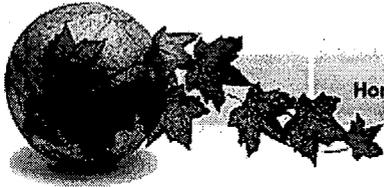


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GOVERNMENT RESPONSE TO THE STANDING COMMITTEE ON FOREIGN AFFAIRS AND INTERNATIONAL TRADE ON CANADIAN SMEs IN THE WORLD ECONOMY: DEVELOPING EFFECTIVE BUSINESS-GOVERNMENT PARTNERSHIP FOR INTERNATIONAL SUCCESS

November, 1996

The following is the Government response to the recommendations of the Standing Committee on Foreign Affairs and International Trade contained in its report tabled in the House of Commons on June 19, 1995. These recommendations result from the review by the Standing Committee of testimony received during the First Session of the Thirty-fifth Parliament.

1. The federal government needs to define still more clearly its role in international trade and business development. The Committee recommends that any review of the government's role be guided by the following principles:

In October 1995, International Trade Minister Roy MacLaren, also speaking on behalf of Industry Minister John Manley, announced the government's International Business Development (IBD) strategy. This strategy outlined the federal government's initiatives to define its role in international business development. Government has recognized that to strengthen IBD performance, and to expand the number of internationally successful firms, it must pursue its roles of:

- helping companies develop the skills and knowledge necessary to conduct business in international markets;
- gathering and disseminating commercial intelligence and information;
- sharing risk through cost-shared business development initiatives;
- acting as a broker, primarily in dealings with foreign governments;
- providing financing for exporting;
- advocating or protecting the interests of Canadian business/industry abroad;
- negotiating and maintaining market access;
- facilitating partnerships, such as strategic alliances and joint ventures, both at home and abroad;
- facilitating the exchange of knowledge and technology between Canadian and foreign organizations;
- helping to expand the cooperative R & D activities that take place between Canadian and foreign organizations;
- promoting investment to Canada;
- promoting tourism to Canada;
- encouraging Canadian business to play a role in sustainable development of the Developing World; and,
- promoting Canadian culture and educational institutions in foreign markets.

The government's IBD strategy acknowledged that each department has a role to play. Central to the strategy is building a domestic Team Canada approach to strengthen government's overall IBD effort

through partnership with the provinces and the private sector. The result is improved client service delivery and more strategic targeting of resources to where they can genuinely "make a difference". There has been very substantial progress in implementing the new IBD strategy. Measures to integrate IBD assets and improve client service include:

- Canada's International Business Strategy (CIBS), the vehicle for articulating and coordinating a national strategy for IBD, including a list of specific international activities planned for each of the sectors
- National Sector Teams (NSTs) now guide the development and implementation of trade strategies in 23 sectors
- Regional Trade Networks (RTNs) coordinate the local delivery of trade services and programs to clients, especially SMEs, in partnership with the provinces
- International Business Opportunities Centre (IBOC) matches business leads provided by Trade Commissioners with the interests of capable Canadian firms, particularly SMEs
- Access to improved market information and intelligence products and services

The Prime Minister's Team Canada missions abroad provide an example of what can be achieved when Canada works together. This partnership is particularly important in the delivery of the trade and investment elements of the government's jobs and growth strategy. These new initiatives, which are intended to develop new exporters, build on the government's ongoing IBD efforts.

This approach casts the federal government in both a leadership and a partnership role with the provinces. Memoranda of Understanding or Letters of Agreement on IBD have been signed with nine provinces and two territories. The provinces are a significant player in the Regional Trade Networks, which link federal and provincial governments at the regional level, pooling expertise and resources to provide more efficient services and information to business clients. The provinces, along with federal sectoral departments, regional development agencies, and private sector organizations, are part of the National Sector Teams which develop the priorities in Canada's International Business Strategy (CIBS). In the agri-food sector, a special working relationship between the federal and provincial governments, the Federal Provincial Market Development Council, promotes complimentary trade development service to exporters.

New Brunswick demonstrates one already successful model of an active regional partnership. Here an integrated trade strategy amongst four federal and six provincial departments has already developed concrete actions to be undertaken in priority markets and sectors over the next year and has streamlined access and service delivery to clients.

Recently, in June of 1996, International Trade Minister Arthur Eggleton addressed the Annual General Meeting of the Federation of Canadian Municipalities in Calgary. On that occasion, he conveyed a strong message to members of the Federation to join Team Canada as full partners. Since June, municipalities, particularly economic development authorities, are working with the Department of Foreign Affairs and International Trade to raise the number of SMEs exporting their products and services to overseas markets.

- Programs and services should be focussed primarily on SMES, in particular to SMEs that are "new entrants" into international markets;

SMEs are clearly a priority for the government, and were recognized as a priority in the IBD strategy. In outlining the IBD strategy to the 52nd annual meeting of Canadian Exporters Association in October 1995, previous Minister Roy MacLaren said "We must also work harder to get more companies involved in international business... We have to get more small and medium-sized companies into the international arena... To this end, we must better prepare and train companies in all regions of the country to help them become successful exporters. We must also continue to provide market intelligence, sales leads, business contacts and country-specific and sector-specific analysis." Minister MacLaren set out at that time the challenge for Team Canada to double the number of active exporters by the year 2000.

The Team Canada partnership will step up personal contact with the private sector by assigning "account executives" to individual firms. These officers will come from a number of federal and provincial organizations ie Industry Canada, Atlantic Canada Opportunities Agency, Federal Office of Regional Development - Quebec, Western Economic Diversification, Agriculture and Agri-Food Canada, National Research Council, the Business Development Bank, provincial trade departments, and municipal governments, as well as regional economic development offices.

The account executives will provide an enhanced level of service to a portfolio of companies and will establish repeated one-on-one contacts with targeted clients. They will actively provide encouragement and advice on exporting. They will also help steer clients to all trade services, including exporter preparation programs and market information / intelligence sources.

As part of this strategy, trade commissioners are increasing their SME networking. Their task is to provide SME contacts at industry shows (ExportVision) and in one-on-one meetings (OutReach) with market intelligence that compel the company to seriously consider the pursuit of market leads in export markets. Fresh from markets abroad, trade commissioners have high credibility with Canadian firms and can exert a major influence on their decisions to enter foreign markets.

Since May of 1996, 57 trade commissioners have visited nearly 300 SMEs in 25 Canadian cities. As a result of one recent outreach effort in Montreal in July, for example, Trade Commissioners from the Canadian Embassy in Sao Paulo will be leading an incoming mission of 45 buyers to attend a forestry show in Quebec City in October.

