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# Canada Export Opportunity

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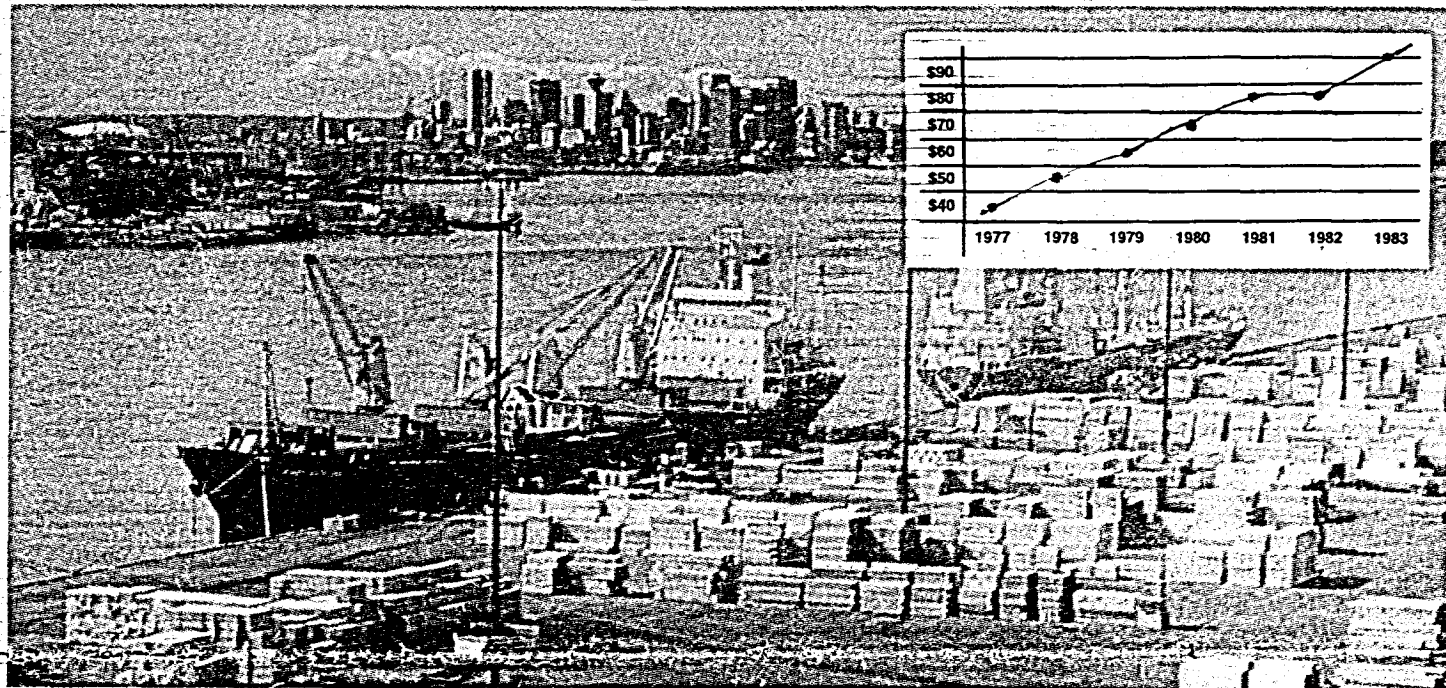
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External Affairs  
Canada

Affaires extérieures  
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Monday, March 26, 1984

## Canada's Exports Reach Record High



### Total Sales Top \$90 Billion Mark

By John Meyer

A rapidly growing number of businesses are drawing on government export assistance programs to break into foreign markets which were otherwise beyond their reach. As they do, many are finding that their production and sales are rising faster than those businesses confining themselves to the domestic market.

The latest quarterly survey by Statistics Canada found that 48% of exporters expect increases in production and sales this spring. This compares with the 29% expecting increased production and 33% expecting increased sales among all domestic manufacturers.

U.S. SALES PACE RISE  
Pages 4, 5, 6

The increase in the number of businesses entering the export market helped push export sales to the record level of \$90.6 billion last year. All current indications are that export sales will top that level this year.

Canadian producers are finding, often as a result of the recession shake-out, they are now able to compete in foreign markets with products as diverse as spices and food seasonings in the Persian Gulf, systems controls in the forest industry of Brazil, and a broad range of industrial and consumer products in the U.S. and Europe.

The importance of export sales to individual Canadian businesses, and to the economy as a whole, can't be overstated. The Conference Board in Canada estimates 20% of employment and 30% of the national production of goods and services are attributable to them.

Canada is usually thought of as an exporter, primarily, of agricultural and other resources products. Grains and field crops, fish products, metals, coal, pulp, paper and lumber still constitute the largest proportion of foreign sales.

But exports of manufactured products, paced by automobiles and parts, are

Turn to page 2

Turn to page 2

Exports Double Over Seven Year Period

### Regan's Objective

## More New Jobs Through Exports

The more Canadians can increase their sales abroad the more the economy will grow at home. In this interview with Brian Cahill, Hon. Gerald Regan, Minister for International Trade, updates the sectoral free trade talks with the U.S. and discusses other trade initiatives.

**Q.** To begin with a basic question: Why does Canada need a Minister for International Trade?

**A.** Because, to be just as basic, international trade is of great and growing importance to the general economic well-being of Canada.

**Q.** Could you be more specific?

**A.** Yes. In the 1960's exports of goods and services were generating about 20% of our gross national product. By the mid-70's the figure had risen to 25% and it is now about 30%. This kind of growth has a direct effect on the amount and kind of employment available to Canadians. Today about 2 million Canadian jobs derive directly from

things we grow and process and mine and make; and then sell overseas. That's 20% of the labor force, one job in five. And these are not just jobs for "hewers of wood and drawers of water." Partially or fully manufactured products — as distinct from food and resource products — currently make up about 71 per cent of our exports, and their proportion is increasing.

None of this came about by accident. Hard work, initiative and competence on the part of Canadian businessmen have had a lot to do with it. So has the increasing ability of Canadian industry to produce goods and materials that can be sold on the very competitive international markets. And so have government policies and action designed to encourage growth, and guide the direction of trade.

In other words, a working partnership between Canadian entre-

preneurs, industrialists and government is producing results beneficial to all Canadians. This is a continuing and developing process. And as part of the process it makes eminent sense to have responsibility for the government end of the partnership vested in a minister. This reflects, at home and abroad, the importance which government attaches to international trade. It represents assurance to Canadian business and industry of high-level government support for their efforts to increase and diversify foreign trade. It adds clout in dealings with foreign governments and business organizations. Frankly, we'd be foolish not to have a Minister for International Trade at this time.

**Q.** When the departments of Industry, Trade and Commerce and Regional Economic Development were merged last year most of the external trade function of ITC was moved to External

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# Federal Trade Measures Open New Export Markets

Continued from page 1

Affairs. Would you tell us the reasons behind this move?

A. I can relate them to what I have just been saying about the continuing and developing partnership between government and business in the area of international trade. In this more interdependent world, the line between trading relations and other diplomatic relations becomes almost impossible to draw. This makes it important to coordinate trade policy and promotion functions with all of the other activities of the Department of External Affairs. Putting both functions under one roof is a sensible, efficient thing to do at this time. It certainly does not in any way represent a subordination of international trade activities to other diplomatic activities. On the contrary, it is an attempt to ensure that Canada's foreign policy, both in its formulation and implementation, respects the basic Canadian truth on which a great part of Canada's interests abroad are economically founded.

