

Minister of Industry,
Science and Technology and
Minister for International Trade



Ministre de l'Industrie, des
Sciences et de la Technologie et
ministre du Commerce extérieur

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NOTES FOR AN ADDRESS BY

THE HONOURABLE MICHAEL WILSON,

MINISTER OF INDUSTRY, SCIENCE AND TECHNOLOGY AND

MINISTER FOR INTERNATIONAL TRADE,

TO THE

ANNUAL PROFESSIONAL DEVELOPMENT CONFERENCE

OF THE ECONOMIC DEVELOPERS ASSOCIATION OF CANADA

AT THE

CHATEAU LAURIER HOTEL

OTTAWA, Ontario
September 22, 1992

Good evening, and thank you, Keith,¹ for your kind introduction. It is a great pleasure to be able to address your annual conference being held here in Ottawa to mark Canada's 125th birthday. I have no doubt that Keith and his colleagues will not be shy about showing you some of the important new additions to Ottawa's economy that they helped achieve.

We meet at an historic time. In just 35 days, Canadians face a critical choice about fundamentally reshaping their nation -- modernizing and equipping it to be a world leader and doing so in peace and with mutual respect. Saying "yes" to the Charlottetown accord will end debate on unanswered questions that have plagued us for nearly 50 years. It won't end constitutional evolution forever, but it will show that such evolution is possible.

Saying "yes" will send a strong signal to the rest of the world. What the rest of the world will hear is that it is possible for nations to renew themselves by discussion and compromise. What they will see is a declaration of self-confidence in a common future by a people who want to stay together and work out their differences -- together. The international business community will look to Canada as a haven of stability and progress; a place in which to invest to serve the entire North American market. I urge you all to vote "yes" on October 26, and I urge you to work in your own communities to ensure that Canada's answer to the question of renewal of the federation, is a resounding and unequivocal "yes."

Such a result will mean that we can turn the focus of our energies to securing prosperity for the united nation we want to bequeath to our children. In a profoundly changing world, Canadians know that traditional strategies won't be enough. New approaches are needed to meet challenges that Canadians perceive as threatening our ability to generate new jobs, endangering our standard of living and jeopardizing our social programs.

Since we were first elected in 1984, the federal government has shared these concerns. In November of that year, we introduced the Agenda for Economic Renewal, which has formed the basis of our comprehensive plan to transform the sluggish economy of the early 1980s and help position it for the 1990s and beyond. Now we must complete the task: we need to decide what steps to take to secure our prosperity in an increasingly competitive global marketplace. But the federal government alone cannot secure prosperity. Every Canadian has a stake in doing so, and they are rightly demanding action. They also want to be consulted about what action is required.

¹ Keith McGruer, President of the Ottawa-Carleton Economic Development Corporation, will be introducing the Minister.

The Steering Group on Prosperity, co-chaired by David McCamus and Marie-Josée Drouin, was created for precisely that task. The Steering Group is composed of 20 distinguished Canadians from across the country, broadly representative of the diversity of Canada. Operating at arm's length from the government since last October, the group has carried out extensive consultations with over 10,000 Canadians from every part of the country and every walk of life. It is now finalizing a plan of action to secure our prosperity.

Overall, the Prosperity Initiative focuses on five sets of issues:

- learning;
- science and technology;
- financing innovation;
- developing a competitive domestic market; and
- taking full advantage of international market opportunities.

All these issues were explored with individual Canadians and business, labour and academic groups.

Community and regional talks were held in over 180 communities in every region of the country. Sectoral talks, task forces, round-table discussions and other kinds of national consultations were held over the last year. The action plan that the Steering Group will be releasing this fall will reflect these consultations. In the next few minutes, I want to give you a flavour of some of the suggestions the Steering Group is considering. I would emphasize that these are suggestions, not necessarily part of the action plan.

Many of you will be aware of the community talks because at least 60 of your members co-sponsored talks in their communities. I want to thank you for your positive contribution to a key element in the Steering Group's consultations. The talks revealed that Canadians have a remarkable convergence of views on how to meet our learning and competitive challenges.

One of the overarching themes that emerged from all the consultations was that Canadians are looking for a much higher degree of co-operation among all stakeholders. They want to see partnerships between business and labour, business and schools, research scientists and business, governments and business. They see these partnerships as transcending the traditional adversarial relationships of many of these groups. Partnerships were suggested in areas ranging from management-labour collaboration in training, through to business-university research, joint curriculum development between business and schools, and government-business trade development.

