

Statement

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**NOTES FOR AN ADDRESS BY
THE HONOURABLE ROY MACLAREN,
MINISTER FOR INTERNATIONAL TRADE,
TO THE CANADIAN EXPORTERS' ASSOCIATION**

**OTTAWA, Ontario
February 22, 1995**



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It is impossible to have watched the course of events over the last year without recognizing that something fundamental is happening to the international trading system. The past 12 months have witnessed the birth of NAFTA [the North American Free Trade Agreement] and the World Trade Organization. APEC [the Asia-Pacific Economic Co-operation forum] has agreed - against all predictions only a year ago - to reach free trade among its developed economies by 2010 and among its developing economies by 2020. Not to be outdone, the countries of the Western Hemisphere have set 2005 as their target date for free trade, while Canada, the United States and Mexico have launched immediate discussions for the accession of Chile to NAFTA. At the same time, the European Union has proceeded with its own plans for expansion both northward and eastward.

Few would argue that what we are witnessing is nothing short of a momentous transformation of the world trading system. The myriad of agreements literally breaking out everywhere ensures that our trade policy agenda will be full for years to come.

But, despite our basic commitment to put into place a rules-based international trading system, little will result from our efforts unless companies seize the initiative to capitalize on falling trade barriers. We must pull together our collective talents and resources to exploit fully the trade and investment opportunities offered by the buoyant and emerging markets in Asia and Latin America; the 350 million strong European Union market where our established interests must be revitalized and expanded; and the traditional and rich U.S. market where we must strive to maintain and expand further our market share.

We are on the right course. As recent year-end trade figures showed, we did exceptionally well in 1994. Canadian exports increased by 21 per cent last year, reaching over \$219 billion. Our annual trade surplus totalled \$17 billion, up almost \$8 billion from 1993. With the United States alone, our trade surplus was \$28 billion, more than \$8 billion higher than in 1993. With Japan, we reversed a deficit of \$265 million in 1993 and recorded an impressive merchandise trade surplus of \$1.3 billion.

Enumerating trade statistics, however, tells only half the story. The other half is about how we got there. Our current export success is not attributable to any single cause. Rather, a mix of economic and trade policy initiatives, combined with sustained trade development efforts and a sharper, more competitive business community have put into place the underlying circumstances for our further export growth.

On the trade policy front, we have improved access for Canadian exporters in markets all over the world.

With NAFTA, we further secured our access to the U.S. market. We opened the doors to the growing Mexican market. We strengthened

the rules for investment, trade in services, and government procurement, among others, removing impediments to trade and achieving a greater degree of economic integration. There is still, however, some unfinished business in NAFTA, particularly in the area of trade remedy law. We began, last week, consultations with our NAFTA partners with a view to improving the application of trade remedy laws within our free trade area.

As we do this, we are moving to new measures to make it easier for you to do business across the border. During President Clinton's visit over the next two days, we will sign a new air agreement that establishes the world's largest, most flexible and most competitive aviation services market. We will also develop an action plan within six months to make cross-border travel, trade and tourism easier.

In the multilateral trade negotiations, the Uruguay Round, Canada met or surpassed its goals. While we must now ensure that the new World Trade Organization is up and running, our overriding goal must also be to maximize Canada's share of the projected \$1 trillion growth in worldwide trade that the agreement is expected to generate.

Having said this, I am somewhat puzzled by the results of a recent survey of Canadian business leaders which showed that the vast majority did not know whether the agreement creating the World Trade Organization would have any impact on their business.

Obviously, we must do a better job sharing with the business community what the opportunities are. With this in mind, we are developing information for use by exporters on how to transform our market access gains into tangible business opportunities, with special focus on smaller firms.

As we look into the future, the Americas, Europe and Asia hold out promise of greater gains in market access. We intend to build on our successes in NAFTA to meet the challenge identified by the Miami Summit of the Americas of constructing a Western Hemisphere free trade area by the year 2005. We are also following up the call the Prime Minister made to the French Senate last autumn to revitalize the North Atlantic link through closer trade and economic co-operation with Europe.

And we are working closely with our partners in the Asia-Pacific Economic Co-operation forum to meet the goal set last November to establish free trade by 2010 and 2020.

Cynics would argue that Canada's strong trade performance over the past year was essentially spurred by the position of the Canadian dollar relative to the U.S. dollar. Although this was certainly an important factor in tempting new exporters to enter global markets and in encouraging experienced exporters to seek

new opportunities, something more profound has happened. It would be an oversimplification to attribute our export successes primarily to our low dollar. It would not do justice to the managers and employees of numerous Canadian companies who have learned the hard way throughout the recession to become more effective, more productive and more internationally competitive.

It would not do justice, either, to companies, such as those represented by the Canadian Exporters' Association, who are increasingly competent, knowledgeable and street-smart when it comes to international marketing.

Our new Governor General invited us last week to "give good news a chance." Well, exports continued in 1994 to lead our recovery at an unprecedented pace. The tremendous successes of exporters are largely responsible for the robust growth experienced by the Canadian economy. This is good news indeed for all Canadians.

As we underline our recent export successes, I would like to launch the 1995 Canada Export Award competition. This award recognizes the tremendous export achievements of Canadian companies. I am pleased today to invite all qualifying exporters to send in their applications for this prestigious award.

Over the past year, we have consulted extensively with the exporting community on trade promotion issues to ensure that our initiatives meet the needs of exporters. I am particularly grateful for the advice from your Association including the recommendations outlined in your document *Towards a New Cohesive Export Strategy*.