And, of course, we continue to maintain a close contact with the new Department of Regional Industrial Development. For instance, information about international trade programs operated by External Affairs, such as the Promotional Projects Program (PPP) and the Program for Export Market Development (PEMD), is available from Regional Industrial Development as well as from External Affairs.

Details of these, and other financial and informational services currently available, can be found elsewhere in the pages of this supplement. But I'd like to mention the International Trade Development Branch of the Department of External Affairs which was created last year to help ensure that Canadian trade policy today is service-oriented and results-oriented. The objective is to ensure that the implementation of policy reflects the realities encountered by business people doing business internationally. It is all part of our drive to gain greater understanding of the needs of the business community and to apply that information in a practical, pragmatic way.

Q. Would you discuss the current state of sectoral free trade talks with the United States?

A. The talks are proceeding satisfactorily. My mid-February meeting with Bill Brock, the U.S. Trade Representative, went very well. We expect to have an interim report about the practicalities of free trade in certain sectors — steel, agricultural equipment and inputs, government procurement with particular reference to urban mass transit, and trade in computer services and other elements of the informatics sector — by May and some sectoral free trade agreements could possibly be in effect before the end of the year. Of course we will need to consult first with industry and the provinces. No promises, mind you, but it's looking good.

The potential benefits to Canada of the sectoral approach to trade be-

tween this country and the United States are, in my opinion, enormous. Some observers seem worried about possible flooding of Canadian markets by goods manufactured in the United States. This is a traditional concern but I feel we should not underestimate the ability of Canadian industry to improve productivity, to specialize and to compete efficiently in the larger markets that the sectoral approach will provide. I have full confidence in the competence of Canadian industry, and I think we are on the right path in our sectoral free trade initiatives, and this view is shared by the many Canadian businessmen who are giving us advice and support.

Q. Is preoccupation with the advancement of sectoral free trade with the United States crowding the increase and diversification of trade with the rest of the world off the agenda?

A. No, absolutely not! The maintenance of an open, multi-lateral international trading system is central to Canadian trade policy. We see multi-lateral trade as a means of sustaining economic growth in Canada, developing the economic potential of different regions and making our industrial structure efficient and competitive. The United States is, and will remain, our biggest customer for exports and our biggest supplier of imports. That's a fact of life. Obviously, relations with the United States are crucial to Canada's economic well-being and this is reflected in the time, effort and money that we put not only into increasing and diversifying our trade with the U.S. but also into ensuring that maximum benefits, including protection of Canadian jobs and national sovereignty, come from trade with the United States.

But we have other important trading partners also. The European Community and Japan, for instance. Currently the EC takes 11 per cent of our exports and Japan about five per cent. That's small compared with the 70 per cent of exports which go to the United States. But it is important, we are cultivating it vigorously and intelligently, and it is growing. The same can be said in regard to China. And many of the newly-industrialized and developing countries of the world.

You may be aware that I had scarcely gotten back from the mid-February Washington talks with Mr. Brock and his officials than I was on a two-week business-diplomatic trip to Malaysia, Hong Kong and India and to Brunei where I acted as Canadian representative at the Independence Day celebrations of that country.

Q. What exactly did you do on this trip?

A. Well, my meetings in Malaysia were concerned with Canadian participation in energy and telecommunications projects in that area. I met with the Malaysian Ministers of Trade and Industry and of Finance, as well as with the Chairman of the National Electricity Board and the Director General of Telecommunications.



Hon. Gerald Regan  
Minister for International Trade

In Hong Kong I met the Secretary of Industry and Trade, whose job is similar to mine, as well as the Secretary of Monetary Affairs and the Chairman of China Light and Power. Among the things we discussed were Canadexpo 84, the multisectoral trade fair that Canada will put on between May 11 and 20 in Hong Kong, and the proposed project for a Hong Kong exhibition centre.

In India I met with Mrs. Indira Gandhi, India's Prime Minister, and discussed expanding the economic co-operation and bilateral trade between India and Canada. I also met with the Minister of Energy, the Minister of Railways and the Minister of Commerce. Among the matters under discussion were mega-projects in hydro, thermo-power and gas transmission. Canadian companies are developing opportunities in all these areas. One of the main reasons for my visit was to convey Canadian government interest and support for the initiatives of the Canadian businessmen involved.

What I want to emphasize here is that Canadian businessmen who are interested in developing trade opportunities overseas can count on the backing of the Canadian government. They can also count on help from good service-oriented and results-oriented people and agencies in Canada and abroad.

Q. Have you any message you would like to pass along to Canadian businessmen, particularly perhaps the small businessman wanting to get into international trading or to expand his interests in that area?

A. I'd simply like to let them know that the policies and services that are in place and being developed through External Affairs are the result of extensive and on-going consultation with the business community and other sectors of Canadian life. I believe our policies reflect a consensus on what is best for Canada over the long haul. I urge businessmen to take advantage of all the services and support available with full confidence that they will be serving Canada as well as their own business interests.

# Exports Hit Record Clip

Continued from page 1

accounting for a progressively larger share of the total as Canadians find they can compete, not just in terms of price and quality, but also in those products with a high technological content.

Exports of aerospace technology, for example, totalled an estimated \$1.7 billion last year. Exports of communications and related technology reached an estimated \$1.3 billion. Also proving to be highly exportable are Canadian experience and production technology in resources development.

Actively encouraging the increase in the number of exporters are the export assistance programs now administered by the federal Department of External Affairs.

These have been structured, primarily, to help small and medium businesses, and first-time exporters which have neither the financial resources nor the working knowledge they need to break into foreign markets.

External Affairs, for example, will assist in doing the preliminary research necessary to establish whether a foreign market exists for specific Canadian products and, if it does, how that market can best be served.

Other programs help underwrite costs of participation in trade shows and other media for contact with possible customers. At the other extreme is the "third country" program which offers expert help in nailing down complex contracts which may involve several foreign producers.

Rounding out these efforts was the establishment of the Aid-Trade Fund which was announced in the February budget. The fund is intended to support a larger role for private producers in Canada's international development programs.

## Newsletter For Exporters

"There's a tremendous role for the newsletter to play," Gerald Regan, Minister for International Trade, told newsmen while launching the new publication last fall. "It's needed to bridge the information gap that so often prevents Canadian manufacturers from taking advantage of world markets."

CanadExport, a bi-weekly newsletter distributed free to producers of goods and services, is designed to keep exporters — and would-be exporters — up to date with a growing range of government programs and services aimed at helping them sell their products abroad.

This unique new "eye" on the world has been described by trade officials as "one of the most practical and useful new information vehicles to hit the export community in a long time."