In addition, existing government IBD services are already focussed on SME's needs, and guiding "new entrants" through the steps required to become successful in international markets. For example, "NEXPRO", the New Exporters Training and Counselling Program, delivered by the Business Development Bank of Canada is a successful program to prepare new companies to export. NEXPRO is designed for owners and managers of small and medium-sized companies with export potential, but who lack the exporting knowledge and experience to proceed with confidence. NEXPRO helps entrepreneurs broaden their knowledge of the export process, develop a realistic export plan and implement their own export strategy. In addition to group workshops and discussions, NEXPRO provides the SME with 40 hours of personalized counselling. Alternatively, Western Economic Diversification's International Trade Personnel Program, offers support for SMEs ready to export for the first time, by assisting with the expenses of hiring recent post-secondary graduates to develop export sales.

To allow SMEs to get "hands on" international business experience, "NEBS" (new exporters to border states) and "NEXOS" (new exporters to overseas), were designed. "NEBS" does not require any previous export experience, and is designed as a first step for potential SME exporters. Participation is not limited to a specific level of sales or by other financial criteria. "NEXOS" is also intended as export preparation, however it is targeted at SMEs which are one step further along in their development. These SMEs are likely to have demonstrated a sustained and successful marketing effort to the USA or other countries over a number of years, but will be new to the target market overseas.

Once SMEs have developed the skills and knowledge necessary to conduct business in international markets, further government IBD programs and services assist export ready companies with export financing, market information and intelligence, strategic alliances, and technology and investment acquisition.

- The government's principal role is to stimulate and facilitate, not to subsidize;

The earlier outline of the government's roles clearly demonstrates that these actions are undertaken to stimulate and facilitate the private sector's IBD initiatives. Government does not subsidize, but will engage in risk-sharing with SMEs to further stimulate their activities. This principle was recognized in the government's IBD initiative of Common Program Guidelines for all federal departments. The Common Program Guidelines acknowledged that the private sector had recommended that government resources available to support individual firms should be focused, above all, on smaller companies,

which could benefit most from government support, and that business share with government more of the costs associated with trade fairs and missions. The guidelines now allow for international business support to be provided only to smaller businesses that have annual sales of less than \$10 million or that have fewer than 100 employees in the case of manufacturing firms, or fewer than 50 employees in the case of services firms. In order to stimulate the exploration of new IBD opportunities and gather new market intelligence, this repayable financial incentive is provided to smaller business for their first trade fair participation in a target market, with declining incentives for subsequent participation. All companies that participate in government-organized trade missions have to cover their own direct costs and share common costs with the government.

The Department of Foreign Affairs and International Trade's Program for Export Market Development (PEMD) was also refocused to provide direct financial support to smaller business only, and is another financial incentive repayable with success. Last fiscal year, 998 small businesses took advantage of PEMD, reporting \$233.3 million dollars of sales and contractual successes, based on government financial support of \$10.5 million dollars. PEMD provides a stimulus to export ready companies (preference is given to small business with sales greater than \$250,000) that have the financial means and sales performance for a reasonable chance of success, ensuring that PEMD does not become a subsidy.

For established SMEs at a preexport stage seeking additional financing, the Business Development Bank of Canada offers a variety of programs, including the Working Capital for Growth loan. This loan is available for a wide range of growth-related initiatives, including financing larger inventory and accounts receivables, product development, new product marketing, and developing/tapping international markets.

- Government programs and services should supplement and complement private sector providers rather than duplicate and compete with what is made available by the provinces, municipalities and the private sector; and

Since 1894, and the establishment of the first Trade Commissioner, the government has focused on IBD programs and services not readily accessible from public or commercial services. For the last 100 plus years, government IBD programs and services have continuously evolved to include the highest value-added possible in response to the needs of Canadian companies. Ensuring that the government continues to provide value added services is part of the current IBD strategy. As new programs and services become available from the private sector or other public sources, and are accessible to all Canadian companies, the government will refocus it's programs and services.

Government is not only seeking to provide the highest value-added services possible, but actively working in conjunction with the private sector. Private sector organizations are part of the National Sector Teams and guide CIBS. In the case of the agri-food sector, market development of all federal departments are coordinated through the Agri-Food Industry Market Strategies (AIMS) process. AIMS depends on industry associations, acting on behalf of their sectors, to develop their own IBD strategy, enabling government to respond to assistance requests. Other examples of public/private sector cooperation will be provided throughout this response.

- Government programs and services should be adapted to the specificities of each province, region and economic sector. (page 16)

The government fully agrees with the recommendation that government programs and services should be adapted to each region. The regional development agencies, Atlantic Canada Opportunities Agency, Federal Opportunities for Regional Development - Quebec, FEDNOR, and Western Economic Diversification, due to their mandates to assist SMEs and through their responsibilities for Canada Business Service Centres and Community Future Development Corporations, work closely with Canadian companies in their communities, providing exporter awareness, education and other support to encourage exports. They also provide a single point of contact, allowing SMEs to access other federal trade services. Furthermore, as was already mentioned, the government has acted to incorporate regional objectives through the Regional Trade Networks (RTNs). The Regional Trade Networks are also

responsible for the Regional Trade Plans, including the Inventory of Domestic Activities.

2. The Committee welcomes the recent decision of the federal government to provide EDC with \$50 million of additional funds. The Committee recommends that these funds should be dedicated to SMES. (page 23)

The government's March 1996 Budget stated that the \$50 million increase in EDC's shareholder capital was to be used to establish export financing vehicles and risk-sharing partnerships. Accordingly, one of the areas which EDC is exploring is a new initiative in which a portion of this capital is used to back a portfolio approach to bonding and Foreign Investment Insurance (FII), reducing turnaround time on these products for SME exporters by lowering the level of due diligence required.

EDC's support for SMEs, both in terms of volume of business supported and number of clients served, is already substantial and has been increasing steadily since 1990. EDC has taken a variety of initiatives to fill financing gaps faced by SME exporters, including the establishment of the Emerging Exporter Team, support for Northstar Trade Finance (the line of credit for which was more than doubled in July 1996), and development and implementation of the Master Accounts Receivable Guarantee Program (MARG) for delivery by financial institutions, all of which have been very well-received by the SME exporting community and appear to have filled real "gaps" in the market for export financing and insurance.

3. The Committee has been favourably impressed by the newly established EDC programs and services targeted as SMES, notably the Emerging Exporter Team and the Master Accounts Receivable Guarantee (MARG) Program. The Committee recommends that their experience be carefully monitored with a view to their further strengthening. (page 23)

EDC's Emerging Exporter Team has proven a very successful initiative, with more new SME exporters being served every month and the level of exports supported continuing to increase. EDC has now complemented the Emerging Exporter Team with its new SME Transaction Team, which is mandated to find ways of financing or guaranteeing medium-term transactions for SMEs. EDC is also continuing to work on the development of new SME products.

Exporter interest in the MARG is high across all regions of the country and all eight financial institutions that are delivering the program have already signed up policy-holders. To supplement financial institutions' marketing of the product through their retail networks, EDC is pro-actively marketing it directly to exporters.

