standards and standards-related information that can be easily accessed by firms; and,
- Promoting adoption and enforcement of competition law in other countries to ensure that the benefits of lowered trade and investment barriers are not offset by restrictive business practices.

Strategic Information

Meeting industry's needs for information and intelligence.

- Strategic Information - particularly with rapid and ever-increasing globalization and competition - is a critical success factor in identifying, assessing and exploiting market opportunities.
- Information to support trade goes well beyond the identification of foreign market opportunities.
- To develop and increase foreign trade opportunities, firms need assistance in assessing their competitiveness, in searching for strategic partners, in locating and acquiring technologies, in understanding policy and regulatory environments, in promoting investments etc.
 - **Information overload and intelligence shortfall is a major concern for all firms seeking market and competitive intelligence.** For SMEs, this situation is exacerbated by the general lack of resources and expertise to identify, sift through , analyze and exploit strategic information.
 - **Firms in different industrial sectors require very different strategic information.** These reflect their unique structural, production and technological environments, as well as their distinctive capabilities and priorities.

Providing targeted and specific information to the wide diversity of firms in Canada is a daunting challenge for government, but a necessity for business.

Our information role

- Studies, focus group meetings and client contacts have shown that firms need two types of information for international market development:

Market Intelligence, such as information on product lines, market conditions, competitive positioning, financing sources, is needed by firms to evaluate international business opportunities and to establish strategic business plans.

Competitive Intelligence, such as firm specific information relating to narrowly defined products in targeted markets, is needed to support specific sales initiatives.

- Industry Canada is uniquely positioned to help industry identify, access and assemble the kinds of strategic and targeted information firms require.
 - Our sector branches, policy groups and regional offices and our contacts with Canadian companies, their international counterparts and with other governments give Industry Canada a good insight into the needs of industry.
 - These contacts also provide Industry Canada with access to wide and varied types and sources of strategic information.

Industry Canada can use its unique capabilities and contacts to provide firms with market and competitive intelligence that will allow Canadian companies to be successful in the global marketplace.

What Industry Canada can offer

- **Industry Canada is committed to the delivery of a world-class Strategic Business Information Service that will collect, analyze and provide Canadian businesses with the market and competitive information and intelligence that will help them make the right decisions in the global economy.**
- **Key international business and trade elements of the Strategic Business Information Service will include:**
 - A national supply capabilities database which identifies Canadian firms and their product expertise;
 - Canadian and foreign statistical market information to allow tracking of sector and commodity trade performance and the identification of market opportunities;
 - Sector specific foreign market analysis and opportunity reports, and directories of key contacts;
 - Documentation, supported by an advisory service, on foreign policy, regulations, intellectual property rights, standards, and trade barriers;
 - A procurement opportunities databank consolidating and categorizing by industry sector published procurement intentions of foreign governments and international organizations;
 - A databank on technology available for licensing, and sources of technology transfer; and
 - A directory of planned trade/international business events.

- A significant portion of the information needed to support the Information Service is already available in Industry Canada, other government departments or on public domain data banks.
- Efforts are underway to coordinate and improve:
 - the scope of the strategic information;
 - to resolve information gaps; and,
 - to enhance our capacity to make this information widely available in the form and structure needed by Canadian businesses.
- To the greatest extent possible, the Information Service will be developed, packaged and delivered sectorally within a common overall framework.

Bringing it Together

Need for an integrated approach

- With globalization, increasingly complex international business challenges and the reduction in government programming, it is essential that the various parties are well connected to each other and committed to ensuring seamless delivery to clients.
- There is a need for strengthened planning, integrated delivery and improved networking of expertise to more effectively meet the technology, investment, information and trade development needs of Canadian industry.
- In delivering the vision, departments must emphasize where they have comparative advantage:
 - DFAIT with its geographic expertise and its extensive worldwide network of Trade Commissioners;
 - Industry Canada with its national perspective, its sector experts and its domestic delivery capabilities in its regional offices; and:
 - the provinces with their regional knowledge and perspective and with their many more delivery points than the federal government could develop.