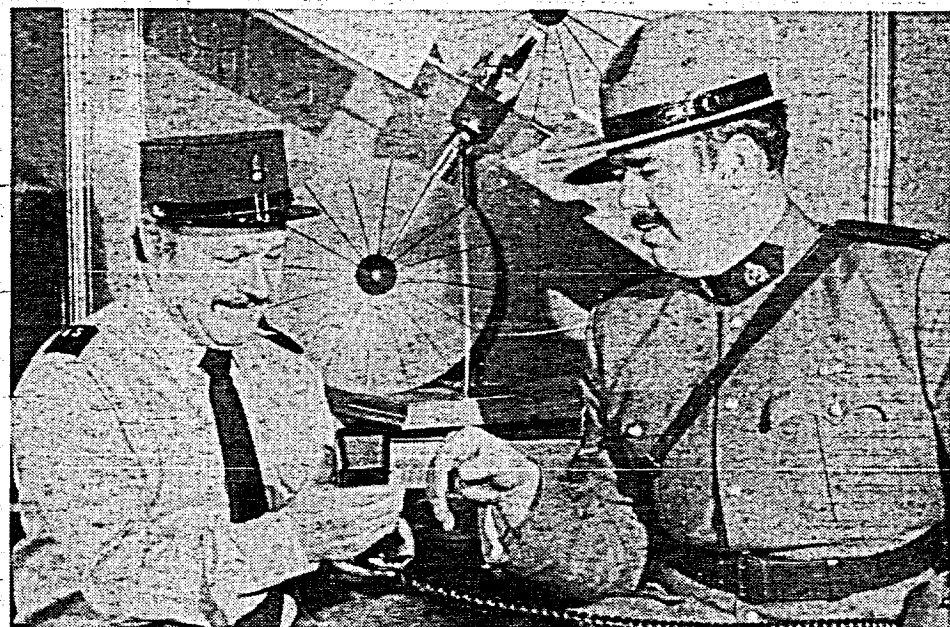
The newsletter can be obtained by writing to CanadExport, SCS, Dept. of External Affairs, Lester B. Pearson Building, 125 Sussex Dr., Ottawa, Ont. K1A 0G2, or by phoning the External Affairs Trade Information Centre hotline — 1-800-267-8376 (Ottawa area: 593-6435)

The newsletter is available in English or French.



# Export Programs Help Open New Markets

By Ken Mark



Trade fairs put Canada on display to the world

## Meet Your Customers Go Trade Fair Route

Want to export but don't know where to start? Do as so many others are doing: Go the trade fair route. It can take you into just about any market with just about any product.

Trade fairs have been bringing buyers and sellers together since the dawn of commerce. They continue to do so, in ever greater numbers, because no better way of making direct contact between the two has yet been devised.

The requirements for a successful participation in a trade fair are, however, exacting ones.

Exhibitors must have the right product at the right price. Their production facilities must be geared to meet delivery terms. They must know about custom, freight and insurance charges. Depending on their products, they must make provision for financing.

Exhibitors must also be careful to choose the trade fair which is most appropriate to their products. The number of trade fairs being held each year is growing rapidly. Inevitably, some are better than others in their choice of site, quality of exhibits, and the customers they draw.

Trade fairs are also becoming highly specialized. Selecting the trade fair whose exhibits will complement your product line, to your best advantage, can be difficult.

Through the Promotional Projects Program (for national exhibits) and the Program for Export Market Development (for individual company exhibits) the Department of External Affairs can help you in this as in all other aspects of your participation. If you decide to go the trade fair route, the Department will provide knowledgeable and experienced guides.

First, though, you have some homework to do. You may want to export but have you an exportable product? Is it superior or at least competitive in price, design or utility? Is it unique in other ways that would make it attractive to foreign customers?

External's trade officers can often help

you with the answers to such questions. If additional market research is required, you might also apply for assistance through the Program for Export Market Development (PEMD).

You must also establish in advance whether you have the plant capacity to satisfy export customers. If you make an export sale and then can't meet the delivery date, you'll be in trouble. And what of operating margins? Will they be adequate to cover future costs of servicing those new and distant customers?

Once you are confident you have a product which you can export profitably, where should you exhibit it, how and when? The Fairs and Missions Division can provide you with a select list of upcoming fairs and shows in the markets of interest to you. If a national exhibit is planned, the Department will book exhibition space, design and install the "Canada" booth, and look after the numerous details of creating a showcase for your product.

If a national exhibit is not planned, you can apply for direct support for your company's exhibit under PEMD. You'll still have expenses — personal travel and accommodation expenses, for example, and some or all (depending where the fair is held,) of your shipping expenses. You'll have advertising and hospitality expenses, some of which you might share with other exhibitors, some of which you might assume on your own. External's trade development officers can give you an advance reading on what to budget and how much.

The dates for trade fairs are announced well in advance because of the detailed planning by organizers as well as exhibitors which is necessary to their success. A would-be exporter, conceivably, might make a strong last-minute entry into a show but most would be better advised to wait until the next one.

If you are going the trade fair route, you have to be fully prepared if you are to have a profitable journey.

The Department of External Affairs, which assumed responsibility for trade policy and promotion in 1982, has trade officers in the regional offices of the Department of Regional Industrial Expansion which it uses as the domestic delivery system for its export assistance programs.

It is by contacting trade officers in the DRIE offices that a growing number of small and medium size businesses take their first step towards entering the export market.

The trade officers advise businesses of the requirements they must meet to qualify as exporters, the markets towards which they should direct their sales efforts, and types of federal assistance for which they can apply.

The latter include the Program for Export Market Development (PEMD) and the Promotional Projects Program (PPP). Additionally, trade officers can draw in representatives of other government agencies such as Export Development Corp. (EDC), the Canadian Commercial Corp. (CCC) and the Canadian International Development Agency (CIDA), each with specialized export assistance functions.

At the other end of the information pipeline are the regional desk officers in Ottawa and the 500 trade commissioners and officers in 90 posts in 65 countries. The latter maintain a continual flow-back of commercial intelligence directed towards keeping Canadian exporters fully informed of developments and opportunities in their respective markets.

Potential exporters can also test the waters by contacting trade officers in the markets in which they think their products will

sell. In doing so, they should provide full details about their businesses as well as their products which can then be passed on to appropriate distributors and potential customers.

The Canadian exporter may find that the next step should be a personal visit to follow up his initial contacts. If qualified, he could apply for a PEMD contribution to help finance his sales trip. In its first 12 years, 76.5% of PEMD applications were made by companies with less than \$5 million in sales. In fiscal 1982-83, \$20.9 million was paid out to 3,900 applicants compared to \$9.9 million to 1,726 applicants in 1978-79.

The program pays up to 50% of the cost of penetrating new foreign markets. If the sales effort results in a contract, the amount is repayable. Otherwise, it is written off after three years.

To complement PEMD, External Affairs offers the Promotional Projects Program through which it invites selected Canadian companies to participate in government initiated trade promotion activities such as outgoing missions, seminars, trade exhibits and foreign visits to Canada. Since External initiates these activities, the procedure for participation reverses the one used to award PEMD contributions.

On visits to foreign countries, Canadian industry participants benefit from being part of an official Canadian delegation with their travel expenses totally paid by the program.

Potential exporters can tap into this network of programs and services by keeping their local DRIE office informed of their needs and capabilities.

## Other Aids To Exporters

Among the meatier portions of the federal government's alphabet soup of agencies for helping small and medium-size exporters are:

### Government-to-Government Sourcing

The Canadian Commercial Corp. (CCC) was established in 1946 to serve as a government-to-government contractor for sourcing the needs of foreign governments and international agencies from Canadian suppliers.

Qualified businesses interested in exporting need only indicate this when registering with Supply & Service Canada (SSC) for inclusion in its sourcing list. When foreign governments and agencies submit tenders for goods and services which Canadian companies can supply, the CCC invites qualified businesses to submit bids.

