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NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
TO THE
INTERNATIONAL TRADE COMMITTEE OF THE
BOARD OF TRADE OF METROPOLITAN TORONTO

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Canada

It is a pleasure to be here today to exchange ideas about exporting with members of the Toronto Board of Trade's International Trade Committee. I would like to focus my remarks on small and medium-sized enterprises — or SMEs, as they are inevitably dubbed — and some current and forthcoming initiatives we are taking to support their efforts to become export-ready and then ultimately successful exporters.

Let me first commend the Board of Trade for launching last spring a series of International Trade Success Roundtables featuring corporations that have made a mark in the international marketplace.

No one city or region has a monopoly on entrepreneurial or exporting expertise and initiative in Canada, but the Toronto area certainly has its share.

I met some of the best of these business people at the Canada Expo '94 trade show my department organized in Mexico City last spring. The Canadian team at that show even included a Prime Minister who is deeply committed to fostering exports, and keenly aware of the potential of SMEs to do yet more than they already are doing to make global markets take notice of Canada.

The Prime Minister was certainly the most high-profile member of the Canadian contingent at Canada Expo '94. But it was representatives from 427 companies from across Canada — including many from Toronto — who were the real stars at the largest Canadian trade show ever staged in a foreign country.

The show attracted some 20 000 Mexican business people — and proved to be an excellent investment, generating projected sales of about \$100 million, based on contracts signed or in the works over the next year.

One of the big winners was a firm from the Toronto area, the Yogen Frusz chain of yogurt franchises. It is satisfying to know there is a small Canadian flag perched on the counter of each of the 15 franchises Yogen Frusz has opened in Mexico over the past year.

Another successful Toronto firm that comes to mind is Webb Zerafa Menkes Housden. It will soon be making Canada a part of the landscape in China, which I will be visiting along with the Prime Minister, several provincial premiers, and a large contingent of Canadian business leaders in November.

Webb Zerafa is designing the ultramodern Shanghai Securities Exchange Building. The Exchange will be an "intelligent" building, incorporating showcase craftsmanship and information technology.

These are companies that grasp the big picture. They are acting on a key insight, that new global trends, technologies and trade

agreements open doors abroad, through which Canadian SMEs can enter.

From the federal government's point of view, SMEs are a vital national resource, the fastest-growing component of the economy, the most knowledge-intensive, the most responsive to rapid change, and the largest creator of new jobs... During the 1980s, firms with fewer than 100 employees created over 2.3 million net new jobs, or 87 per cent of the total growth in employment. During this decade, they have the potential to perform even more impressively.

However, the job- and wealth-creating capabilities of this impressive national resource will not be fully utilized until SMEs become much more active exporters.

Canada is a trading nation, with about one third of our GDP [gross domestic product] derived from exports. But as it stands now, our exports rest on a foundation that is too narrow, with a relatively small number of firms accounting for the majority of our exports. We all have a stake in seeing SMEs export more.

In recent months, the federal government has been conducting a comprehensive review of programs aimed at small businesses. The goal is to create greater awareness of export opportunities and to enhance our marketing skills and abilities.

The larger challenge is to transform Canada from a nation dependent on trade into a true trading nation — with a much larger role being played by SMEs.

The job of meeting that challenge begins at home, for the foundations of competitiveness abroad are rooted in the domestic business environment — especially today, as the world economy becomes more open, and the distinctions between domestic and international markets are blurred.

Accordingly, Canada's international trade policy and market development programs are fully integrated into the federal government's comprehensive initiatives aimed at re-engineering the domestic business climate. The process is ongoing and accelerating.

To foster a more highly skilled and competitive work force, we must reform our human resource development policies. So in early October, my colleague the Minister of Human Resources Development will present the working documents to support that renewal.

Canada needs a skilled, educated, flexible work force to attract investment. No government can simply legislate that work force into existence. It will be created by people who believe in themselves and in their future. But first they need training and

skills development. So the social security system is being reviewed to find policies that will support a strong, competitive work force . . . a work force that includes every Canadian with the ability to work.

Another colleague, the Minister of Industry, has focussed on making government investment in science and technology a more effective, strategic industrial resource. One example is the Canadian Technology Network, which is designed to encourage firms and research establishments to develop and use the sort of leading-edge technology needed to compete in today's global marketplace.

Facing global competition has become the sine qua non of any serious business plan. And the best way to find out if your company is truly competitive is to tackle the export challenge.

The arithmetic is simple. In the global market for many niche products and services, Canada often accounts for only one per cent or so of global consumption. Companies that do not export are often ignoring literally 99 per cent of their potential customers.

The process of exporting successfully is somewhat more difficult. The vast majority have to take to exporting one step at a time, pausing at each step to seek advice and information about what lies ahead.

The owners or executives of SMEs that I meet emphasize that they are always in the market for information about market opportunities and how to exploit them.

My department is in the business of offering just that kind of guidance to exporters, particularly to the small and medium-sized companies that need our help most.

For example, the focus of our program of support to fairs and missions has shifted to SMEs. Then there are the programs to provide hands-on training to new exporters to the U.S. border states, Mexico and Europe.

WIN Exports, our electronic data bank of Canadian firms capable of taking on export challenges, as well as our market intelligence and information program, are also being enhanced to better meet the needs of small businesses seeking niche markets worldwide.