Improved international business planning

- The International Trade Business Plan has helped to strengthen the strategic thrust of development efforts, improved coordination across departments, reduced duplication and overlap and provided a strong vehicle for consultation with industry and the provinces. Industry Canada has played a major role in improving the value of the ITBP.
- To be fully effective, further improvements are needed. Work is underway to expand the ITBP to include provincially-sponsored activities. The ITBP should also include domestic-delivered international business development activities.
- While the ITBP has begun to play a larger role in the planning and delivery of activities, its full potential is not being realized.
 - Industry Canada and DFAIT should make greater use of the ITBP as an ongoing mechanism for consulting and "strategizing" with industry and for driving the government's broader sectoral and international business agenda.
 - It should serve as the primary vehicle to strengthen dialogue with the provinces on international activities; and,
 - the Plan should be used more effectively as an information dissemination vehicle -- keeping industry apprised of government plans and priorities.
- Given the growing importance of the ITBP in planning, its use as a resource allocation tool should also be stressed. A stronger ITBP can help to ensure that initiatives designated as priorities by industry clients are first in line for Post funding.

Sector Teams/Sector Expert Groups

- The establishment of an effective network of sector experts is essential if planning and delivery of services is going to be undertaken in the most effective way. Industry Canada intends to take a stronger role in ensuring there are comprehensive and coordinated networks in place.
- Industry Canada has a number of Sector Teams in place to help strengthen the liaison between sector branches and regional offices. Pilot projects are also underway with DFAIT and Industry Canada to test the concept of Sector Expert Groups, which include a range of federal and some provincial sector contacts.
- Industry Canada is prepared to commit itself to establishing and maintaining a formalized network of sectoral contacts which would include all interested/relevant federal and provincial officials and industry or industry association representatives.
- These groups would be used as key planning resource, as an important source of detailed sectoral information and as a primary resource in assessing sectoral market information requirements.

A Team Canada approach

- Implementation of a "Trade Team Canada" concept would improve the effectiveness of governments' trade development efforts. Lead partners would include DFAIT, Industry Canada and the provinces, but several other organizations such as regional agencies, Agriculture, FBDB, EDC, CIDA and CCC should be involved.
 - Trade Team Canada should focus on sharing international market intelligence, maintaining common supply side data and coordinating international business development planning and priorities (through the International Trade Business Plan).
 - Additional elements could include joint fairs and missions and implementation of a coordinated federal-provincial system for client delivery and relationships.
 - Within each region, various activities and services should be provided by the Trade Team Canada partners. Partners should define their specific areas of expertise, in fields such as awareness, pre-export preparation, training, and counselling. This may vary by province.
 - Increasingly, the delivery of services should be integrated. The Canada Business Service Centres is a useful model to explore in this respect.

Executive Summary

- The expansion and diversification of Canadian international business performance has been identified as a Government priority. New markets, investments, business contacts, networks and technology are required for jobs and growth.
- Growth and jobs will have to come more from the global market place, not domestic demand. But Canada is not making the best of global market opportunities, as indicated by its very high concentration of trade with one country, our weak international orientation, a low export participation rate and poor performance on technology development and diffusion.
- Global pressures are challenging industry to develop new production, financing and marketing strategies - but many of our major industrial sectors may not be restructuring rapidly enough to position Canada for real growth in the new world economy.
- Key international business objectives include: increasing the successful participation of growth-oriented companies, particularly SMEs, in global markets; and, diversifying our international business activity into markets in which access has been secured through trade negotiations and into other high growth markets.
- Canada is also facing strong competition for quality investments, product and technology mandates and is increasingly exposed to international competition in our home market.
- Canada's domestic and international business strategies and efforts must recognize and respond to the changing nature of consumer and business needs, the emergence of new competitors, rapid technological advances and the increasing importance of information and information-related technologies.

Competitive framework policies

- With rapid globalization and trade liberalization, there is a growing convergence between international and domestic issues. There is no longer any inherent difference between domestic industrial development policies and international trade development policies.
- Economic framework policies and regulations must recognize this convergence and reflect and promote domestic and international competitiveness. Industry Canada plays a lead role in assuring a responsive regulatory and policy environment and in developing a micro-economic agenda to support the governments efforts for jobs and growth.
- These issues, which engage the domestic policy responsibilities of Industry Canada and other line departments, are central to the innovation and job creating potential of the Canadian economy and our capacity to attract investment.