The prospect of selling to such high-powered customers might frighten some potential bidders. But in fiscal 1982-83, 46% of CCC's suppliers were small businesses with less than \$5 million in annual sales and fewer than 100 employees. At the same time, 83% of contracts awarded were for less than \$100,000.

### Trade-Aid

The Canadian International Development Agency (CIDA) provides, through its Industrial Co-operation Program, grants

ranging from \$15,000 to \$250,000 for starter and viability studies, for its Canadian Project Preparation Facility (CPPF) and other programs.

CIDA's major concern is transferring technology to third-world countries. Since foreign aid is part of its mandate, Canadian firms must specify in their grant applications how their products and services will boost the economy of the receiving nation.

### Export Financing.

Unlike other government agencies and departments which help Canadian firms find overseas markets, the Export Development Corp. (EDC) is in business to ensure that these companies get paid.

EDC will insure any product or service as long as its four major criteria are met: (1) the buyer is creditworthy; (2) the country is acceptable; (3) the supplier is both technically and financially viable; and (4) the product or services has at least 60% Canadian content.

EDC also offers financing packages. For exports of capital goods such as equipment and machinery sold on terms exceeding two years, funds are loaned directly to the buyer.

Under lines of credit, EDC makes funds available to a foreign bank to facilitate that country's purchase of Canadian goods and services.

# Welcome Mat Put Out for Canada

## Trade Relations Seldom Warmer

By William Lowther

WASHINGTON — One cold and gray February morning this year, a small troop of Canadian boy scouts carrying a Canadian flag filed through the doors of the United States Senate building on a guided tour.

Immediately on seeing the flag, one of the guards jumped to attention and saluted.

"That's the only flag aside from the stars and stripes that I'll honor," he said with a big friendly grin.

The incident — trivial, charming, even touching — is a pointer to the underlying depth of goodwill in Washington towards Canada. Nor does it stop at Capitol Hill guards. It goes right to the top.

And it's reflected in the current warm and receptive attitude towards Canadian trade.

There are some possible storm clouds on the horizon and special interests such as the border broadcasters and Maine potato farmers quite often cause an anti-Canadian furor.

But when the overall trading relationship is brought into perspective from the American side the atmosphere and the tone is seen to be very positive.

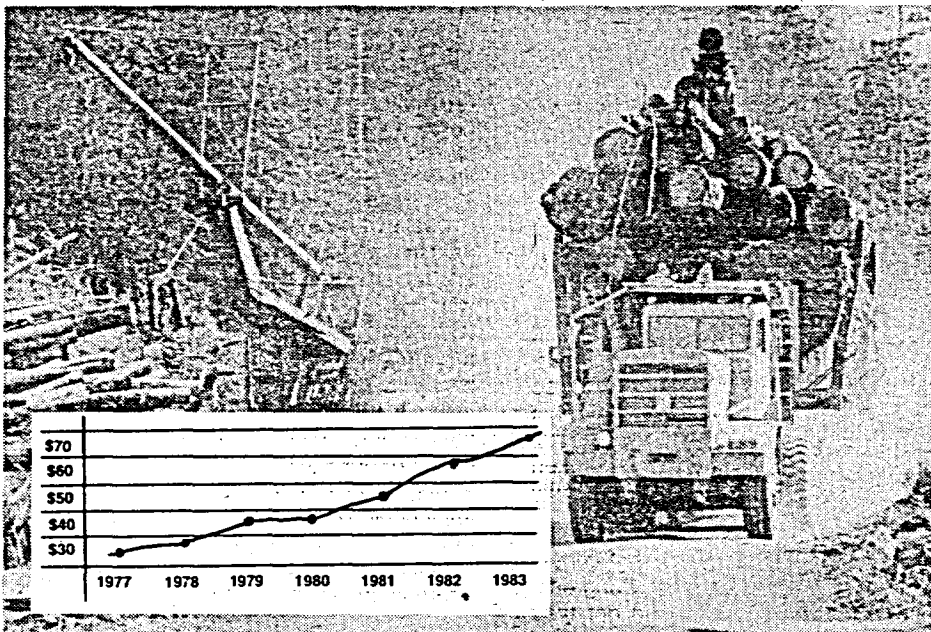
On February 17 William Brock, the United States Trade Representative, met in Washington with Gerald Regan, Canada's Minister for International Trade, to open talks aimed at eliminating trade barriers in certain sectors of the economy.

Initially the ongoing talks are focusing on steel, agricultural equipment, government procurement of urban mass transit equipment, and trade in computer services.

Canada requested the talks and the United States readily agreed. Working groups from both sides are now investigating the implications in depth and will report back by early May on the practicality of this kind of trade liberalization.

Says Brock: "With all the negative news on trade, both domestic and international, and the pressure on the world trading system, it is a matter of real consequence that the two largest trading partners in the world are holding conversations about liberalizing trade, about expanding trade, jobs and growth."

His words are echoed by economist Dr. Peter Morici of the privately funded National Planning Association which makes a special study of U.S.-Canadian relations.



Sales to U.S. pace export rise

Dr Morici stresses that not everything is rosy — there is concern in the United States about the procurement provisions of the National Energy Programme which effects U.S. exports to Canada for example — but in general he insists "the atmosphere is very favourable."

He adds: "Things are pretty good. There are irritants but no major problems. Americans have big trade problems with the European and the Japanese and certain Third World countries. That's where the attention is."

A number of American industries, including copper and steel, have asked for import relief in the form of quotas or higher tariffs to protect them during this difficult economic time and as a result of the complex legal system involved President Ronald Reagan will be called upon to make a decision in these cases this autumn, just a month before the presidential election.

It has been suggested that he might be

scrambling for votes in industrial states at that time and will be under enormous pressure to bow to protectionist interests.

Dr Morici is fairly confident this won't happen but he points out: "This is an election year. Things are bound to be a little more active but I think that ultimately we will find that rhetoric will exceed the bite."

William Merkin, a U.S. Government official who works on Canadian trade affairs, agrees. "We are very interested in freeing up trade bilaterally" he says. And he adds: "Generally there is a very positive atmosphere concerning trade with Canada right now. That's not to say there aren't isolated disputes but the tone is right."

"Even where we do have disputes we are talking and trying to find solutions as opposed to the confrontation that characterized the relationship a couple of years ago. U.S.-Canadian trade relations are much better than U.S. trade relations with any other major country."

## Canada and U.S. Sign Bilateral Trade Understanding

Canada and the U.S. have signed a bilateral "Understanding" which provides for consultations before either country imposes protective import restrictions that could affect the other.

Gerald Regan, Minister for International Trade, who signed for Canada, described the Understanding as a "constructive and

positive step, and further evidence that bilateral trade relations are generally in good shape."

He added that the understanding resolves some long-standing differences between Canada and the U.S. on the interpretation of safeguard provisions under GATT.

## Strong Support On Free Trade

That view, coming from the administration side, is backed up on Capitol Hill where Canada has so often been threatened in the past by proposed protectionist legislation.

A House of Representatives staff member who deals directly with Canadian trade issues is now adamant: "There is no negative sentiment regarding imports from Canada."

"There is a lot of negative sentiment regarding imports from Japan and to some extent from Western Europe but that does not have a spill-over effect on Canada."

On the question of free trade between Canada and the United States, the Congressional official said: "I think that's up to you guys. All we can do is sit on the sidelines and see how the political climate develops in Ottawa."

"There is greater support for free trade in the U.S. than there is in Canada. Obviously because the Canadian economy is more vulnerable than the American economy Canada has more to gain but also more to lose if things don't go right."