Partnership among businesses, possibly in the form of business networks or strategic alliances, was another theme from the consultations. Many recognized that smaller firms can overcome the limitations of size and improve their competitiveness by working together on projects such as common purchasing, joint marketing and export development, and training of staff. Equally, Canadians wanted to see an end to duplication of government programs, and closer collaboration of all governments to ensure effectiveness of new programs.

Canada's education system was seen as in need of improvement if it is to produce the innovators, entrepreneurs, investors and, most important, the skilled work force of the future through the continuous upgrading of skills. Partnerships between business, labour and schools, to provide the training, and a vast increase in the number and quality of co-operative education programs, was suggested. Programs to bring the academic and business worlds together would provide small and medium enterprises (SMEs) with access to research and development expertise. Training partnerships can provide training, to ensure that their workers are able to compete with the best in the world. These will be increasingly important competitive factors in the knowledge-based economy of the future. You all can play a key role in nurturing these kinds of partnerships among your own local stakeholders.

In this vein, the co-operation between your organization and the federal government is a model worth emulating in other fields and expanding wherever possible. As you know, your membership has proven a rich source of personnel for our investment counsellor positions abroad. Starting with John Morand in New York and Pierre Belanger in Paris, our current roster includes Matt Fischer in Los Angeles, Frank Hess in Bonn and Pierre Boulanger in Paris. And the flow is not all one-way -- Bob Fournier of my office was the original proponent and incumbent of the federal government position on your board. This is concrete evidence of the importance I attach to your collaboration in our joint efforts to attract investment to Canada.

Both Matt Fischer in Los Angeles and David Lenihan, our investment counsellor in New York, have hosted some of you at investment development seminars, and both have worked closely with many of you to find participants in matchmaking events.

Further evidence of the successful co-operation between federal investment officers and your members are Reisser Screws' recent investment in Thunder Bay and the recent deal between Cyberworks of Orillia and Excel Machine Tools of Singapore. Our Bonn investment counsellor, Investment Canada, and Dick Charbonneau's Thunder Bay Economic Development Corporation worked together to attract Reisser Screws and provide it with ongoing support. The investor recently told me that the service we provided and the access to the U.S. market provided by the Canada-U.S. Free Trade

Agreement (FTA), were determining factors in his decision to locate in Thunder Bay rather than in the U.S. Our objective is to broaden collaboration of this sort into all areas that affect our ability to compete. That is the aim of the prosperity consultations.

Meeting the challenge of keeping Canadian innovation up to world standards was seen as a critical element in our science and technology consultations. Canada's Research and Development (R&D) tax regime is recognized as one of the most generous in the industrialized world, yet only four per cent of Canadian manufacturing firms perform any research at all. Research and development is seen as critical to the competitiveness of all firms, but none more so than the SMEs. Yet these firms have the most difficulty financing it, so partnerships among firms and with academic institutions was suggested as a means of meeting this challenge. To support innovation, especially in SMEs, equity participation and measures to encourage banks to behave more like merchant banks were suggested. I know that many of your agencies are becoming more involved in assisting business acquisition of technology to support innovation.

The Steering Group on Prosperity, and Investment Canada organized consultations about ensuring an adequate flow of investment capital to finance the business development and innovation that we need to secure our future prosperity. Talks with nearly a thousand of Canada's key investment users and providers showed they are concerned about our risk-averse private sector leadership and deep-seated resistance to change.

Canadians are looking for the right kind of incentives and rewards for long-term investment, and for ways of encouraging investors to leave their investments and profits in companies so they can innovate and grow. Changes to the capital gains tax structures to encourage longer-term investment thinking were discussed. Other direct measures to encourage the growth of venture capital markets, merchant banks and small capital markets were suggested.

The development of a knowledgeable, patient and entrepreneurial investor community was seen as critical to taking full advantage of the creative genius we have in Canada. The right investment climate is equally critical to innovation, particularly in the SME sector, the engine of job-creation in the last decade. Let's not forget that from 1979 to 1989 fully 86 per cent of net job creation was produced by firms with under 100 employees -- and 81 per cent of that by firms with less than 50 workers. In this regard, changes to the tax system to encourage investment in innovation were suggested. Moreover, Canadians wanted banking, tax and government aid programs to focus more on making it easier for small business to grow. Many questioned regional development

policies, which were seen as contributing little to our competitiveness.

