

Canada's export boom: poised to break through \$90 billion

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Canada's export trade continues its upward spiral. Over the past decade, its exports have risen to almost \$90 billion and more than a quarter of the country's workforce is employed in jobs dependent on exports. Canada has become the world's seventh largest trading nation.

Anyone brought up to believe that Canadians produce timber and precious little else may be in for a surprise. Some 55% of Canada's exports to the EEC are in the form of manufactured products. Moreover, the country's suppliers have chalked up some notable successes in exporting state-of-the-art services and products in such specialised areas as the North Sea oil and gas industry.

Three million Canadians are involved with exports of one kind or another, and of these, 1.2 million are employed in manufacturing. Primary products such as wheat, metals and lumber still account for a substantial proportion of Canada's exports to the UK, but items like aircraft, industrial machinery and telecommunications equipment are also important exports to the UK market.

Foreign companies important exporters

Among the leading Canadian exporters are companies that have been attracted to Canada by the favourable investment climate. Both the federal and provincial governments offer generous incentives to foreign firms wishing to set up there. Investment Canada can provide up-to-date information on the assistance that's available, as well as on such matters as energy costs, licensing arrangements and the technological infrastructure.

Some of the most successful exporters are foreign firms that have chosen to manufacture in Canada a particular product designed for world markets. America's Pratt and Whitney, for example, has given its Canadian subsidiary a world product mandate for some of its smaller gas turbine engines for aircraft. About 83% of the production of its Canadian subsidiary is exported.

Similarly, Mitsubishi Electronics has a Canadian

subsidiary with a world product mandate for colour television picture tubes. In this instance, export sales account for 65% of the subsidiary's total revenue.

IBM, Westinghouse, General Electric and Xerox are other companies that have given their Canadian subsidiaries a world mandate covering a particular product.

The Wabco experience

How does world product mandating work? As a good illustration, consider the case of Wabco Ltd in Stoney Creek, Ontario.

Wabco was established 90 years ago in Hamilton, Ontario to manufacture locomotive, freight and transit air brakes for the Canadian market. In 1970, it became part of the American Standard Group and relocated to Stoney Creek.

But in 1985, American Standard's Railway Products Division was faced with a dilemma. The North American market for freight cars was severely depressed, plant utilisation rates had fallen drastically, and the firm faced strong competitive pressures both from home and abroad.

Rationalisation of the rail products operation seemed the only viable strategy, but the Canadian management feared that this might mean the parent company would consolidate all its manufacturing operations in the United States.

To counter this option, it came up with a proposal whereby Stoney Creek would specialise in the production of freight brakes for the whole North American market. As a *quid pro quo*, it was prepared to transfer the production of locomotive and transit brakes to the US.

The Canadian managers submitted a business plan detailing the costs and benefits of the freight brake mandate, and in March last year the board of directors of the parent company approved it. As a result, the output of 3000 brake sets per annum will rise tenfold in four years.

In addition, three quarters of the plant's production will go for export, compared with a quarter at present.

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