As recommended by the Committee, EDC management will continue regularly to review results of both the Emerging Exporter Team and the MARG with a view to strengthening them and increasing the number of exporters served by them. In this respect, EDC will continue its efforts to market these programs directly to exporters. EDC also reports regularly to its Board of Directors and to the Minister for International Trade on its program of support for SME exporters.

4. Recognizing that export financing services for SMEs may not be self-financing in the short-term, the Committee recommends that Emerging Exporter Team be given a precise and separate budget allocation within the Export Development Corporation (EDC). This budget allocation should include specific budget targets over a five-year period, after which the Emerging Exporter Team should be self-financing over this term. The Committee takes note of the efforts now being made in this direction. (page 24)

EDC is committed to providing the ongoing funding necessary for the Emerging Exporter Team to expand its efforts in support of SME exporters. In this context, as the number of SME exporters supported by EDC - and the range of their needs - has increased, EDC has consistently added to the human and financial resources required by the Team.

Funding for the Emerging Exporter Team is allocated from EDC's corporate revenues which are generated from its insurance and lending activities and which have consistently enabled EDC to operate on a financially self-sustaining basis. One of the medium-term objectives of the Team is to make a positive contribution to corporate overhead. While working towards that goal, EDC will ensure that the Team is adequately funded from the Corporation's budget.

5. To press financial institutions to be more forthcoming with SMEs, the Committee recommends when conducting the regular reviews of the Bank Act that the federal government evaluate the performance and future intentions of financial institutions with respect to SMEs in export markets. If this effort is deemed inadequate, the government should take this into account in its decisions. (page 24)

The government is pleased to note that financial institutions have made certain improvements in the support they provide to SME exporters. These include the security value they accord foreign accounts receivable, that certain of the banks have increased credit ceilings in and are exploring innovative trade finance solutions for a number of foreign markets, and that financial institutions are delivering both the Master Accounts Receivable Guarantee Program (MARG) and the Progress Payment Program (PPP) in cooperation with, respectively, EDC and CCC. In addition, Northstar Trade Finance is a very good example of a partnership between the private and public sectors which delivers enhanced export financing support to SMEs.

Notwithstanding these improvements, the government looks to financial institutions to continue to develop their support for SME exporters, as well as for SMEs generally, and monitors such activity on an ongoing basis. The government agrees that the review process for changes to financial institution legislation, such as the Bank Act, should be used as an opportunity to ascertain whether there are impediments to financial institution lending for SME exporters and, if so, determine specific policy action appropriate for their removal. In the case of the banks, the government agrees that monitoring of their lending activity might be enhanced if the House of Commons' Industry Committee asked them to expand their quarterly small business statistical reporting to include data and general reporting of their export-related financing provided to SMEs.

6. The Committee recommends that the government should also encourage other financial institutions, in addition to Schedule I banks, such as insurance companies, pension funds, credit unions and caisses populaires, to provide funds needed by SMEs for export trade. Those institutions that enjoy special tax advantages should receive particular attention. (page 24)

Credit unions and caisses populaires are regulated at the provincial government level, limiting the federal government's ability to provide them with incentives to provide financing for SME exporters, and the Bank Act imposes limitations on the types of activities which insurance companies and pension funds can engage in. Nevertheless, the government has mandated financial crown corporations to build partnerships with private sector financial institutions in order to increase support provided to SME exporters. In this context, EDC's Master Accounts Receivable Guarantee Program (MARG) and CCC's Progress Payments Program (PPP) are being delivered not only by Schedule 1 banks but also through Caisse centrale Desjardins' network of caisses populaires. In the case of the MARG, EDC is actively exploring delivery through smaller regional credit unions and regional banking institutions. The government regards this use of "alternate" private sector delivery channels as a positive development.

7. The Committee recommends labour sponsored venture capital corporations and RRSP eligible equity securities be encouraged to form strategic alliances for the purpose of risk sharing in small and medium business export programs. (page 24)

Labour-Sponsored Venture Capital Corporations (LSVCCs) have accumulated over \$3 billion in assets over the last several years, significantly aided by tax incentives provided to individual investors by the

federal and provincial governments. The creation of these vehicles should considerably facilitate access to capital for potentially high-growth SMEs, many of which are likely to be exporters.

The challenge facing Canada's venture capital industry is not to mobilise funds but to identify investment opportunities in Canadian companies and to make the right investment decisions. In this regard, the federal and provincial governments have established certain business investment requirements that LSVCCs must abide by.

8. The Committee recommends that the government look to the marketplace and reduce administrative constraints to the creation or importation of alternative sources of capital. (page 24)

The rapid growth, supported by federal and provincial governments, of a private sector-managed venture capital industry in Canada has reduced somewhat the need to import early stage venture capital. Canadian stock exchanges geared to junior stocks and the growth of small-capitalization mutual funds have also facilitated access to capital for smaller firms. The equity needs of Canadian SMEs remain diverse, however, and the government, through the Department of Foreign Affairs and International Trade, continues to facilitate financing from foreign sources in specific niches, particularly for technology sector SME exporters.

As part of the government's International Business Development Strategy the Department of Foreign Affairs and International Trade, in conjunction with selected Canadian Investment Houses, has launched a project to assist Canadian SME's source private equity in international markets. Also, the project aims to introduce foreign corporate, institutional and venture capital groups to the Canadian market with the objective of attracting companies in their portfolio to expand into Canada.

9. The Committee welcomes the initiative announced on January 25, 1996, to transfer responsibility for the Canadian Commercial Corporation from Public Works and Government Services to the Minister for International Trade. (page 25)

As noted by the Committee, transfer of responsibility for Canadian Commercial Corporation (CCC) will further consolidate and streamline the government's international business development programs. With respect to SME exporters, having the CCC report to Parliament through MINT results in a better coordinated policy review of financing products for them. The January 1996 transfer of ministerial responsibility was welcomed by the Alliance of Manufacturers and Exporters on behalf of its 2,500 members. The Alliance has been a vocal supporter of the CCC as well as EDC in general, and of their innovative new programs for SME exporters in particular. It should also be noted that in response to the recent Report of the Standing Committee on Banking, Trade and Commerce on Crown Financial Institutions, the government will create a Council of Crown Financial Institutions in which EDC, CCC (both reporting to the Minister for International Trade) and the Business Development Bank of Canada will participate. The Council, which will be composed of the relevant Deputy Ministers and CEOs of these institutions, has been given a clear mandate to identify opportunities for collaboration and to minimize duplication of services to exporters.

10. The Committee recommends that the industrial development activities of CIDA Inc. that contribute to investment in and the transfer of technology to developing countries should remain within the Canadian International Development Agency (CIDA). (page 27)

11. The Committee further recommends that trade development and promotion programs, services and activities of CIDA be placed in the Department of Foreign Affairs and International Trade and that the mandate and operations of CIDA should be reviewed by the Minister concerned in the context of this recommendation. (page 27)

(for 10 & 11)

The government believes that economic growth is a responsibility of every cabinet minister. Consequently, the Minister for International Cooperation is accountable for encouraging trade objectives within CIDA Inc's mandate of creating sustainable development through linkages with the private sector. These two objectives can not be disassociated. Every cabinet minister is accountable to Parliament, for the smooth management of government business. It is thus anticipated that both ministers and their respective organizations will endeavour to improve the consultative process with the aim of developing a common agenda to enhance the effectiveness of Canada's presence in emerging markets.

