

STATEMENTS AND SPEECHES



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No. 72/7 MINISTERIAL MISSIONS AS A TRADE-PROMOTIONAL TOOL

A Speech by the Honourable Jean-Luc Pepin, Minister of Industry, Trade and Commerce, to the Canadian Club of Montreal, March 6, 1972.

The success of Canadian exporters doesn't come without efforts on the part of businessmen and labour and on the part of governments. The Department of Industry, Trade and Commerce of the Federal Government has a broad array of tools to assist Canadian exporters either to break into new foreign markets or to consolidate and expand their position in existing ones.

I am referring to the whole spectrum of activities performed by the various branches of my Department:

Trade negotiations for a variety of purposes, mostly for the improvement of the terms of entry for Canadian goods and services;

assistance of all types provided by our trade commissioners at our 80 posts located in 57 countries around the world;

trade promotion through trade fairs abroad and trade missions incoming to Canada and outgoing to other countries;

financial assistance as in recently-developed programs for support in bid preparations for capital projects abroad or for market identification and "adjustment", for individual participation in trade fairs abroad or for invitations to foreign buyers;

the support for the creation of new products for world markets through the various research and development programs (my Department's budget for these programs last year was around \$100 million);

the advice which officers in the Department offer at no cost to the many businessmen and industrialists who visit the Department every day;

the services of the Export Development Corporation and of Statistics Canada, for which I am also responsible to Parliament;

to be complete, I should have to include other services rendered by many other departments -- External Affairs, Energy, Mines and Resources, National Defence, National Revenue, Finance

I should be misleading you, of course, if I were to pretend that all this knowledge and all these instruments are co-ordinated in an overall strategic "game plan" with such scientific precision that there is little or no room left for improvements -- far from it. We are constantly reviewing and improving our existing services and developing new ones more in keeping with new situations and new requirements. These services are often combined to increase the impact and, consequently, the chances of success -- on a given market (e.g., the recently-created market development group in the Department of Industry, Trade and Commerce, which assembles "packages" of services, equipment and financing).

Each of these programs and services could be the subject of a good dissertation, but I shall concentrate today on one of them only -- ministerial missions.

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I am delighted at the interest that you have shown in these (Chinese) missions. They play a very important part in my Department's efforts to diversify trade, to increase Canada's exports to markets other than the U.S.A. I should underline here that our purpose is not to shift our exports of Canadian goods from the U.S.A. to other markets but rather to keep on doing as well as we have in the United States and to do still better in other markets.

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Trade Missions

The traditional type of mission for businessmen is for the specific purpose of either selling Canadian goods and services abroad or studying the requirements for specific products in foreign markets. We used to have quite a number of these.

However, after reviewing the results obtained from the various selling missions of the last few years and comparing their costs with the cost of administering what we call our "incoming buyers" program, it was found that the cost-benefit ratio of the latter was very much higher. In other words, for each dollar spent the return in sales concluded was greatly superior when we brought the foreign buyers to Canada to view the goods at a trade fair here or at the Canadian manufacturer's plant or in operation somewhere in Canada. The Department has therefore decided to reduce the number of outgoing sales missions but has considerably increased the number of invited foreign buyers (last year, there were 700; this year, we expect to have around 1,000).

We still organize a few outgoing "technical missions", consisting of businessmen and officials, when it becomes necessary to study and discuss what foreign countries do in specific product areas. Two recent examples were the

tobacco mission to Latin America and a technical apple mission to New Zealand, Australia and Japan last year. We are ready to have others whenever circumstances justify it.

We also have government missions of politicians and officials, but these are usually restricted to trade policy matters. I refer to the type of discussion I have had in recent months, for example, in Morocco, in Israel, in Korea, in Italy.

Lately, we have relied increasingly on what some call "ministerial missions", what I call "tripartite missions", i.e. groups composed of businessmen (102 in the last five missions), officials and politicians, each category contributing its own specializations and motivations. My recent missions to the U.S.S.R., Germany, China, Algeria and Japan were of this type. They have been most popular with all participants and will reveal, I believe, in the coming months a good deal of success, some of it already visible.

Each one of these missions is the subject of a very extensive preparation. At the outset I should say that every market presents different problems and must therefore be tackled in a different manner. The tripartite missions, though similar in composition, have been quite different in objectives.