Sector needs, sector strengths

- Governments must understand business needs and work in close partnership with business to develop appropriate market strategies and activity plans. The unique nature of each industrial sector necessarily leads to a sectoral approach that focuses on well targeted, sector-specific policies.
- Industry Canada maintains a forward-looking analysis of the challenges and opportunities facing key Canadian sectors. These enable government to understand a sector's competitiveness position and - by working closely with the sector itself - to assist companies to recognize and address their competitive challenges.
- Industry Canada has launched a process of developing Sector Competitiveness Frameworks for thirty five industrial sectors. These are designed to bring all stakeholders together to reach a consensus on challenges and opportunities facing each sector and to agree on what needs to be done. Six are nearing completion, another eight to be completed over the next six months.

Trade development

- DFAIT operates and manages Canada's trade services abroad, provides direction and support for trade development programs, events and services. Industry Canada is also a major contributor, with a particular focus on sectoral efforts and in-Canada delivery aspects.
- Using its national perspective and its sectoral expertise, Industry Canada works with other federal and provincial partners and with industry groups to develop trade strategies and craft market initiatives to reflect the sector's stage of development, aspirations and capacity.
- The International Trade Centres and the local and sector expertise contained in Industry Canada regional offices play a central role in the delivery of trade development programs and services to firms across Canada.
- Potential market opportunities are immense and the resource constraints faced by all parties are severe. Industry Canada's expertise, both at headquarters and in our regional offices, represents a valuable national resource to be used by other government and private sector partners.
- Future directions for improvements might include rationalizing industry advisory panels, designing service offerings to be more client driven, easier access to information on activities, more strategic involvement in fairs and missions, expanded efforts to secure foreign capital projects, investment and product mandate decisions in favour of Canada.

Investment and Technology

- The process of globalization and the movement towards the knowledge-based economy suggests that to be successful, international business interests are increasingly dependent on investment (whether equity or strategic alliances) and technology acquisition and dissemination strategies.
- There is evidence that, like business, the Canadian government has not fully recognized the importance of re-balancing the effort between trade, investment and technology. This suggests the need for some re-alignment of efforts with an increased emphasis on the investment and technology aspects of international business development.
- Industry Canada is undertaking an extensive strategic planning process to identify the investment development priorities and technology requirements for each sector. Such plans will include a clear statement of sectoral requirements, identified activities to be undertaken by Industry Canada and proposed information needs and activity plans to be requested of DFAIT.

Market Information and Intelligence

- Industry Canada is committed to the delivery of a world class Strategic Business Information Service that will collect, analyze and provide Canadian businesses with the range of information and intelligence needed for competitiveness in a global economy.
- The objective of this service is to provide the right information, to the right people, in the right form, at the right time, so that they can make the right decisions.
- A significant portion of the information needed is already available in Industry Canada and other government departments. Efforts are under way to improve the quality and scope of available information and intelligence; to resolve information gaps; and to enhance our capacity to make this information widely available in the form and structure needed to support Canadian businesses.

Bringing it together

- There is a need for strengthened planning, integrated delivery and improved networking of expertise to more effectively meet the technology, investment, information and trade development needs of Canadian industry.
- The International Trade Business Plan has helped to strengthen and improve coordination of government efforts, but further improvements are needed. Departments should make greater use of it as a consultation mechanism, for priority setting and resource allocation and for information dissemination.
- The establishment of an effective network of sector experts is essential if planning and delivery of services is to be effectively undertaken. Industry Canada is prepared to commit itself to establishing and maintaining a formalized network of sectoral contacts which would include all interested federal and provincial officials and industry or industry association representatives.
- Implementation of a "Trade Team Canada" concept would improve the governments' trade development efforts. Lead partners would include DFAIT, Industry Canada and provinces. Focus should be on sharing intelligence, planning and delivery of priority activities and implementation of a coordinated federal-provincial system for the delivery of client services.