12. The Committee therefore recommends:

(a) That the government sign and submit for ratification if necessary to Parliament the Organization of American States (OAS) convention and that it continue to work with the Latin American countries;

Canada fully intends to sign the Convention. Work is underway to review what, if any, amendments to Canadian statutes will be necessary in order to comply with the Convention.

(b) That Canada fully participate in the work of the Organization for Economic Co-operation and Development (OECD) and encourage the development of an OECD Code of Conduct in this area;

Canada has a strong history of full participation in and encouragement of the OECD work. Authority for this full participation has been obtained at the ministerial level and will continue. The development of a Code of Conduct is an new and interesting idea that merits study.

(c) That the government encourage the establishment in Canada of a Transparency International chapter;

Government officials are providing support for the establishment of a Canadian Transparency International chapter and will continue to respond positively to all Transparency International requests.

(d) That the government consider adopting legislation directed at the use of corrupt practices in international trade; and

Canadian criminal law already makes it an offence to conspire to break a foreign law; accordingly, a conspiracy in Canada to corrupt a foreign official would be an offence, even if the corruption took place outside of Canada. Ministers Ouellete and McLaren have supported the overall OECD initiatives aimed at preventing corrupt practices in international trade.

(e) That the Canadian government take the lead in carrying this matter forward in the World Trade Organization. (page 32)

Canada fully supports the initiative to launch negotiations at the WTO Ministerial meeting in Singapore on a multilateral agreement to enshrine due process and transparency obligations in government procurement. It has joined other QUAD members (U.S., Japan and EU) in promoting this initiative within the WTO and will continue efforts to move the issue forward. It is Canada's view that such negotiations should also help to promote confidence in procurement disciplines, and should ultimately lead to expanded membership in the WTO procurement agreement itself.

13. Given these differences in opinion about the role of government in providing market information/intelligence services, particularly in light of the growing number of services being provided by the private sector, the federal government needs to define more clearly its role in providing these services, particularly for SMES. In order to guide the government in defining its role, the Committee recommends:

Key to the government's international business development role is providing Canadian companies with the information and intelligence they need to develop their export strategies. Government must bring to companies information that they cannot ignore; strategic information that is not general but targeted, information that results in changed corporate behaviour. This information extends beyond export opportunities to include market access, outward investment, strategic alliances, technology transfer, and competitiveness issues.

SMEs continuously identify market information and intelligence (MI/I) as perhaps the most valuable IBD service that the Department of Foreign Affairs and International Trade provides, whether it's market studies available from the InfoCentre, the fax-back service or through the electronic bulletin board; private counselling from the International Trade Centres; or individualized market intelligence from the trade commissioners.

The importance of market information and intelligence to the government's IBD strategy is not new. When Canada's first trade commissioner, John Larke, was appointed to Australia in 1894, it was recognized that market information and intelligence were vital for the success of Canadian business. Over the last 100 plus years, the type of MI/I not elsewhere accessible has changed, but the government's focus on the importance of MI/I has remained constant. The advent of the Internet, and other new sources of information, will bring further changes to the type of MI/I publicly available. Government will continue to focus on seeking out that MI/I not elsewhere available.

Transactional market intelligence continues to provide companies with their initial motivation for the exploration of IBD opportunities. Thus, new initiatives in the government's IBD strategy included the creation of the Market Research Centre and the International Business Opportunities Centre (IBOC). The Market Research Centre is increasing the variety and timeliness of focussed subsector reports, in the markets and subsectors identified by the National Sector Teams as being of the most value to the private sector. IBOC has been set up to quickly communicate business opportunities provided by Canadian trade commissioners abroad to capable Canadian firms.

(a) That DFAIT and all other departments that have programs in international business development should list and define the specific market information/intelligence services that are available to SMES;

As previously mentioned in recommendation one, the Canada Business Service Centres, and the regional development agencies, provide SMEs with a single window to access information on government services and programs, including IBD, across the country.

Through its trade commissioners and the representatives from other government departments, including Agriculture and AgriFood Canada, assigned to the Commercial Divisions of Canada's missions abroad, and assisted by the new Market Research Centre, the Department of Foreign Affairs and International Trade produces extensive MI/I reports. These are publicly available from the InfoCentre with its 1-800 number, by Faxlink, or through the InfoCentre Bulletin Board. These sources, and other MI/I services are also listed in The Exporter's Guide, which was designed for SMEs.

The advent of the information highway has provided increased opportunities to reach more innovative Canadian firms. The Department of Foreign Affairs and International Trade's WebSite, Industry Canada's STRATEGIS (which includes Contact! The Canadian Management Network on-line network and directory of resources, both government and private), the Canadian Technology Network's Internet offerings, and the Agriculture and AgriFood Canada's Agri-Food Trade Network are but four examples of government's efforts to reach more firms.

There is increasing emphasis on providing SMEs with more than a list of available MI/I services. Networking, which includes private sector contracts, is an important part of the information highway. For example, the Canadian Technology Network (CTN), jointly managed by the Industrial Research Assistance Program (IRAP) of the National Research Council (NRC), and by Industry Canada (IC), was set up as a dynamic network of advisors that can analyze the needs of technology based SMEs, diagnose

their problems, and then refer them to the information, services, and programs that they need to innovate, develop, and succeed in the global marketplace. While the CTN is not focused solely on IBD, the Department of Foreign Affairs and International Trade is working to ensure that IBD interests are prominent, and to extend CTN's coverage of information and services sources beyond Canada's borders. CTN is also an Internet based network of WebSites that describes the offerings that the CTN advisors, associate members (300 public sector members) and other information and service providers have available in support of Canadian SMEs. With its new association with the Canadian Advanced Technology Association, CTN will be focusing more on recruiting private sector members, some of which may offer information or services for a fee.

(b) That when Canadian SMEs require services that are not normally provided by government, they should be given a list of private sector providers and a description of the kinds of services they can offer. DFAIT should use existing channels of communication and dissemination of information to make this list available to both Canadian SMEs and private sector service providers; and

As discussed above, reference to other public and private sector providers is being made in many of the on-line networks, including STRATEGIS, Contact! The Canadian Management Network, and the Canadian Technology Network. With reference to international sources for private sector providers, while efforts are being made in the networks to increase these listings, this is not always possible.

Trade commissioners respond individually to each company's request for market information and intelligence. When a Canadian company requests services that are available from alternative sources, and thus not provided by the government, the company is referred to the alternative sources. Referrals are often made to lawyers, accountants, and credit agencies. As these sources, both private and public, can vary from one overseas market to another, and constantly change, a central listing of alternative service providers is not practical.