First, there is the selection of the country to be visited. Some of the factors considered are the size of the market and the sales prospects for Canadian firms; particular problems which Canadian exporters may be facing in a country under consideration and the likelihood of finding solutions to them; whether or not the country represents a new market and what special attention, if any, may be required; particular advantages which Canada may have in the market being considered over other exporting countries, and how those advantages could be put to use, etc.

Once the decision is made to go ahead with a mission, the mission's objectives are defined and we move on to the membership selection.

On the official side, the mission membership always includes a representative of the Canadian Department of External Affairs. This will usually be the Canadian ambassador in the foreign country but, in addition, may include officials from the Department of External Affairs in Ottawa. Representation from other departments and agencies will depend on the mission's nature and the issues anticipated. It may include the Canadian International Development Agency, the Departments of Finance, Agriculture, Science and Technology, etc.; if export financing is likely to be an issue, a representative of the Export Development Corporation will also be included.

With regard to the business sector, representation is determined, among other things, in the light of the mission's objectives, the market possibilities for Canadian products and services and past performance in that market by particular Canadian firms. A final list of Canadian firms is drawn up after consultation with the trade commissioner in the field and the "line branches" in my Department. A point worth noting here is that the businessmen are invited to join a mission with the understanding that they will represent

their business sector in addition to their own particular firm. The reports they have to file at the end of the mission must reflect that fact. Furthermore, they undertake to make generally known in their own sector the business opportunities they have discovered while on the mission. This may be done through speeches, through articles in trade publications or through their day-to-day contacts with their colleagues. I am pleased to note how well many of the members of past missions have done in this respect.

Because of the relatively short time a mission has to accomplish the task (usually three to five days), every member has to be very well prepared. A first meeting of the mission members is, therefore, held before the group reaches the country of destination. This first meeting may be held either in Canada just prior to departure or somewhere *en route*. In addition to routine administrative questions, the mission is briefed on its purpose; the political, economic and trading conditions that prevail in the country to be visited; difficulties that may be encountered; and, in a general manner, the task that has been set for each member. Shortly after its arrival in the foreign country and before the mission officially begins, a second briefing meeting is held at which the embassy officials go over the various points already covered at the earlier briefing and bring the members up to date on the latest developments. The mission members then have the opportunity to go over their individual programs with the trade commissioners at the post, discuss their objectives and make any adjustments if necessary.

Once the mission has officially begun, the pace becomes rather hectic, leaving little time for rest. I think this will be attested by anyone who has taken part in such a mission. A typical day starts around 8 a.m. with a briefing session, usually led by the senior official on the mission, during which the previous day's activities are reviewed and assessed (the minister's and other members'), the members' activities for that day explained and any difficulties discussed, following which the group breaks up and each follows his own individual program (the minister making official visits on his counterparts -- officials and businessmen doing likewise). At the end of the day, each businessman is expected to file a report on his visits of the day. These are reviewed by the trade commissioners and the mission secretary and summarized for the minister. The minister is de-briefed on the day's activities and prepares for his meetings scheduled for the next day.

Once or twice during the mission's stay, the group will meet in plenary session to discuss its progress, findings and any difficulties. This general exchange of ideas helps each member assess his own progress in a proper context and it is also useful to the minister in his discussions with his counterparts.

When the mission has completed its business and returns to Canada, the work is not finished. The businessmen, as I mentioned earlier, must report to their colleagues and industry associations, the mission secretary prepares a final mission report which is made available to any interested Canadian businessman and, depending on the circumstances, a task force is set up or a person designated to follow up on matters and opportunities resulting from the mission.

In light of the foregoing explanations, I should like to examine with you some of the issues surrounding three of the ministerial missions I have had the pleasure of leading over the past year or so.

Mission to the U.S.S.R.

What were the problems to solve in the mission to the U.S.S.R.? We observed:

- 1) That the economies of the U.S.S.R. and Canada are not complementary in the traditional way -- we produce and export a lot of the same things;
- 2) that the U.S.S.R. is an advanced country technologically;
- 3) that it is difficult to make direct contact with Soviet end-users.