While I have mentioned the benefits of our close collaboration in attracting foreign investment into Canada, participants in our consultations suggested that the process could be improved by governments better co-ordinating their efforts. Instead of being direct actors, most have suggested that governments act more as facilitators of information about investment opportunities, particularly in high-growth potential sectors. Municipal governments have a key role in encouraging international investment, highlighting the need for close co-operation among levels of government.

The Prosperity Initiative also focuses on improving the competitiveness of Canada's internal marketplace. International experience shows that companies that are successful in meeting the demands of global trade, do so on the basis of a strong presence in their domestic market. Barriers to the free movement of people, goods, services and capital make such a presence very difficult to achieve. According to a Canadian Manufacturers' Association (CMA) study, such barriers are costing Canadians nearly \$6 billion a year. There was a virtually unanimous agreement, during the talks, that they must be removed. Also, innovative measures to reduce the burden of government on business were suggested.

Our national prosperity is linked to our ability to perform well within the global economy; in other words, trading smarter. The Prosperity Initiative focused on how we can -- not only by improving our ability to compete, but also by capitalizing on new opportunities created by the FTA. When we decided some 14 months ago to participate in the NAFTA, we set out to expand on those opportunities by pursuing three objectives:

- better access for Canadian goods and services in Mexico;
- strengthening the benefits of the Canada-U.S. Free Trade Agreement and improving our access to the world's single richest market; and
- guaranteeing Canada's status as a highly desirable location for investors to serve the North American market.

We met each of these objectives in the agreement reached in the summer, opening enormous opportunities in a North American market of over 360 million -- opportunities companies are already exploiting.

Small- and medium-sized Canadian companies are not waiting for the NAFTA to be ratified; some are already exploiting new opportunities in the increasingly open Mexican economy -- one of

the fastest growing markets in the world. The federal government is taking steps to ensure more Canadian companies do so. For example, in January, External Affairs and International Trade Canada mounted a trade fair in Monterrey, Mexico -- one of the largest solo trade shows ever. Over 200 Canadian companies were represented at the fair and did over three million dollars of business. Of these, more than 90 per cent were small- and medium-sized businesses.

For example, Group C.C.L., a Quebec company that provides linguistic services to business, identified joint ventures and language training services contracts at Monterrey. Hi-point Industries of Bishop's Falls Newfoundland, which produces an oil-spill cleanup product, received an order for \$80,000 and is in line for another of \$150,000 as a result of their participation in the trade fair. With less than 30 employees and sales in Europe, the Middle East, Asia and South America, this company is proof that export markets are not only open to multinational giants. Manufacturing SMEs like Hi-point accounted for fully one fifth of our total exports in 1989, and, in sectors like clothing, food products and wood industries, they accounted for over 50 per cent.

Despite the impression one gets from the media, many companies, global giants and long-established Canadian firms alike, have invested in Canada as a base from which to serve the entire North American market: Proctor and Gamble, GTE Sylvania, Heron Cable, Hughes Aircraft, Kodak, Polymer International, Dow Chemical, Cargill Foods, E.D. Smith, DuPont, Rubbermaid and Nikon Optical, to name just a few. And many are expanding their facilities in Canada to do so. One reflection of this new reality is our record export levels to the United States this year.

The Steering Group's consultations have revealed a convergence of views across the country about how we should adjust to the realities of a global knowledge-based economy. Canadians focused on what individuals, communities and companies must do. While acknowledging there are many things that government can and must do better, they also expressed a desire to be more self-reliant. They agreed that delivering wish lists to government will do little to meet our learning and competitive challenges. On the contrary, they are looking to their communities, companies and associations for mechanisms to develop skills and become more capable competitors. Local development organizations were seen as having a critical role in nurturing small businesses and improving management skills in existing small businesses. Canadians see a key role for you in forging plans for community action to implement the action plan.

Although, like you, I haven't yet seen the action plan, I can assure you that the federal government is prepared to take bold steps to implement the product of this year-long consultation

process. But the federal government cannot do it alone, so the plan will suggest things all of us need to do to pitch in. Canada needs this action plan to secure for its future generations the kind of prosperity this generation regarded as its birthright. The plan of action to renew our economy, like the renewal of the federation, will require the commitment of every Canadian. If we are to have a united, prosperous future, everyone needs to get off the bench and get into the game.

Your record of dedication to the development of this country convinces me that Canada can count on your commitment to renewal of both our federation and our economy.

Thank you.