(c) The government should, upon request and based on predetermined criteria, assist SMEs with funds to access information regarding financing, market development and market intelligence services where a fee is charged by the private sector. (page 38)

The government already devotes considerable resources to providing SMEs with MI/I. MI/I available to SMEs includes individualized responses from trade commissioners to each company's request; market information reports that are relevant to several firms, or a subsector, as identified by National Sector Teams; or market intelligence which the trade commissioners relay to capable Canadian exporters. The government has established the International Business Opportunities Centre, and the Market Research Centre. It has also provided access, especially on-line, to this and other MI/I as detailed above.

The government believes that information obtained with government funds, whether from Canadian or foreign private sector sources, should be made available to all Canadian companies, and that decisions as to the nature of the information to be obtained should be made by the National Sector Teams. Existing government programs, such as PEMD, provide financial incentives to allow small business to confirm market intelligence and cement market development by visiting select target markets.

14. The Committee recommends that the government pursue opportunities to make full use of Canada's linguistic, multicultural and geographic advantages as follows:

(a) Canadian business should take greater advantage in international markets of the fact that Canada's official languages are two of the world's main international business languages;

The government fully endorses the Committee's recommendation.

(b) SMEs that are pursuing international business opportunities should take full advantage of the linguistic and cultural ties that members of Canada's ethnocultural communities have with their countries of origin. These linkages with countries around the world represent a significant but unrealized export asset for Canadian businesses and could play an important role in creating

employment in Canada;

(c) To make better use of Canada's "multicultural advantage," SMEs should be aware of the particular market expertise of existing ethnocultural business associations, trade councils and community organizations. These can serve as important sources of information, assist in developing business contacts, and provide better guidance to the cultural dimensions of specific markets; and

(for b & c) The government endorses the recommendations citing the advantages derived by SMEs in dealing with qualified resources from Canada's ethnocultural business communities and Canadian Heritage has recently compiled an inventory of such resources. Agriculture and Agri-Food Canada has prepared a study of the Canadian ethnic food market to increase knowledge of this domestic market. This domestic ethnic market could serve as a "test market" for SMEs prior to exporting.

(d) When Canadian SMEs are exploring international markets, they should take full advantage of Canada's geographic position next to one of the world's richest markets south of its border, its proximity to the world's fastest growing markets in the Asia-Pacific, and its Atlantic connections to European Union markets, as well as the growing market in the Arctic. (page 40)

The government agrees with Committee's recommendations. This is why in his speech to the Canadian Exporters Association in October 1995, previous International Trade Minister Roy MacLaren noted the government would offer enhanced support in certain key areas. After consultation with the private sector, and consideration of the opportunities for SMEs, priorities will include market opportunities south of the border, fast growing markets in the Asia-Pacific, and the European Union markets. Furthermore, as Canada will host the Asia-Pacific Economic Cooperation forum in 1997, and the government has declared 1997 to be Canada's Year of Asia Pacific, efforts will be especially made to assist Canadian SMEs to take advantage of the opportunities this presents to access Asia Pacific regions.

For the first time, Canada's International Business Strategy (CIBS) will have an Aboriginal Products, Services and Technologies chapter, the result of a new Aboriginal National Sector Team. In 1994, Aboriginal Business Canada (ABC), an Industry Canada program with a mandate to support Aboriginal business development, organized a round table with 40 Aboriginal business leaders to elicit their views on developing approaches to support market expansion and export trade. The discussions indicated the need for a special focus to encourage successful Aboriginal companies to access international trade opportunities. In 1995, ABC launched the Aboriginal Trade and Market Expansion Initiative to help successful Aboriginal companies expand their markets domestically and abroad. As a follow-up to the original round table, a study was carried out to establish an inventory of Aboriginal export-active, export-ready and export-capable companies. The study identified the needs of Aboriginal exporters and gaps in the trade development effort. During the last half of 1995 and early 1996, Aboriginal Business Canada, the Department of Foreign Affairs and International Trade, the Department of Indian and Northern Development, Heritage Canada and others at the federal, provincial and territorial levels worked with a number of export-ready companies to participate in export marketing missions, promotion and training.

Within the new Aboriginal National Sector Team a "North of 60" team is being formed to focus on exports from the geographic area north of 60 degrees. The team will address trade in a variety of sectors, identify exporters needs, and develop strategies to promote Aboriginal exports from the region. The creation of the Arctic Council this summer will offer opportunities to enhance circumpolar trade. Canada is actively involved in the Arctic Sustainable Development Initiative, and will host the Sustainable Development Conference during the winter of 96/97.

15. The Committee recommends that the federal government continue to use all means at its disposal, including the possibility of suspending bilateral aid measures, to secure the protection of Canadian citizens involved in trade and commercial disputes outside of Canada and, where possible, to conclude consular agreements to this end. (page 41)

The government fully shares the concerns of the Committee with respect to the need to protect Canadian citizens involved in trade and commercial disputes outside of Canada. This has been an important element in the consular services of the department and it is a matter that will continue to receive serious attention in the months ahead.

An important consideration in such disputes is distinguishing between those that might involve transgression of national laws and those which are pursued to obtain commercial advantage. All countries have a variety of laws, regulations, procedures and customs which surround commercial and trade activities. It is important that Canadians have a complete understanding of the legal environment in which they plan to do business and, where necessary, obtain knowledgeable professional advice and guidance.

The Department of Foreign Affairs and International Trade has a wide variety of programs and activities to inform and assist Canadians involved in trade and commercial activities in other countries. At the same time and irrespective of the nature of the dispute, the Department provides Canadians with assistance, support and guidance in dealing with trade and commercial disputes. Depending on the complexity of the dispute, support can range from advice and guidance, intervention with local authorities, to representations to regulatory, judicial and political authorities.

In complex cases, the government considers all options, including the suspension of bilateral aid measures, in providing assistance to Canadians. In making decisions on what actions are appropriate, the Department is guided by (a) selecting measures that are likely to lead to a satisfactory resolution, (b) whether or not a measure is likely to make matters worse, (c) ensuring that actions are commensurate with the problem and (d) the degree to which a dispute represents a pattern of discriminatory behaviour towards Canadians or foreigners generally.

The government does not believe that there is a need for additional consular or other agreements to resolve such disputes. The existing Vienna Convention on Consular Relations along with burgeoning international trade and commercial regimes and mechanisms provide sufficient legal and political grounds on which action can be taken.

16. To redress this situation, the Committee recommends that the Canadian government should pursue actively the harmonization through international agreements of regulations and standards that have an impact on international trade. (page 44)

The government already does this through a variety of means, such as the following: a) NAFTA Chapter 9 on Standards-related measures creates intergovernmental subcommittees aiming at making compatible technical regulations and conformity assessment procedures in the following areas - textile labelling, automotive standards, land transportation and telecommunications equipment. In addition, a new NAFTA working group has been created to address pesticides registration. Also, established Canada-U.S. working groups on a range of agriculture and food regulations are being widened to include Mexico.