The conclusion: let's have an agreement with the U.S.S.R. for co-operation in science and technology in areas of mutual interest that would lead to closer contacts with operating ministries, to the exchange of know-how and to sales of sophisticated machinery.

That is why the mission to Moscow last January included, in addition to officials and a politician, 12 businessmen knowledgeable in the industrial applications of science and technology in their respective fields of business. The politician was there to conclude a Scientific and Technological Agreement. It established a number of mixed "working groups" whose purpose was to study and identify areas where co-operation might be mutually beneficial. The existing working groups cover: architecture and construction and building materials; forest-based industry; non-ferrous metals industry; electric-power industry; oil industry; gas industry.

Each group has met at least once, either in the U.S.S.R. or in Canada, since the Agreement was signed.

Two more groups will be created at the next meeting: one on the transport industry and another on "agri-business".

Already, there are clear indications that the Agreement has opened doors for the sale of a diverse range of goods and services. A few examples are: prefabricated housing; forest-harvesting equipment; sawmill complexes, pulp-and-paper plants; plywood mills; geophysical survey equipment; evaluation and planning of new mines; truck block-heaters; air-traffic-control equipment; large four-wheel-drive tractors; poultry incubators.

Furthermore, the signing of the Scientific and Technological Agreement, Mr. Trudeau's visit to Russia last spring and Mr. Kosygin's visit to Canada last fall have brought about a closer working relation with the Soviet

Union which certainly contributed to the signing last week of a contract to sell \$330 million of wheat to that country during the coming crop year. This sale, like all wheat sales, will benefit the whole of Canada. (Shipments worth \$250 million under the current contract are now being delivered.)

Mission to China

In the case of China, the situation was somewhat different. Canada had established diplomatic relations with the People's Republic of China but trade prospects with that country were uncertain and admittedly limited -- China imports only about \$2-billion worth of goods. A mission was, therefore, set up to discuss with the Chinese authorities the trade prospects and methods of doing business and obtaining the best possible lines of communication and terms of entry.

As a result of the June-July 1971 mission, the Chinese agreed to look to Canada first as a source for wheat. This agreement has been honoured since then by two purchases, the first, in September 1971, valued at \$30 million, and another, last December, for wheat to be delivered in 1972 and valued at nearly \$200 million.

In addition, I might mention *inter alia*:

- 1) There will be a Canadian "solo" trade fair in Peking, August 21 to September 2, 1972, which will be the largest Canadian industrial exhibition ever to be held abroad. Some 250 Canadian companies have indicated an interest in participating. The Chinese will be coming to the Canadian National Exhibition in Toronto this summer with a major exhibition.
- 2) The Chinese Minister of Foreign Trade, Mr. Pai Hsiang-kuo, is expected to visit Canada this year; a Canadian minister will represent the Canadian Government at the Trade Exposition in Peking.
- 3) Both sides agreed to hold formal trade consultations each year. The first such meeting took place in Peking in December 1971, at which time the Chinese gave the Canadian side an indication of their import needs for 1972. This information has been made available to members of the Canadian business community and will serve as the basis for Canadian trade-promotional activity in the coming year (at Canton and at Peking). The Canadian delegation reviewed Canadian export capabilities in great detail for the benefit of Chinese state trading companies.

It is expected that during 1972 there will be a broadening of the range of Canadian exports to China to include manufactured and sophisticated items in addition to the continuing sales of wheat.

Canada's trade with China is important. Its 1971 exports were valued at approximately \$204 million and imports at \$23.3 million. In addition to wheat, Canada exported to China: wood pulp (\$2.1 million), tire fabric (\$730 thousand), tallow (\$2.0 million), aluminum ingots (\$2.2 million), nickel anodes (\$743 thousand) and X-ray equipment (\$236 thousand) -- some of those sales resulting directly from the mission.

Mission to Japan

Of all the ministerial economic missions organized these past few years, the one I led to Japan a few weeks ago may well be the most important in trading terms. It was the largest economic mission Canada has ever sent anywhere in the world. It was subject to a very extensive and thorough preparation and the effects have already been most encouraging, as you will see.

Japan is Canada's third-largest market and may very soon displace Britain as our second most-important market. In 1965, two-way trade between our two countries totalled \$456 million and Canada had a surplus of almost \$100 million. By 1971, trade had more than tripled, reaching \$1.6 billion (about \$800 million each way).