Similarly, we received good advice from the International Business Development Review Committee chaired by Red Wilson and from the many exporters and groups of exporters who participated in the recent Parliamentary Foreign Policy Review. Through these and other fora, exporters told us that they want more discipline, more focus and more efficiency, and a greater reduction in overlap and duplication. We have been listening carefully to what they have been saying. We have already responded with concrete measures and there is more to come.

Over the past year, we have improved market information and intelligence gathering. We have made progress in getting that information to you. We have put the emphasis on assisting job-rich small and medium-sized companies to enter export markets. We have also decided to deploy more trade commissioners to high-growth markets in Asia-Pacific and Latin America.

Together with the provinces and the private sector, we are working to extend the "Trade Team Canada" concept to include a more coherent, integrated approach to international business development. For example, we are reducing duplication through

integration, streamlining and co-ordination of federal and provincial programs and services. We are putting into place better ways to share market intelligence data and to work together to improve the export readiness of companies.

Access to export financing, particularly for smaller firms, is another area where we have invested considerable efforts. Through greater collaboration between the private banks and the Export Development Corporation [EDC], new programs have been developed to provide small and medium-sized companies with access to more credit, on a short-term and medium-term risk sharing basis. The banks are also involved in a program being launched next month to provide bankers with more training in international trade.

Although the banks have made some progress in meeting the needs of exporters, particularly through the joint programs we have put together with them and EDC, they must take a more active role in export financing for small and medium-sized companies and we must see results.

We want to place more focus on small and medium-sized firms, to diversify our commercial relations beyond traditional markets, to build partnerships with the private sector, and to improve co-ordination with the provinces. Our challenge is to transform Canada from a trading nation to a real nation of traders. In doing so, we must ensure that smaller firms are full participants in this process.

Accordingly, we are responding to some of the recommendations of the private sector, as well as to the fiscal reality facing the government, by putting into place a number of important changes to our international business development programs that will make them both more efficient and more cost-effective. The changes, to be effective April 1, include the following:

- First, assistance under the Industry-Initiated part of the Program for Export Market Development [PEMD] will be focussed on companies with annual sales of less than \$10 million and/or less than 100 employees for a manufacturing firm, and less than 50 employees for a services firm.
- Second, the Capital Project Bidding component of PEMD will be focussed on small businesses defined by the same criteria.
- Third, recovered PEMD funds will flow back into the program. New customers will directly benefit from the success of previous PEMD users.

- Fourth, participation in government-sponsored trade fairs will be cost shared. For companies meeting the small business definition, a sliding scale will be used in determining departmental contributions for trade fair participation. All others will participate at their own cost. In this regard, we also intend to put more emphasis on participation in large, strategic international trade shows, complemented to a lesser degree by smaller, regional shows that are high priority.
- Fifth, all participants in government-sponsored outgoing business missions will pay all their own costs.
- Finally, government-initiated international business development programs will be consolidated into one program. Consolidation will help develop an integrated, strategic approach ensuring that limited resources are directed to the markets where the greatest opportunities exist. Over the coming year, we will examine further consolidation of trade programs, including industry-initiated PEMD support.

Other recommendations of Red Wilson's Committee, such as improved export financing support for smaller firms, promoting closer co-operation between the Department and the CIDA [Canadian International Development Agency] Industrial Co-operation Program, and strengthening the Trade Commissioner Service continue to be considered actively.

We have also been working on a comprehensive export strategy for Canada. Last week, I released our export strategy, the *International Trade Business Plan*. The document and the process leading up to it serve to make us more focussed not only in the development of Canada's export strategy but also in the delivery of our international business activities. It reflects a consensus on trade development initiatives reached among 19 federal departments, the provinces, the International Trade Advisory Committee [ITAC] and the Sectoral Advisory Groups on International Trade [SAGITs], numerous vertical and horizontal industry associations, such as the Canadian Exporters' Association, as well as individual companies. Next year, we shall strengthen it further by incorporating the activities of the provinces to an even greater degree and increasing participation by the private sector. Ultimately, the *International Trade Business Plan* should reflect the priorities of Canadian exporters. It will, however, only be as good as the input we receive from the exporting community. I invite you to give us your suggestions for additional improvements.

To complement the *International Trade Business Plan*, we shall develop comprehensive country strategies for key foreign markets on a pilot project basis to ensure the most effective use of scarce government resources. These strategies will integrate the

full range of government policies, instruments and programs. They will draw together the efforts of other federal departments, the provinces and the private sector.

In international trade matters, the role of government is to support the efforts of the business community through trade development programs and policy initiatives that help the private sector take advantage of the opportunities offered by foreign markets.

Trade policy and trade development are therefore the reverse sides of the same coin; one cannot exist without the other. They, in turn, make no sense without the efforts of companies to develop new markets.

We shall accordingly continue to work with you towards widening the reach of our free trade partnerships and taking advantage of the opportunities created. Together with domestic reforms to enhance our international competitiveness, they provide the basis for sustaining growth and job creation in Canada.

As we look to the future and contemplate what tools we can provide the business community to help it further in the new global economy, one overarching reality stands out: the need to reconcile Canada's fiscal reality with the need to remain internationally competitive.

Indeed, I would go further: if we do not take the necessary steps domestically — on debt reduction, social reform, and government restructuring — to make Canada more competitive, no number of trade agreements or trade development tools will secure Canada's economic future. That fundamental challenge we shall meet with next Monday's budget.

Thank you.