Regulatory departments also are actively involved in international activities to develop harmonized standards and conformity assessment procedures in the context of the Codex Alimentarius commission (food safety), the Organization Internationale des Epizooties (animal quarantine), the International Plant Protection Commission (plant quarantine), the OECD (chemicals), and the International Harmonization Group (Medical Devices).

There are a number of initiatives to facilitate trade in regulated products through the mutual recognition of conformity assessment procedures whereby importing countries would recognize testing, inspection and certification of products in selected exporting countries as meeting the standards of the importing country. Negotiations are underway with the European Union on telecommunications and information technology equipment, pharmaceutical, medical devices, electrical requirements as well as veterinary

requirements, with the U.S. on fish product inspections, pharmaceutical and medical devices, with Japan on building and pharmaceutical products and Korea on telecommunications equipment.

Finally, there are initiatives in Asia Pacific Economic Council and the Free Trade Area of the Americas aimed at removing unnecessary obstacles in the area of standards and regulations in addition to current policy in the National Standards System of looking first to international standards to determine their appropriateness before developing unique Canadian standards.

17. In order to guide the federal government in the further consolidation and streamlining of government-sponsored international trade and business development programs, the Committee recommends the following:

(a) The Committee welcomes the government's initiative in establishing the Canada Business Service Centres. To improve the effectiveness of this service, the Committee recommends that documentation on programs and services already available be synthesized in a comprehensive bibliography to assist SMEs to access more readily their particular information or service needs. Such a bibliography should cover existing programs and services being offered by the federal government and the provincial governments. The Committee was impressed by the guide prepared by Quebec authorities for their SMES;

The Canada Business Service Centres (CBSCs) are designed to improve business access to a wide range of information on government services, programs, and selected regulations. The CBSCs are a collaborative effort among federal, provincial and private sector organizations and provide information in a variety of formats to respond to diverse client needs. The CBSCs currently synthesize programs and services to assist SMES in accessing relevant information. CBSC clients have access to the following services: a toll-free telephone information and referral service in each province/territory; a 24 hour fax-back system with information organized by industry sector and business need such as financing; pathfinders - multiple-page documents that group programs and services on a topical basis, such as exporting; and a fully-searchable Web site.

To further assist SMEs with a comprehensive program guide, Industry Canada is scheduled to release the revised, comprehensive Small Business Handbook: A guide to Federal Government Service and Support in the fall of 1996, through the Canada Business Service Centres and the internet. The directory is specific to SMEs and covers a wide range of services.

To consolidate and streamline the documentation specific to IBD programs and services offered by federal and provincial governments, the government is completing an inventory begun in 1995. Done in consultation with 22 federal departments and agencies, the inventory will also include provincial programs and services. This will be available in late fall to all IBD service providers across Canada, and in a guide format for business clients from the Canada Business Service Centres, the International Trade Centres and the Department of Foreign Affairs and International Trade's InfoCentre.

(b) The Committee recommends that the federal government indicate clearly in this document the roles and responsibilities of each of its departments and agencies in the area of international business development. The document should also indicate precisely what kinds of services SMEs should expect from these departments and agencies and how these services are interlinked;

The IBD inventory being developed outlines the types of services provided by each department or agency and how these services are interlinked.

In addition, in June 1995, Cabinet approved the Quality Services Initiative. Through this initiative, the government wants to measurably improve the quality of services delivered to Canadians. Government's goal is to improve Canadians' awareness of government services and their associated costs. The departments involved in IBD are developing common service standards and performance measurements to define the kinds of timely, reliable, and accessible services SMEs should expect.

(c) The bibliography lists the roles for each government, and explains how each program and

service is linked to the next. SMEs should also be provided with a list of private sector contacts for services that complement those provided in federal, provincial and municipal programs; and

The IBD inventory being developed identifies the linkages of services between departments and agencies. As previously mentioned in response to recommendation 13 c), reference to other public and private sector providers is being made in many of the on-line networks, including STRATEGIS, Contact! The Canadian Management Network, and the Canadian Technology Network. Local contacts for private sector services will also be available from the Regional Trade Networks - which include the Canada Business Services Centres, the International Trade Centres, other government departments and agencies and the provinces.

(d) SMEs should be provided with criteria which would help them determine their "export readiness." If they needed training or other specialized services, those would either be provided or the SME would be directed to where to access such services. In this way, SMEs would get involved in programs and services when they are ready to take advantage of them. (page 52)

The existing "Take a World View" electronic product for services firms, included a diagnostic component. This diagnostic component has been expanded to include product/manufacturers. "Export Readiness Diagnostic for Product Sector Firms" and "Export Readiness Diagnostic For Services Sector Firms" are in an easy to use electronic format. Both will be available Canada-wide in late fall, from all IBD service providers, and at no cost to the business client.

SMEs are directed to sources of export training and other specialized services, by all government contacts familiar with IBD including account executives, Canada Business Service Centres, International Trade Centres and IRAP advisors, or in The Exporter's Guide.

18. The Committee recommends that a comprehensive road map be devised to direct SMEs to the specific information and assistance that they require, expanding the DFAIT's existing "Road Map to Exporting and Export Performance." This improved "Road Map" would be such as to assist new exporters to prepare themselves for exporting, while also enabling experienced exporters to access quickly specialized advice and intelligence. (page 55)

A Road Map to Exporting and Export Financing has been replaced by two publications: a) the revised The Exporters Guide and b) a guide on all IBD programs and services of the federal and provincial governments to be available in late fall across Canada and through the Department of Foreign Affairs and International Trade's InfoCentre.

The IBD inventory being developed will be used to modify The Exporters Guide. This guide currently directs companies through the export readiness stages and identifies the various programs, services and information sources available from the Government. It is now available online (via the Internet) and in hard copy from the Department of Foreign Affairs and International Trade's InfoCentre. A revised version of The Exporters Guide will be available by the end of fiscal year 96/97, and it will be modified to include a section listing services and whom Canadian exporters should contact.

19. The Committee takes note of the study undertaken by the Auditor General and expresses the wish that this study be completed as anticipated. (page 56)

The government endorses the Committee's recommendation.

20. The Committee recommends that an independent review be undertaken of federal government programs that affect the ability of SMEs to compete successfully in international markets and to determine in particular the extent to which the programs and services provided by the federal government, provincial governments, municipalities and the private sector duplicate each other and/or overlap. The

objective would be for the private sector to make clear what it cannot provide and what it expects from the various orders of government. This review should be undertaken by a task force consisting of representatives of financial institutions, trade and business organizations, independent business people and trade experts, to be appointed by the federal government in consultation with provincial governments and in consultation with municipalities and the private sector. The three levels of government should be represented in an ex officio capacity as observers. The operations of the task force would be financed by the principal stakeholders. (page 56)

The government supports ongoing review of IBD programs and services to ensure that they continually meet the needs of Canadian exporters.