What was "the problem"?

While on the surface things appeared to be going very well, Canada had for some time been concerned with the composition of its exports to Japan -- that is, their degree of fabrication. In 1971, fully 97 per cent of our imports from Japan were in the category of manufactured products, which contrasted very sharply with our exports of end-products to Japan -- which account for less than 3 per cent of the total. This compared poorly with our performance in other markets. As a simple example, about 45 per cent of our total exports to the U.S.A. are fully manufactured. In the Philippines, over 60 per cent of our sales are in manufactured form.

Our purpose in going to Japan was to try to remedy the situation, to try to add a new dimension to our exports to Japan. We had suggested that part of the problem lay with Japanese import controls and administrative procedures, which are too restrictive and do not allow the free movement of goods. On the other hand, some Japanese businessmen had suggested that Canadians were not being aggressive enough in pursuing trading opportunities in Japan. There was probably some truth in both explanations, and that is what the mission to Japan set out to clarify.

The problem was: How could Canadian exporters penetrate the Japanese market with manufactured goods?

The 31 Canadian businessmen on the trip spent a whole week meeting with their Japanese counterparts, informing them on Canadian export capacity, discussing business opportunities, determining existing impediments. During the five days we were there, it was estimated that they met well over 1,500 Japanese businessmen and officials. Some people referred to our operation there

as a "blitz" (the Japanese Minister of International Trade and Industry referred to it, in a friendly way, as the "Pepin typhoon"). I personally met five Japanese ministers, the Prime Minister, and the heads of all five major trading companies, and addressed the Keidanren and the Japanese Press Club.

I believe we were successful in making "our case":

- 1) The Japanese Government and business community recognized that the present "mix" of Japanese imports from Canada did not give a true picture of Canadian export capabilities and that a better trade pattern was required.
- 2) The Japanese were made more aware, thanks to the work of the participating businessmen and officials, that Canada has the capacity for the development of exports of manufactured goods as well as industrial materials and foodstuffs. This process of education is going on and will have to be amplified. A science and technology mission, led by the Honourable Alastair Gillespie, Minister of Science and Technology, is now on its way to Japan.
- 3) Japanese ministers agreed to give special attention to the early resolution of particular trade difficulties which exist between our two countries (live cattle, poultry, apples, etc.).
- 4) The giant Japanese trading companies agreed to co-operate in helping Canadian efforts. In this respect, planning is already well under way for visits to Canada by high-level teams of representatives from three of the largest trading companies in Japan (Mitsubishi, Sumitomo, Marubeni), which will endeavour to develop exports of Canadian manufactured goods and services to their country and to third markets.
- 5) Finally, Canadian industry representatives on the mission better appreciate (and I hope that they are spreading the good word) that it will be necessary to "try harder" to increase Canadian exports to Japan. The new atmosphere and the important high-level contacts established with Japanese industrialists during the mission indicate, however, that their efforts are likely to have a better chance of success now than in the past, especially if they are multiplied.

A whole list of products having a strong market potential in Japan was identified by the mission members and compiled by officials in my Department, and is available on request. Among the more important, let me mention: STOL (short-takeoff-and-landing) aircraft; waterbombers (for fire-fighting); integrated circuits and semi-conductors; aircraft simulators; computer peripherals; computer software; airport ground-equipment; pollution-control equipment; logging equipment; mine-excavation equipment; packaging technology; wooden-housing components and systems; meat and meat products; fish; frozen vegetables; pet food; etc.

Businessmen who have participated in these various missions now realize better the vast opportunities that exist for Canadian manufactured products in those export markets. My Department, in conjunction with the Export Development Corporation, other Federal Government agencies, and provincial departments, is continuously trying to improve its various forms of assistance to Canadian businessmen so that they may compete better. We should expect that, with these improved services and promotional aides, our businessmen would become more competitive and more aggressive so that our very remarkable performance of the past years would not only continue but actually improve. There is one thing politicians and officials cannot do -- that is, conclude the business deals.

Canadians must never forget that 25 per cent of their gross national product comes from exports. They must look to the world as their market. They must encourage businessmen in their efforts to reach it and admire those who do.

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