Backed by a range of specialized information and trade promotion programs and services, my department's trade commissioners operate in over 100 countries.

The Trade Commissioner Service has 100 years of experience in opening doors to foreign markets. It knows the ropes, and can help exporters deal with the challenges of complex foreign business environments.

The efforts of my department to assist exporters start right at the beginning — when the decision to export is first being examined by an entrepreneur.

To that end, my officials work closely with the Forum for International Trade Training. The FITT philosophy is that to compete successfully in world markets, a company that wants to export has to act like a long-distance runner who trains for a marathon. To help out, FITT provides a wide range of services which can be customized to the skill and experience levels of participants. This year the program is operating in 30 community colleges across Canada, with some 1000 students registered.

FITT is a major undertaking, patterned after the government-business training vehicles that have long been in operation in Germany and Japan. As such, FITT has received federal and provincial government funding along with the support of business associations including the Canadian Chamber of Commerce, the Canadian Exporters' Association and the Canadian Manufacturers' Association.

This represents a degree of co-operation never before seen in Canadian export circles, and a model that we as a government seek to expand upon by bringing in even more new players and partners to work with SMEs — in particular, banks and other financial institutions.

In that regard, I, along with my colleagues the Minister of Finance and the Minister of Industry, have been holding intense discussions with the banking community to find new ways in which we can collectively further the capacity of small business to export.

I am pleased to say we have achieved good progress. For example, a promising new concept is under development by the Export Development Corporation (EDC), in partnership with Canadian financial institutions. It involves increasing operating lines of credit for smaller exporters. This concept is being designed to provide them with more credit — from their local bank — for their short-term foreign sales.

A second initiative that the EDC is pursuing, as a result of our discussions with the banking community, will engage financial institutions more actively in medium-term lending. This framework should increase a financial institution's capacity to provide medium-term credits to the foreign buyers of Canadian goods and services. This will assist Canadian exporters by

providing another financing option, thereby increasing their ability to compete more effectively in the global marketplace.

I am confident that a more fruitful partnership between the Export Development Corporation and the banks will develop so that other new programs for the benefit of SMEs can be announced shortly.

Today, I am pleased to be able to announce that the Export Development Corporation and the Toronto-Dominion Bank have become partners in a financing program for the automotive parts sector.

This program provides improved access to working capital for smaller companies that are increasingly being required to finance the cost of the design and development of tools and moulds. Auto parts is an extremely important sector of the economy, with shipments totalling \$16.3 billion last year, of which 85 per cent were exports.

In the same vein, I am encouraged by a new program that my colleague the Minister of Public Works and Government Services will be announcing shortly. This initiative will greatly assist small and medium-sized exporters in obtaining pre-shipment financing through bank branch networks. The Progress Payment Program will work as a partnership between the banks and the Canadian Commercial Corporation, drawing on each other's expertise.

In addition to these initiatives, I am delighted to acknowledge the new training program announced by the Canadian Bankers' Association (CBA).

Over the next few months, the CBA will roll out a program of seminars for bank managers and their senior staff. It aims to renew bankers' focus on export markets, increase their awareness of the export process and expand their knowledge of government programs and services available to exporters.

The seminars will be delivered to bankers across the country by the Institute of Canadian Bankers, and will involve, at a minimum, bank regional executives and trade specialists, as well as representatives from the Export Development Corporation and the Department of Foreign Affairs and International Trade.

I am sure the seminars will make a significant contribution toward helping exporters get the information they need to be more competitive overseas.

We have also been working with the banks on new products to enhance the ability of exporters to access information. Together with bank trade specialists and other interested parties, we have developed a road map to exporting and export finance — a guide to

key contacts in the export process. Not only will the road map be available through the government's network, but a number of the banks will be distributing it through their systems as well.

To complement the road map, a series of fact sheets, entitled "Top Ten Export Programs," will be available in late October. The road map and the "Top Ten" fact sheets are a step toward ending the fragmented state of access to information on exporting services and export finance — a frequent source of frustration to exporters.

My department has also been developing the InfoCentre Bulletin Board, an electronic data bank of international market opportunities and export finance information that can be accessed from a personal computer by dialling in via modem. Exporters without access to personal computers and modems will be able to retrieve information from the InfoCentre Bulletin Board through local information providers such as libraries and International Trade Centres. This new, experimental service will be launched in October.

The initiatives that I have been describing are based on a co-operative approach of the kind we need to mobilize Canada's export potential, and in particular the potential of our small and medium-sized businesses.

Federal-provincial co-operation is an essential part of the formula. In that regard I want to congratulate the Ontario government for its announcement last week of a series of initiatives to support Ontario exporters.

This will involve the development of a comprehensive and co-operative approach between the Ontario and federal governments to ensure effective and efficient delivery of services to business. We are committed to this Trade Team Canada approach with Ontario and every other province. It is an approach that puts the real requirements of Canadian business at the forefront, at the least possible cost to taxpayers. It is an approach that I am sure you all support.

May I assure you that I and my Cabinet colleagues look forward to your continued input and co-operation as we continue to seek ways of working together in meeting the challenges and opportunities of an expanding world market.

Thank you.