The government recognizes that the world is constantly changing, and that its roles will also change - both to meet the new needs of Canadian exporters and to avoid duplication and overlap. The government's IBD strategy evolves towards a moving target of perfect programs and services, with the goalposts ever changing.

The government has been working to identify any unfulfilled gaps in the needs of SME exporters, which are unmet by the private sector, or in its own services. Since 1991, at least thirteen surveys have been conducted to determine the needs of Canadian exporters, not including the private sector International Business Development Review Committee (Red Wilson Committee). Many of the initiatives discussed in this response were implemented as a result of feedback received from these surveys.

The Minister for International Trade currently receives comprehensive advice directly from the private sector through a number of standing committees comprising only private sector individuals and chaired by the private sector drawn from SMEs, financial institutions, business associations and academia. To reflect the private sector's areas of interest the consultative committees include sixteen Sectoral Advisory Groups on International Trade (SAGITs).

The government does not propose to establish a task force as recommended by the Standing Committee on Foreign Affairs and International Trade but rather to ensure that the private sector SAGITs review the issues raised by the Committee in recommendation 20.

These advisory groups review the governments international trade and international business development strategies on an on-going basis. These private sector advisory committees have dealt with topics including international competitiveness, streamlining of programs and service to private sector, impact of domestic regulations on international competitiveness, harmonization of international/technical standards and gaps in services to groups such as SME's. Ensuing recommendations have been instrumental in establishing the governments IBD Strategy, the domestic Team Canada approach and EDC's review of financing for SME's already mentioned. Also, the Business and Professional Services SAGIT has been reviewing the issue of competition between private sector and government services. These committees will continue to review these issues, as well as concerns expressed by the Standing Committee on Foreign Affairs and International Trade.

To provide for full participation of as many of Canada's business leaders as possible, one third of the committee members are replaced annually. New members are selected on the basis of consultation with federal, provincial and private sector contacts. Member selection criteria includes an emphasis on SME (the majority of members are from SME's) and regional considerations. These criteria will be reviewed to ensure that criteria expressed by the Standing Committee on Foreign Affairs and International Trade are taken into consideration.

As an existing mechanism for independent review, the advisory committees on international trade benefit from already having a system in place for financing their activities.

21. The Committee recommends that this review be guided by the following

objectives: international competitiveness; flexibility; cost effectiveness; consolidation and streamlining of programs and services; and focus on SMES. (page 56)

The government endorses the suggestion to focus on SMEs as a key element to the review. In addition to the objectives mentioned by the Standing Committee, any review should also bear in mind the government's Program Review II criteria - is the program in the public interest, is this an appropriate role for government, what level of government should be present, could the service be provided by the private sector and at what cost, could its efficiency be improved, and what changes could be made to provide equal or better service at lower costs.

22. The Committee further recommends that the following issues be dealt with in this review:**(a) the contracting out practices of Canadian posts to determine whether this is an efficient and effective way to deal with the varying demands placed on trade commissioners stationed abroad;**

The major uses of contracting out by posts have been to assist with market intelligence/information reports, and the organization of trade fairs and missions. It is acknowledged to be less expensive to have as much of either done in Canada as possible, allowing the trade commissioner to concentrate on activities with a higher value added for Canadian exporters.

As was mentioned, the government's IBD strategy included the creation of the Market Research Centre. The Market Research Centre provides increased and more frequent focussed subsector reports, in the markets and subsectors identified by the National Sector Teams as being of the most value to the private sector, and was created in response to feedback from industry requesting that MI/I research focus on product niches. Part of the rationale behind the creation of the Market Research Centre was to free Trade Commissioners to meet the other demands placed on their time; to allow trade officers more time to identify new trade opportunities and to correspond with Canadian companies.

(b) the practicality and cost effectiveness of using tax incentives to encourage SMEs to enter foreign markets;

The federal government's tax assistance to small business - including the Small Business Deduction, as well as the tax credit for scientific research and experimental development - provides significant indirect support for small firms seeking to develop export markets. While the Standing Committee's view is that tax incentives should be used to encourage SMEs to enter foreign markets, there are concerns, in addition to cost and complexity, which must be considered.

For example, such a program would appear to be inconsistent with our international trade obligations (eg GATT 1994). It would also be inefficient in promoting exports - many non-tax factors such as exchange rates and comparative advantage are more important determinants of trade. Furthermore, such a credit would provide tax relief even cases where there is no increase in export activity. Finally, such a program, if implemented through the tax system, would necessitate complicated legislation and administration to prevent abuse. Without very precise and restrictive rules, a variety of both business and personal expenses could be construed as export promotion.

(c) the ways in which SMEs can take further advantage of Canada's post-secondary institutions to formulate international business development strategies. This review should have regard to the exclusive jurisdiction of the provinces in the area of education;

The government has already supported efforts to help SMEs take further advantage of Canada's post-secondary institutions, and additional review is not warranted. Instead, every effort should be made to ensure the success of the Forum for International Trade and Training (FITT) and the existing initiatives, and to publicize these opportunities to all Canadian business.

Acknowledging that short, focused courses were required by business, the government has financially

assisted the creation of the Forum for International Trade and Training (FITT). DFAIT is a member of the advisory board, along with the Canadian Exporters Association and the Canadian Chamber of Commerce. FITT is designed for all Canadians, and business employees are encouraged to take advantage of this program, choosing from the individual courses. Currently, FITT is delivered at 32 community colleges & universities, who offer the eight 45 hour courses. A ninth course is currently under development. Algonquin College is now considering a 2-year FITT diploma program. Furthermore, AgFITT has been adapted to the specific needs of the SMEs of the agri-food sector.

There are a number of other ways for SMEs to take advantage of the post-secondary institutions. Small business has the option of hiring graduates from Canada's post secondary institutions; consulting with the staff and students of colleges and universities; taking language courses from the extension departments; and taking advantage of training programs which include overseas trips for trial marketing surveys.

Since 1974 the Canadian government, through the Department of Foreign Affairs and International Trade, has funded the Centres for International Business Studies. Funding for fiscal year 1995/96 totalled \$760,000. The Centres for International Business Studies works with Canadian business to design courses in International Business for the business studies programs of Canadian universities. International Business studies has grown from individual courses to full programs. For example, Carleton University offers a Bachelor of International Commerce, the University of Ottawa offers an International MBA, and the University of Alberta offers BComms in combination with Japanese Studies/ Korean/ Mandarin/ Hispanic America.

(d) the development of clear criteria of what constitutes a "high technology company," that can vary by sector, so that the federal government can determine, in collaboration with each province, municipalities and the private sector, whether financial assistance should be made available to high- tech SMEs and, if so, the kind of financial assistance that may be necessary;

Success in innovation is critical to Canada's growth as advanced technology sectors had estimated sales of \$47 billion and employed almost 300,000 Canadians in 1994. These are the sectors of the new economy that will generate the jobs and growth Canada needs. These industries are R&D-intensive, and must risk their survival by investing heavily in new projects. For many of these technologies, the product cycles are very short, and suppliers and users must respond quickly to new developments. Government has addressed the financial requirements of these companies through Technology Partnerships Canada, Patient and Venture Capital loans, as well as by building international investment partnerships.