Looking to the future, the official felt it was possible if President Reagan is re-elected that legislation backing free trade with Canada in at least some sections of industry will be introduced about this time next year and that it could become law in 1986.

He felt however that a Democratic president will be less likely to push the free trade idea and that under a leader such as one present Democratic Party contender, former vice president Walter Mondale, there might be a gradual increase in some forms of protectionism that could eventually impact Canadian goods.

Interestingly however, Senator Gary Hart of Colorado, the candidate now running ahead of Mondale, favours free trade with Canada and is committed to actively push for it if elected.

All in all, the long term view sees Canadian-U.S. trade relations continuing along a steady if not exactly smooth path. There will, of course, be occasional potholes, muddy patches and puddles.

But seen in the context of the complete trade picture they are expected to remain minor.

"There is a definite sense that both sides are working for improvement and that's got to benefit everyone," said the Congressional official.

## CANADA EXPORT TRADE MONTH

"Exports build Canada."

That is the theme of Canada Export Trade Month which will be observed nationally during October.

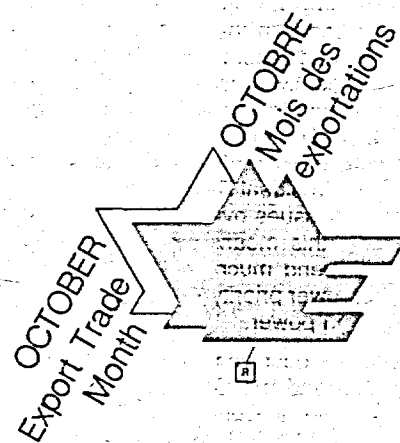
The co-operative undertaking of federal and provincial governments, business and labor, Canada Export Trade Month is directed towards making all Canadians more aware of the

importance of exports as a source of employment, investment and economic expansion.

Awards will be made to businesses and individuals for superior export performance. Trade exhibits will be presented and export seminars will be held. Special efforts will be made to attract more businesses, particularly small and medium ones, into the export trade.

Canada's exports have been growing vigorously in recent years as producers have become more competitive in the pricing and quality of their products and more experienced in marketing abroad.

Canada Export Trade Month is directed towards helping to maintain that growth.





# Canadians Have Case To Make

By Allan E. Gottlieb, Canadian Ambassador to U.S.

Many Canadians assume, as part of our birth-right, that we have a profound and abiding understanding of our neighbour, our friend, and our largest trading partner... the United States.

This is only partly true. I believe our understanding is rooted more in the past than in current realities. We have a good general understanding, but when we look to the specifics our knowledge grows a little fuzzy. It is in the gap in our knowledge, between the overall tone of the Canada-U.S. relationship and the particular disharmonies, that possibilities for miscalculation lie.

The greatest challenge we face in managing Canada-U.S. relations is complexity. The greatest problem we face is unpredictability. We never know where the next problem will come from. Last year, from out of nowhere, trucking rolled onto center stage. For decades, transborder trucking problems, when they arose at all, were dealt with expeditiously at the official level. Last year, this billion dollar a year trade sector almost swerved out of control. Before we were finished, both Federal governments, state and provincial governments, regulators and the private sector on both sides of the border became immersed in what had become a crisis.

While things may be chaotic at times, we are a long way from undifferentiated chaos. In a two-way trading relationship involving over \$100 billion a year it is remarkable how few serious problems we actually have.

There is not a simple explanation for all these events, but I think there are certain similarities worth noting. In fact, many of our difficulties can be traced back to a major redistribution of political power in the U.S. and to changes in the way that power is exercised.

The American Constitution provides for the separation of powers. The executive branch, or Administration, and the legislative branch, or Congress, are quite separate. But they must work together if things are to get done. This working relationship changes. Sometimes the President dominates, sometimes the Congress. Sometimes there is great cooperation, at other times it hardly seems to work at all.

In addition to this historic ebb and flow of power, there are other important players such as the courts, the regulatory agencies, the press, the lobbies. By tradition, each group forms an important element in the overall political system.

Over the last turbulent decade, new ways of doing business in Washington have developed. First, there is the shift in the relationship between the Congress and the Administration. In the post-Viet Nam era, Congress had become much more zealous of its prerogatives, far less susceptible to White House pressures. If the President is to get his way with Congress he must marshal his forces carefully and, as we have seen with President Reagan, focus on only one or two issues over a given period. Of necessity, this means the Administration cannot expend much effort on issues of relatively lower priority — or of priority only to a foreign power.

Over the past year the Administration has supported the Canadian position on several troubling Congressional initiatives; although we have, together, beaten back

some of these, it must also be acknowledged that the Administration's sway over Congress is not nearly as extensive as we would have liked. On the other hand, on some issues such as the environment, Canadian concerns have sometimes found more active support in the Congress than within the Administration.

Second, until recently, a President could effectively work with a few senior Congressional members and, in that way, exercise some authority over Congress. This last almost disappeared as a political modus operandi as new rules have largely broken the back of the old Congressional seniority system.

Also, because of the power that comes with chairmanships, individual Congressmen and Senators wanted and got their own committees and sub-committees. The result has been an explosion of committees and on many issues a number of committees will separately examine one piece of legislation. This enormously complicates the passage of legislation.

Third, we are witnessing real changes in the traditional roles of regulatory agencies. In some cases, dramatic policy initiatives come from regulatory agencies such as the Federal Communications Commission and the Federal Trade Commission. In other cases such as the Interstate Commerce Commission or the Civil Aeronautics Board, de-regulation has significantly curtailed their power over the industries they regulate. Many trade disputes are brought before these agencies for resolution. The process can be expensive and litigious.

## Greatest Challenge... Complexity Greatest Problem... Unpredictability

Fourth, there has been enormous growth in what are called "single interest" constituencies. Environmental activists, consumer advocates, foes of abortion or of gun control — these are familiar to you. But there has also been great growth in the influence of the more traditional economic lobbies located in Washington. One reason for this is that the increasing fragmentation of Congress demands a very sophisticated approach on the part of interest groups. It is not enough any longer to convince the chairman of a particular committee. Lobbies must go after each member of the committee (sometimes even drafting their legislation and related public statements), members of other committees which could have a say on the issue, and ultimately all individual Senators and Congressmen whose votes cannot be counted on.

Fifth, the institutional changes of the last decade have resulted in new arrangements for financial political campaigns. The main conduit for political financing has become the "political action committee", or PAC. These committees generally represent narrow domestic or local interests and each political candidate must appeal to many different committees if he or she is to secure adequate political campaign funds.

To many in Washington, the army of lawyers, lobbyists, pacmen, consultants, think-tankers, analysts and so on constitutes a third chamber of Congress — a dynamic center of power separate from but equal to the Senate and the House of Rep-

resentatives. An overstatement, perhaps, but an indication of the real power and influence which these unelected "representatives" wield.

I believe not enough attention has been paid to the impact these changes have had on the management of bilateral relations with the U.S. Stated simply, the political system appears fragmented or "atomized" to foreign governments. Depending on the issue, we must identify potential allies within the Administration, the Congress, the private sector, the press and the lobbies. The cast changes as the issues change. A strong supporter on one issue will be an implacable opponent on another. Foreign interests require a whole new level of sophistication to successfully defend their interests in Washington.

