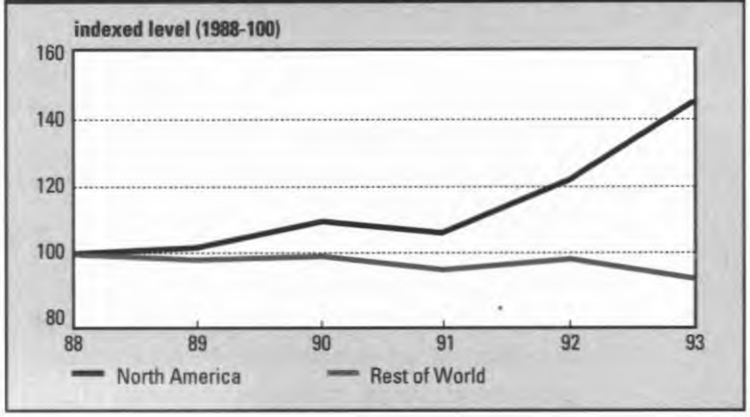
Diversification: Canada has often been described as a trading nation. Today, exports of goods and services account for almost one third of Canada's gross domestic product — a level surpassed only by Germany among G-7 countries. While Canadians may take comfort in this fact, and often see themselves as 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

Canadian Export Performance in North America vs. Rest of World



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.