On March 11, 1996, as part of the Science and Technology strategy, the government announced a new initiative, Technology Partnerships Canada (TPC) to enhance wealth creation by supporting innovative Canadian firms to develop technologically advanced products for world markets. It provides a new approach -- an investment approach to technology, with real risk and reward shared between the government and the private sector, to ensure that near-market projects yield products that actually reach the marketplace.

Rather than focusing on developing specific criteria of a "high technology company" for each sector, as recommended by the Standing Committee, TPC takes a multi-sectoral approach to technology investment. TPC looks for projects that have the potential to generate jobs and exports, transform and strengthen the competitiveness of whole sectors, and create new industries. This approach avoids precluding new technologies, and ensures the projects with the greatest impact will be supported.

While working in partnership with the private sector, TPC fulfils a need unmet by the Canadian private sector, as it provides the additional 25% to 30% of financial support required for these projects to be successful. TPC is also working to guard against future technology gaps, as a private sector advisory board will advise the Minister of Industry on technology and market trends and benchmark Canadian firms against foreign competitors.

The government is making a strategic reallocation decision toward science and technology. When TPC

becomes fully funded in 1998-99, it will have \$250 million to invest annually. TPC is funded by reallocations from existing programs (\$110 million from within Industry Canada; \$140 million from the rest of government); it does not entail new money. With investments fully repayable, through a share of the proceeds on successful projects, TPC will recycle all repayments back into the fund for future investments, providing an incentive to all involved to succeed.

For even smaller companies seeking initial capital for technology projects, the Business Development Bank of Canada (BCBC) provides Patient Capital directed at early stage knowledge businesses, in addition to Venture Loans and Venture Capital. While the BDBC operates on a profit basis, these loans meet a need unfulfilled by the commercial banks or private sector venture capital firms. Given the high cost of risk analysis relative to loan value, support by the BDBC can encourage additional private sector investment.

The Department of Foreign Affairs and International Trade helps Canadian SMEs create international investment partnerships to provide firms with capital, technologies, managerial skills and access to markets. Canadian SMEs with innovative products, services and technologies in thirteen different sectors are identified, along with their investment requirements, and then profiled. These profiles, along with the advantages of doing business in this particular sector in Canada, are brought to the attention of potential foreign investors. International partners are then identified who can assist the Canadian SMEs to access new markets, provide investment capital, exchange technology, develop new products or acquire management know-how. Foreign firm interest is brought to the attention of the Canadian companies, and the firms then self-fund the follow up visits.

This is in addition to the Department of Foreign Affairs and International Trade's collaboration with the National Research Council's Industrial Research Assistance Program (IRAP) to support the acquisition of foreign technologies and dissemination of international technology information, in order to enhance the competitiveness of Canadian firms through the acquisition, development and exploitation of appropriate technology. IRAP offers innovative firms advice, diagnostic services, referrals, and financial contributions for relevant applied research projects.

(e) the impact on Canadian firms of domestic regulations - federal, provincial and municipal - on their international competitiveness; and

The federal government is committed to rationalizing regulations across jurisdictions that hinder SMEs. High priority regulatory issues and specific deliverables for early 1997 have been identified. By the end of 1996, 250 regulations will have been revoked, and another 370 will have been revised.

Treasury Board Secretariat has produced, with provincial counterparts, a publication, *Managing Regulation in Canada*, highlighting regulatory reform and process at both the federal and provincial levels. The President of the Treasury Board, in his capacity as Minister responsible for Regulatory Affairs, has extended an invitation to provincial counterparts to participate in establishing a steering committee to oversee that Canada meets its OECD obligations in terms of managing its regulatory framework.

The President of the Treasury Board has committed to work closely with his colleagues to effect a major reduction in the amount of time spent by small business on responding to federal government information requests -- the paper burden -- by 1998. To help deliver on this commitment, the President has set up a joint forum made up of senior executives from the private and public sectors. Since its outset the joint forum has been instrumental in working with small business to reduce federal information demands. To date their work helped achieve the following:

- addressing over half of the approximately 100 irritants identified by small business;
- simplifying the record of employment system as part of the new Employment Insurance Act that will save employers time and money;
- introducing a new 30 day payment policy which waives the former grace period and encourages the government to pay its bills on time;
- reducing statistical surveys on small business by 8 per cent;

- reviewing the possibility of using the information reported on corporate income tax returns to fulfil the annual filing requirements under the Canada Business Corporations Act; and
- consulting with small business on the feasibility of simplifying the T4 slip and reducing the frequency of payroll remittances for small employers.

The joint forum also sponsored a study that set a baseline measure of the information burden on small business and issued the President's annual report on first year progress. The government will continue to address irritants identified by small business, monitor progress in a follow-up measurement of the burden, implement permanent measures to minimize burden in future and improve communications with the small business community. Progress has been made in improving the efficiency of regulation in six specific sectors - biotechnology, health, mining, automotive, forest products and aquaculture - some thirty regulatory improvements will have been made by spring 1997. Action plans have been developed to improve three more key areas -- pesticides, tax simplification and student visas -- by 1997. These improvements demonstrate that Canada has a stable and rational regulatory framework which the government is continuously seeking to improve with the input of business.

(f) the impact on Canadian firms of the harmonization of international/technical standards on their ability to compete internationally and to establish themselves abroad. (page 56)

This was already answered in response to recommendation 16. The impact of harmonized standards has already been reviewed numerous times and the government has been and is moving to use, as much as is appropriate, international standards in order to facilitate access to international markets and avoid placing unnecessary cost on Canadian firms through differing standards and conformity assessment procedures.

23. To ensure that the conclusions and recommendations of the task force are publicly available, the Committee recommends that the task force report to Parliament. (page 57)

The SAGITs committees report directly to the Minister of International Trade, who in turn is responsible to Cabinet and Parliament.

24. The Committee recommends:

(a) That, in the current context of globalization, Canada continue to exercise leadership to promote respect for human rights, the basic rights and interests of workers and global environmental standards; and

(b) That the government associates itself with the private sector in the development of a voluntary code of conduct covering commercial activities occurring outside of Canada, so that such activities will reflect and promote Canadian values. (page 59)

The increasing globalization of business activity presents a shared challenge as well as a shared responsibility for governments, businesses and labour representatives at the national and international level. The challenge is to build such a partnership; the responsibility is to use such a persuasive coalition to ensure a coordinated and coherent approach to the development of good domestic and global business practices that promote and protect basic workers' rights and standards. The government is fully committed to this agenda, including encouraging and supporting the efforts of the private sector to develop good business practices which reflect the high priority this government attaches to enhancing the human rights of workers.

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