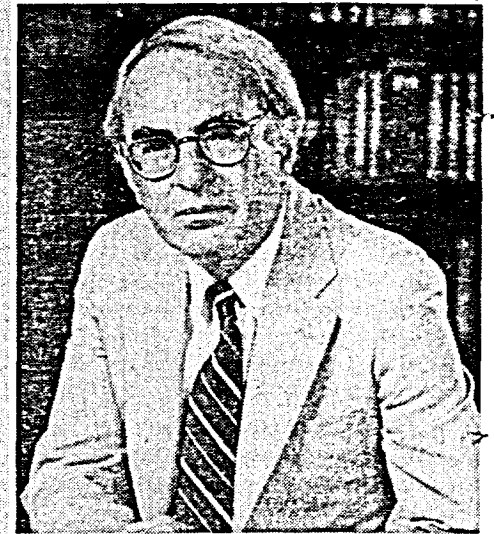
The special interest groups concentrate their efforts on the Congress. And Congress has shown itself to be much more susceptible to special interest pleading than the Administration. The Administration must be mindful of the broad foreign policy interests of the United States; Congress, however, is not required to balance different foreign policy interests to the same extent. Individual Congressmen, so often responding to constituency pressures, will push particular measures for narrow domestic reasons which may turn out to have a foreign policy impact.

The result is that, in recent years, Congress has become a significant — in some respects the dominant — initiator of U.S. foreign policy!

We see this in current American debates over trade protectionism. The move to close or at least protect domestic markets from foreign competition is primarily a Congressional initiative. President Reagan, his Administration, and many others in this country, continue to believe in free trade but they are fighting an uphill battle with an increasingly restive Congress. Once again, it's the special interests which set the terms of the debate. Except in the rarest of cases, there are few within the Congress who argue for protectionism as a broad and coherent strategy. Instead, it is always this industry or that region which needs temporary relief.

Trends in Congress are worrisome. The Speaker of the House of Representatives has stated that this Congress is the most protectionist-minded he has seen in his 32 years in Washington. Frustrations, some legitimate, some less so, with Japan, the European Community and to a lesser extent Canada and other trading partners, threaten to boil over in the Congress. Driven by special interests, the expression of these grievances seldom attempts to balance them with advantages the U.S. enjoys in other sectors; the give and take of international economic negotiations is largely ignored. No country is more threatened by this mood than Canada.

And so, Congressional economic initiatives become U.S. foreign policy towards Canada. In recent years, Canadian trucking, cement, specialty steel, mass transit, uranium



Ambassador Gottlieb

and automotive products and other interests were harmed by Congressional action. It is a process which is becoming increasingly unmanageable and which carries grave risks for Canada's economic future.

Let me suggest a few guidelines for Canadian business.

1. Recognize your interests are engaged. Whether you are a Canadian directly involved in trade with the U.S. or are simply concerned with the economic future of this country, it is imperative that you recognize the importance of the United States to Canada. U.S. trade and other policies have a direct impact on us. Current U.S. debates on protectionism, on trade reciprocity, on the multilateral trading system all engage Canadian interests. Canadian business owes it to itself to follow what is happening in Washington, and throughout the U.S.

2. Develop Canadian positions on international issues. If we are to maintain and enhance our position within the world trading system it is important that the private sector devote energies to articulating a Canadian position on the critical issues of the day. Either individually or as members of larger groups such as trade associations or professional organizations, Canadians in both business and labour must become more active participants in the formulation of international economic policy. Canadians should also be concerned about our own trade policies as well as foreign ones. Canadian calls for protection from foreign competition will be heard abroad. Retaliation from other countries cannot be discounted if we pursue policies which are too narrow in scope.

3. Recognize there are things Government can do and things Government cannot do. In the U.S., many of the initiatives which become identified with particular members of Congress or even the Administration originate in the private sector. The Canadian Government does approach the U.S. private sector in an effort to impress upon them our national concerns, but in many instances Canadian businessmen have much better access to the deliberative councils of the U.S. private sector. Use them to articulate business' own views, to heighten U.S. appreciation of Canadian concerns. The Chambers of Commerce and other, more specialized, associations provide ready-made forums for the expression of diverse views.

4. Like it or not, Canadian businessmen are often regarded as unofficial Canadian ambassadors. Seek out opportunities to engage Americans in constructive dialogue. Some of the finest explanations in the U.S. of Canadian policies have been made by Canadian businessmen. Equally,

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# Japanese Sales Strong

Japan, Canada's second largest trading partner, dominates exports to Pacific countries to the point that other export markets are sometimes overlooked. Australia and New Zealand, for example, are growing markets for consumer goods and capital equipment. Other Asian countries offer possibilities for participation in development projects.

Japan, however, is the largest market. "If Canadians can compete there, they can compete anywhere," says Mrs. Jean McCloskey, director general, Pacific Bureau, Department of External Affairs.

Most exports to Japan are resource based or energy related — metals, minerals, forest and agricultural products, and petrochemicals. But upwards 5% are manufactured products and the prospects for increasing their sales, at least in certain sectors, are encouraging.

Canadians have found markets in Japan for such consumer products as furs, sporting equipment and sportswear, jewellery and floor coverings. They have also found markets in such specialized sectors as health care, instrumentation and aerospace.

The Japanese market is a demanding one in terms of price, quality and technological content. But the potential for market growth is also large. The Japanese economy is expected to expand at an annual rate of an average 3% through the 1980s, paced by a continuing heavy investment in research and development.

At the same time, the Japanese industrial base is being restructured and rationalized to reduce dependence upon foreign oil. The character of the Japanese society is also changing.

Both developments offer possibilities for broadening and diversifying Canada's exports there.

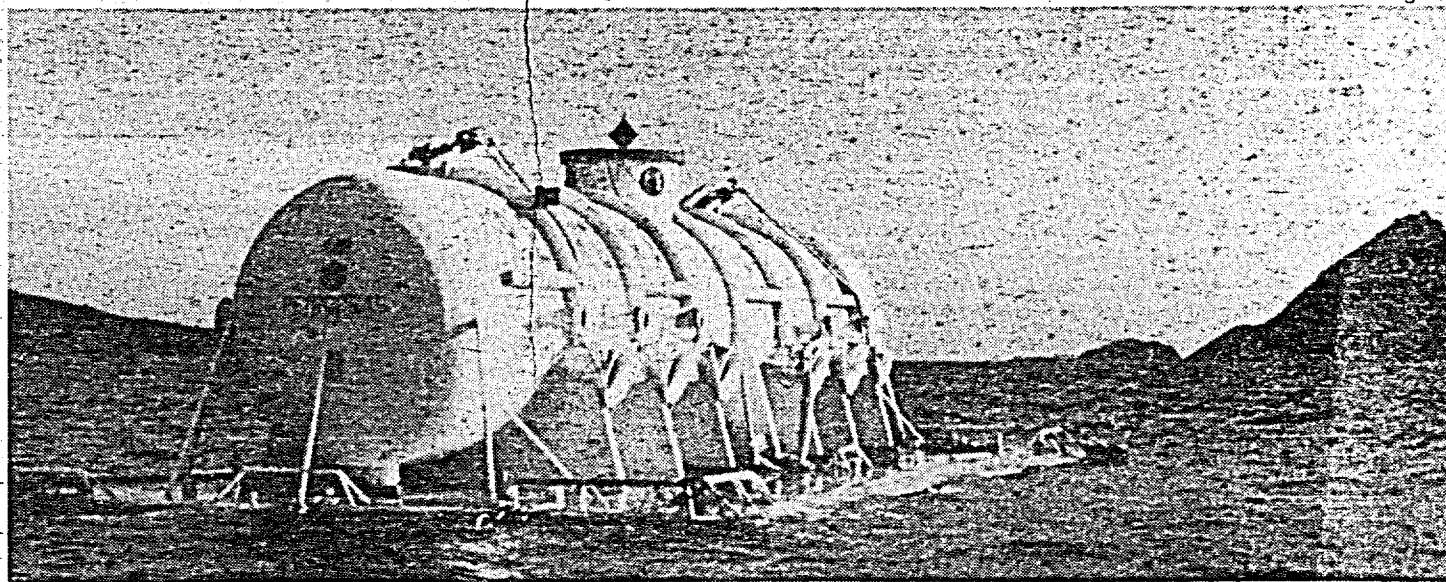
Central to expanding trade is establishing and maintaining close working relationships between Canadian exporters and their Japanese customers. This is often done through bilateral committees, both private and government. Industrial co-operation is the evolving common theme in these relationships with improvements in the quality of the product and ease of delivery their common objectives.

