



# Statements and Speeches

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No. 82/7

## THE CHALLENGE OF EXPORTATION

Address by the Honourable Pierre De Bané, Minister of State for External Relations, to the Montreal Chamber of Commerce, February 23, 1982

...You are all aware that Canada has long been a major exporting nation. Now that we depend on exports for some 31 per cent of our gross national product (GNP), we are confronted daily with the challenge of an increasingly competitive world. With the slower growth rates that are occurring in their economies, our major trading partners will also be looking increasingly to exports as a solution to their problems of insufficient capital investment, high employment and inflation. In light of these realities, I now want to talk to you about a challenge that we all must face — the challenge of exportation.

I do not intend to overwhelm you today with an exposition replete with statistics, But I hope in these few moments to give you something of a heightened sensitivity toward this aspect of Canadian life. I would like to kindle an awareness in you of the enormous potential that needs only to be developed. I have just returned from North Africa — Morocco and Tunisia to be specific — where I travelled with a large delegation of Canadian businessmen and chaired two bilateral commissions. In the course of our discussions, I observed that the governments and businessmen of these countries were desirous of cultivating more extensive trade relations with Canada. They are already familiar with the quality and excellence of our products and services, but some of them have pointed out that the Canadian firms should show more perseverance in developing these trade relations abroad.

Our reputation has paved the way for us. We are well thought of, not only in Africa, but throughout the world. What are we waiting for then? In this world of new and increasingly dynamic and capable competitors, we cannot seriously expect business contracts and connections to materialize without a greater measure of zeal, persistence and imagination on our part. Could it be that we need to make a more dynamic approach and to find a greater motivation to export?

### Trade surplus

A favourable element in Canadian economic developments in 1981, particularly in light of the downturn in world-wide economic activity, was the achievement of a large merchandise trade surplus of \$6.5 billion. This surplus was much higher than had earlier been anticipated and compares favourably with the all-time record surplus of \$7.8 billion recorded in 1980. The increase of 10 per cent in 1981 and 17 per cent in 1980 in our exports exceeded the growth in the GNP over these years. Exports therefore are performing better than the economy as a whole.

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While Canadian exports to all markets increased to \$84 billion, those to the United States rose 15 per cent to approximately \$56 billion. The U.S. continues to be our most important trading partner, representing two out of every three dollars of our exports, and it will continue to remain our major market. While our trade surplus with the United States bounced back to \$2.6 billion in 1981 compared to negligible surpluses in 1979 and 1980, our merchandise operations surplus with all other countries was lower in 1981 than in 1980, largely because of reductions in our exports to Western Europe and Japan and our substantial increase in imports from certain newly-industrialized countries such as South Korea.

Looking at exports of manufactured goods, we are doing a lot better than some critics would lead us to believe. Some 70 per cent of our merchandise exports take the form of semi-manufactured and fully manufactured products. Canadian firms have developed world-class expertise in such sectors as processing natural resources in remote areas, providing adequate transportation networks in rural and urban locations, establishing efficient telecommunications systems and producing quality foodstuffs. Canadian firms are capitalizing on this market potential now and I am pleased to be able to highlight two examples that are of particular interest to this audience:

1) In December 1981, SNC [a consultant group] was awarded a contract to supply consulting engineering services for the design, procurement and construction management of the Tintaya copper mine in Peru. The Export Development Corporation and a syndication of international financing institutions signed a \$215 million (U.S.) financing agreement with the government of Peru, opening the way for additional export sales of mining equipment and services from Canada.

2) I also want to mention a recent sale that demonstrates the way in which government and exporters can work together to be successful in export markets. You are aware that Bombardier [a vehicle manufacturing company] recently won the contract to build cars for the Mexico City subway. Not only was Bombardier competitive in price, quality, delivery and after-sale service, but the new mixed credit financing introduced by our government ensured that Bombardier was able to bid on an equal footing with the competition from France. This \$150 million project places Canadians in an excellent position for other upcoming subway projects in both Mexico and abroad. Additionally, Bombardier demonstrated their competitiveness in the United States with a sale of \$112 million of railcars and associated services to the New Jersey Transportation Department.

**Export performance must improve**

While our trade export performance has been good, and while we still have certain advantages, we all know that competition is fierce, not just from the Brazils, Koreas and Mexicos of this world, but also from our traditional competitors. We can't just sit still and admire our past performance, because all available evidence indicates that economic growth in Canada will continue at less than historical rates. The achieve-

ment of economic development and job creation in Canada will, to a large degree, depend on improved export performance.

Opportunities will continue to exist in our traditional markets such as the United States, Japan and Europe, but my colleagues and I are convinced that the opportunities in the 1980s for many firms will lie in regions where Canadians have not historically been as aggressive as we might.

As you are aware, investments by newly industrialized nations in infrastructure, the construction of industrial plants, social requirements and agricultural developments will provide opportunities for a variety of Canadian goods and services.

With the volume of world demand continuing to grow faster than world production, the reality of interdependence has become increasingly apparent to all members of the international community. What is particularly striking is the increasing involvement of developing countries in the world economy. In 1979 the total value of their imports and exports (including oil) represented close to 25 per cent of the total value of world trade. According to the World Bank, moreover, developing countries are projected to contribute over a quarter of the increase in world production between 1980 and 1990, and to account for nearly 30 per cent of the increase in world trade over the same period.

It is factors such as these which underlie the importance that Canada has attached to the North-South dialogue. Our objectives are not simply humanitarian — although the search for social justice is a strong Canadian motive. It is a question of mutual interest. Developing countries, especially the newly industrialized countries, represent major new markets for Western economies, including Canada's.

