

I. INTRODUCTION

A) BACKGROUND

(i) The World Market for Exports

The competition for export markets is tough and getting tougher.

Economic growth in the U.S. economy has begun to moderate and, in Western Europe, governments are pursuing policies of fiscal restraint which are not conducive to more than moderate growth over the medium term. At the same time Eastern European countries can be expected to continue to limit the growth of their imports so that their debt burdens in convertible currencies remain manageable.

In the remainder of the world, with the exception of South and Southeast Asia and China, prospects are not much brighter. The Asian countries easily weathered the recession and import demand can be expected to remain strong. In Africa, on the other hand, the economic and financial situation in many countries is serious and trade prospects are dim.

Latin American countries, which were most affected by the world economic recession, have entered a phase of radical structural adjustment. This is expected to put them on a much sounder footing for sustained and viable economic growth. The process will, however, be slow and export prospects to these markets will be limited, at least during this decade.

If Canada is to maintain and expand its share of world markets, it is important to recognize that international competitiveness, particularly in Third World countries, is not simply a matter of either price or meeting technical specifications. Price and quality of goods or services are essential but not sufficient conditions for competitiveness. Equally important are: a) ability to deliver as required; b) dependability of the firm or manufacturer; c) reputation as evidenced by a track record in the market; d) detailed knowledge of the market and sensitivity to cultural and business practices; e) willingness to provide support in translating training manuals into local languages; f) availability of service and spare parts; g) ability to transfer technology through licensing, joint ventures and direct investment, and h) financial packaging -- the ability to provide competitive export financing. Exporters may also be faced with demands to become involved in various kinds of buy-back or compensation arrangements more generally referred to as countertrade.