

# INTRODUCTION



## 1.1 Strategic Objective

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

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

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

## 1.2 Goals and Challenges

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

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

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

### 1. Improve market access

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

### 2. Increase the number of exporters

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

### 3. Broaden product range

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