If their potential is to be maximized, we must first help them to achieve this potential. We must work together to ensure that the international economic system is one that operates to our collective benefit. In the trade sector, Canada believes this is best accomplished by the pursuit of an open international trading system and by increased involvement of developing countries in the General Agreement on Tariffs and Trade (GATT). These will continue to be our basic objectives in North-South negotiations, including any eventual global negotiations, as well as at ongoing conferences such as the forthcoming GATT ministerial meeting.

Value of aid  
program

The Canadian program of aid remains a critical input in support of efforts of less developed countries to promote growth and development. Too often this aid program, which amounts to some \$1.5 billion a year, is seen to be an eloquent expression of our country's generosity, but a dead loss for the Canadian economy. This is actually not true at all.

Our aid program is a useful means of opening new markets for our products and

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technology. In the main countries of the Caribbean, Latin America, Asia and Africa, where until quite recently Canada had very little involvement, we are now known to be a valuable partner, thanks to our aid program. In many Third World countries, this same program has carved out a place in the market for Canadian capital equipment. I am thinking, for example, of companies like Bombardier and De Havilland. Consulting firms such as SNC, Lavalin and Gaucher-Pringle-Carrier have used the aid program as a springboard to increase and diversify their activities in the developing countries. And the names of the Quebec companies that I cited among the beneficiaries of the aid program were not there by accident. Globally, some 40 per cent of the service contracts signed in Canada by the Canadian International Development Agency are awarded to companies located in Greater Montreal.

In addition, the Canadian contributions to the various international organizations, such as the World Bank and the regional development banks, provide favourable conditions for Canadian companies bidding on large multilaterally financed projects. However, we still have some distance to go before we obtain our fair share of this enormous market.

In general then, our export companies and consulting firms have been helped in a direct and significant way by Canadian aid. Recently, the federal government has made decisions aimed at making the aid program even more relevant and more useful to business. Last year, we agreed to allocate 20 per cent of our assistance to the medium income countries, where the trade spin-offs are the most attractive. Moreover, a new industrial co-operation program has been set up to encourage Canadian companies to start up in the developing countries or to extend their operations to them; with this in mind, the program finances studies, arranges investment missions, and provides technical assistance for the commercial and industrial sectors of the developing countries.

#### Economic co-operation

During my official travels in the Third World, and more recently on my visit to Tunisia and Morocco at the beginning of the month, I have gone to some lengths to let the leaders and businessmen whom I have met know that economic co-operation cannot be a one-way street. We have invested much in the development of these countries. Whenever they can provide a better product at a better price, Canadian companies are entitled to a fairer share of the market. This clear, unambiguous call for mutually profitable economic co-operation was appreciated by those who heard it, and also, I believe, by the delegation of Canadian businessmen who accompanied me.

Moreover, there is a close relationship between development assistance and exports. It would be misleading to say that exporting is easy. The challenge is to utilize our skills and capabilities in areas where we have developed particular expertise and to take advantage of it in the world markets in the face of intense competition. The initial decision to export, and subsequently to enter new markets, is not one to be taken lightly. To be professional, exporters need to make a long-term commitment

of organizational resources, both financial and human, and to vigorously pursue specific markets.

My government actively supports export market development. We work closely with the trade development departments of provincial governments. Federal trade officers abroad, in Ottawa and in the regions are prepared to help you to identify markets and potential buyers.

I can assure you that businessmen will continue to have direct access to trade officials and such export assistance programs as the Program for Export Market Development (PEMD) and the Promotional Projects Program in the new department. The PEMD budget has increased from \$9 million in 1980-1981 to \$17.0 million in 1981-82 and the Promotional Projects Program has an 8.6 million active schedule of fairs and missions.

**Export financing**

My government will adapt its programs as required to changing world conditions, to assist you in your marketing efforts. The Export Trade Development Board has been established to advise the government on all matters relating to exports. As you may know, the Board is composed of both private and public sector members. Since its establishment last summer, the Board has made recommendations to the federal government on such issues as the National Trading Corporation, an export awards program, COSTPRO, Western rail capacity, and the secondment of trade officers to small- and medium-sized business. My comments would be incomplete without mentioning the crucial role of export financing. Last year, EDC helped exporters to conclude sales totalling \$1.4 billion through their loans program. My government does not support the predatory financing that has been offered by some of our competitors. However, we are prepared to offer a blending of commercial and aid funds if there is evidence that your competitor is offering mixed credit financing. In addition, trade officers will be seconded to the regional offices of the Department of Regional and Industrial Expansion to ensure close contact with the exporting community.

**Government departments reorganized**

The recent reorganization of a number of government departments further exemplifies my government's desire to strengthen our international capability. The changes recognize that trade is an activity encompassing all sectors of the Canadian economy and one that requires full reflection in our international relations. The reorganization announced by the Prime Minister does this by linking the trade functions previously performed by the former Department of Industry, Trade and Commerce with the existing responsibilities of External Affairs to form a drastically restructured Department of External Affairs. The new department will offer greater scope for dealing with Canada's many political and economic interests abroad. Trade and economic matters will be a primary focus of the new department. Canada's representatives abroad will give higher priority to promotion of our trade interests. This is a necessary response to changing conditions in international trade. Export marketing and financing are becoming more competitive and complex: low wage countries are

broadening their range of exports; highly industrialized countries are providing fierce competition in manufacturing and high technology areas; world trade is being further liberalized, and state-to-state trading is growing in importance. It is with these factors in mind that the Department of External Affairs has been reorganized to aggressively pursue international export markets for resource products, manufactured goods and services that are produced in every region of the country.

I know that exporting is highly competitive, often complicated and requires a special commitment. I want you to know that my colleague, the Honourable Ed Lumley, and I are prepared to assist you in any way we can. Please feel free to call on me or one of our officials at the Department of External Affairs. We're at your service.

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