The maintenance of sales and service offices in Japan and intercorporate participation are other routes towards industrial co-operation.

Canada's export development strategy also places strong emphasis on keeping Canadian products and services on display in Japan. More than 50 trade promotion projects, mainly participation in trade fairs, have been scheduled for this year alone.

In addition to reducing its dependence upon imported energy, Japan is also directing research and development spending towards the improvement of the quality of life, towards further advances in the information industry and towards new materials technology.

One example of the potential for Canadian contributions towards reaching these objectives is found in provision of better housing. The broadening application of the Canadian platform frame system to residential construction is opening new opportunities for lumber and plywood exports.



Canadian-built subsea oil well installation

## European Market Prospects Brightening

The prospects for an increase in exports to Western Europe are brightening as the pace of economic recovery picks up there. Exports had been declining since 1980 as a result of the recession and a stronger Canadian dollar relative to key European currencies.

The 19 countries in the region, arcing from Norway and Sweden in the north to Greece and Turkey in the southeast, have a total population of 350 million. Together they constitute a market of exceptional breadth and potential, exceeding even that of the U.S.A.

But while exports there now account for approximately 10% of total Canadian exports, they represent a share of market of less than 1%.

The opportunities are there, officials point out, but they must first be recognized, defined and carefully developed to sustain profitable trade. One example of such opportunities was found in the cable television industry which, for most of Western Europe, is only now starting to take off.

Cable television has 30 to 40% of the market in Switzerland and Austria but only

about 3% in the rest of Western Europe. Now a market is developing for Canadian management expertise and software as the industry expands.

The Western European market is a widely diversified one. The countries in the north and central areas are relatively affluent, their economies mature. They present opportunities for the export of consumer goods which are unique in quality or design, or are, like hockey and other sports equipment, identifiably Canadian.

They also have a continuing requirement for resources products, at one extreme, and competitive technological advances at the other. They are, in this respect, similar to U.S. markets after allowing for national differences in, for example, consumer preferences.

With the exception of Italy, the countries to the south and east are considerably less affluent, their economies in various stages of development. They are less markets for consumer goods than they are markets for capital goods and development projects, many of which are eligible for multilateral aid financing.

Within these broad generalities can be found numerous exceptions. Norway's offshore oil development, for example, presents opportunities for Canadian sales of production equipment and such support technology as communications and transportation.

A key aspect of Canada's export development strategy has been the maintenance of a strong Canadian presence in European markets by way of the trade offices in embassies and consular posts, active participation in trade fairs, and selling missions. Trade fairs have proven particularly important since they are an institution in Europe, attracting visitors from around the world. Exhibits sponsored by External Affairs at these events have frequently led to sales in excess of \$10 million in Europe and further afield.

In addition to 22 trade officers in Europe, Canada has representation at the ambassadorial level to the General Agreement on Tariffs and Trade at Geneva, to the European Community at Brussels and to the Organization for Economic Cooperation and Development at Paris.

## Russia May Buy More from the West

The prospects for increased Western sales to the Soviet Union look very promising for 1984. Figures released by Soviet authorities indicate that investment allocations will be up by 5.2% over 1983.

Over 40% of investment funds will be spent on machinery and equipment. Western sales of such goods to the USSR could amount to an estimated \$6.2 billion, or a quarter of total Soviet purchases in the West.

According to the plan for 1984, \$36.3 billion has been set aside for the modernization of existing industrial facilities and for the completion of existing projects and production capacities. Heavy investment is budgeted for the energy sector, where major projects are scheduled for completion.

A series of large pipelines is planned including a line parallel to the Siberian-West European gas transmission line. Resource development is pushing towards the Arctic circle, initially with the building of an entire social infrastructure in West Siberia.

Oil output is being increased in the Komi Republic (in the north European USSR) be-

cause of its relative closeness to the industrial and population centres of the Soviet Union. A significant boost to production is also expected from Kazakhstan which stretches east from the Caspian Sea to the Soviet frontier with China.

Offshore the Soviets are exploring potential oil and gas fields along the north coast in the Baltic and Barents Sea, in the Black Sea and in the Sea of Okhotsk off Sakhalin Island. For Arctic offshore work, the Soviets must rely heavily on Western technology and equipment.

The mid-1980's will be a period to assess the hydrocarbon potential of the Barents Sea and to thoroughly test the new technologies. By the late 1980's the Soviets will hope to have the technical capability and expertise to move eastwards into the more hostile Kara Sea, an area that may have the highest hydrocarbon potential of any Soviet offshore area.

This year appears to be the year in which the Soviets plan to launch a major initiative to solve the problems of the agricultural sector. The political impetus for this comes

from the Food Program announced by Brezhnev and subsequently reiterated by Andropov. The Party's promise to improve the diet of Soviet citizens has resulted in the allocation of a major share (approximately 30%) of capital investment to the agro-industrial sector.

Involvement with Western firms has already taken many and diverse forms. West European firms have already signed licensing agreements for the manufacture of agricultural machinery in the USSR; a West German firm is jointly developing a diesel engine with the USSR for tractors; a U.K. chemical company has agreed to test agricultural chemicals in the USSR.

Canadian firms have potential for the role of genetic material for cattle breeding (semen, embryos, live animals); for the role of agricultural machinery and equipment; and for the licensing for manufacturing of equipment.

In 1981, NATO countries exports to the USSR totalled \$13.1 billion dollars (U.S.) of which \$1.6 billion came from Canada.

## Making Canadian Case To Our U.S. neighbors

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some of the worst bad-mouthing of Canada comes from Canadians. Canadians, of course, have the right to do this, but recognize there are costs.

5. Canadians don't vote in U.S. elections. This obvious statement has enormous consequences when we consider the way in which so many anti-Canadian legislative initiatives come forward. We simply do not form part of a Congressman's constituency. But on virtually every issue that I can think of there have been American interests which correspond to or complement Canadian interests. Identify those potential allies. Tell them how their interests can be harmed if Canadian interests are harmed. Urge them to approach the Congress or the Administration or the regulatory agencies to express an American viewpoint which U.S. officials may have overlooked. On many issues, a strong and organized U.S. ally can be of much greater benefit to you than the most forceful Canadian Government representations.

6. Use the major American economic presence in Canada to your advantage. Many multinational enterprises with subsidiaries in Canada are sophisticated participants in the formulation of U.S. domestic and foreign economic policy. On many issues, the U.S. multinationals are or can be a restraining force on some of the more narrow Congressional initiatives. Those companies

operating in Canada know full well that, despite our occasional problems, Canada offers one of the most hospitable and open environments to U.S. business in the world. They well know they would not benefit from a deterioration in that environment. Often U.S. multinationals are so large that they are unaware, unless someone points it out, that particular legislation may harm Canadian interests including, in some cases, their own subsidiaries.

7. Be prepared to spend money. Whether individually or within larger groupings, Canadian business should be prepared to spend some money gathering intelligence on what is happening in the U.S. and around the world. Tap into that third chamber of Congress. People often think that when you talk of spending money in Washington you are talking of hiring high-powered and expensive lobbyists. It is more than that. There are many highly specialized intelligence services in Washington that sift through legislative, executive and regulatory developments. They can tailor their information to specific needs.

Canadian business shares with government the responsibility to give Canada and Canadian concerns a higher profile in the increasingly complex and confusing world of Washington. We ignore this responsibility at our peril.

## Mid-Eastern Potential Can Be Rewarding

Markets in the Middle East can be difficult to crack for first-time exporters. They require time, patience, up-front money and, most of all, an understanding of the customs and practices of the Arab world.

But once into those markets, as a growing number of Canadians are finding, they can prove to be particularly profitable.

"There are some 200 million people in the 18 countries in the region," notes John Nelson, director, Middle East Trade Development Division, Department of External Affairs.

"Just about anything we produce in Canada can find a market there — from pharmaceuticals to spices, iron and steel products to grains."

Last year Canadians sold \$1.5 billion worth of goods and \$750 million worth of services in the region. The present indications are that these levels will be surpassed this year.

"It's an intensely competitive market," Nelson warns. "But if you have the right product at the right price, and you've done your homework, a carefully mounted sales effort will usually pay off."

The homework is absolutely essential. Each of the 18 countries in the region — Iraq, Iran and Syria to the north, Egypt and Sudan to the south, the Persian Gulf and

Mediterranean countries in between — has markedly different characteristics.

Israel's markets have much in common with those in Europe and its commercial practices are also similar.

Arab customs and practices, however, are very different from western ones. The Canadian expecting to do business in the region the same way that he does in North America or Europe is wasting his time.

He has instead to be prepared to cultivate his potential customers over a period of up to 12 to 18 months. Arabs prefer to do business face-to-face, to assess the character of the supplier as well as the quality of his product.

They build their business relationships on a foundation more of mutual trust than of credit ratings and bank references. And when a sale is concluded, they expect the delivery dates and other conditions to be scrupulously honored. In return they'll pay quickly, usually with a letter of credit against a clean on-board bill of lading.

The different requirements of doing business in the Middle East is the dominant reason why Nelson and his colleagues devote so much of their time to conditioning Canadian exporters to what to expect when they visit the region.

"Our job," says Nelson, "is to help Canadians generate sales in the area. We start by providing would-be exporters with a thorough grounding on the way business is done there rather than by providing them with the usual commercial data.

"We want to make sure that they know just what to expect when calling on a potential customer for the first time. We want them to realize that it's a totally different world out there and what they must be prepared to conform to its conditions."

And then, continues Nelson, "if the exporter is still interested, if he is still prepared to invest time and money, we give him all the commercial data we can, we help arrange his itinerary, set up contacts by way of our embassies and, to the extent that we are able, assist him in every other way possible."

Exporters must also be prepared to continue to visit the region to service their accounts. Telephone and telex communication systems are generally adequate but they are no substitute for the personal contact on which business relationships are built.

Canada's largest single customer in the Middle East now is Iran. Like other countries in the region, it is in the market for the latest North American technology in a broad variety of activity, from communications to oil and gas development.

Canadians, Nelson continues, have been generally well received in the region. "We share some surprising similarities in, for example, the extreme of our respective climates or in the relatively small populations and relatively large areas of some countries."

The potential for increasing exports there is unusually promising but, Nelson adds, "the first priority continues to be recognizing that to sell successfully there we must be prepared to do business in their terms, according to their customs and law."

## Mexico's Market Regaining Its Promise of Growth

Mexico is rapidly regaining its status of one of Canada's most promising export markets as it works its way out of the foreign exchange crisis of 1982. Key to its recovery strategy is maintaining oil revenues while increasing and diversifying other exports.

This translates into more foreign direct investment and accompanying transfers of technology in several areas, says R. J. Brooks, Mexico Desk Officer, Central America and Caribbean Trade Development Division, Department of External Affairs.

"Canada is particularly favored in this respect," Brooks continues. "We're in a very good position to meet many of Mexico's requirements for improving its economy. Moreover, Canada is one of five countries with which Mexico wants to establish closer trading relationships."

Export opportunities for Canadian producers are to be found in agriculture, fisheries, energy, mining, steel production, transportation, communications, petrochemicals and forest products. Mexico wants to expand domestic production in all these areas but in some instances it is lacking equipment and technology, in others the basic infrastructure is inadequate.

"Mexico has the potential to achieve self-sufficiency in agriculture," Brookes notes. "But to do so, it has to overcome problems of spoilage for lack of refrigeration and storage facilities, and problems of transportation, particularly by rail. Mexico's railways have been improved and expanded in recent years but there is still much to do be-

fore they reach the desired level of efficiency."

So it is with the other areas of economic development to which Mexico has given priority. Progress is being made but as it is, it is generating continuing requirements for more production equipment, more technology, more supporting services.

Canadian exporters, however, should not expect to treat Mexico as another promising sales territory. Mexico wants to be more than just a customer for the goods and services others can supply. It also wants to establish its own capacity to produce those goods and services.

Within the framework of this policy, most exporters are advised to approach the Mexican market through joint ventures with Mexican private and government principals. They are further advised to structure those joint ventures in ways which will provide for a progressively larger domestic production capacity.

Mexico wants direct foreign investment

### TRADE HOTLINE

Canadian businesses can obtain quick information on the export support services and programs provided by the federal government.

All they need to do is to dial the Trade Information Centre of the Department of External Affairs toll-free. The number: 1-800-267-8376.

but it wants that investment in ways that contribute towards achieving the country's economic objectives. It also wants the latest in technology which can be employed directly or adapted to its use.

At the same time, it has relaxed many of its earlier restraints on imports and tends to take a more flexible and pragmatic approach in dealing with foreign suppliers. It's operating guideline is that such transactions must be demonstrably to mutual advantage.

Canada maintains a large and knowledgeable trade office in its embassy in Mexico City. Officers there can direct exporters to the appropriate Mexican authorities. Exporters can also make preliminary enquiries to Central America and Caribbean Trade Development Division in Ottawa or to trade officers at DRIE offices in other Canadian cities.

Significantly, those industries to which Mexico attaches high priority are industries in which Canada has already achieved high levels of advancement. Just as significantly, this has happened under conditions generally similar to conditions in Mexico.

Canadian mining equipment and technology, for example, has been directed towards hard rock mining such as is done in Mexico. Canada has developed highly sophisticated equipment for long-range communications such as is needed in Mexico. Canadian equipment and technology for forest products, for thermal and hydro power generation, for petrochemicals and steel production are also saleable.