

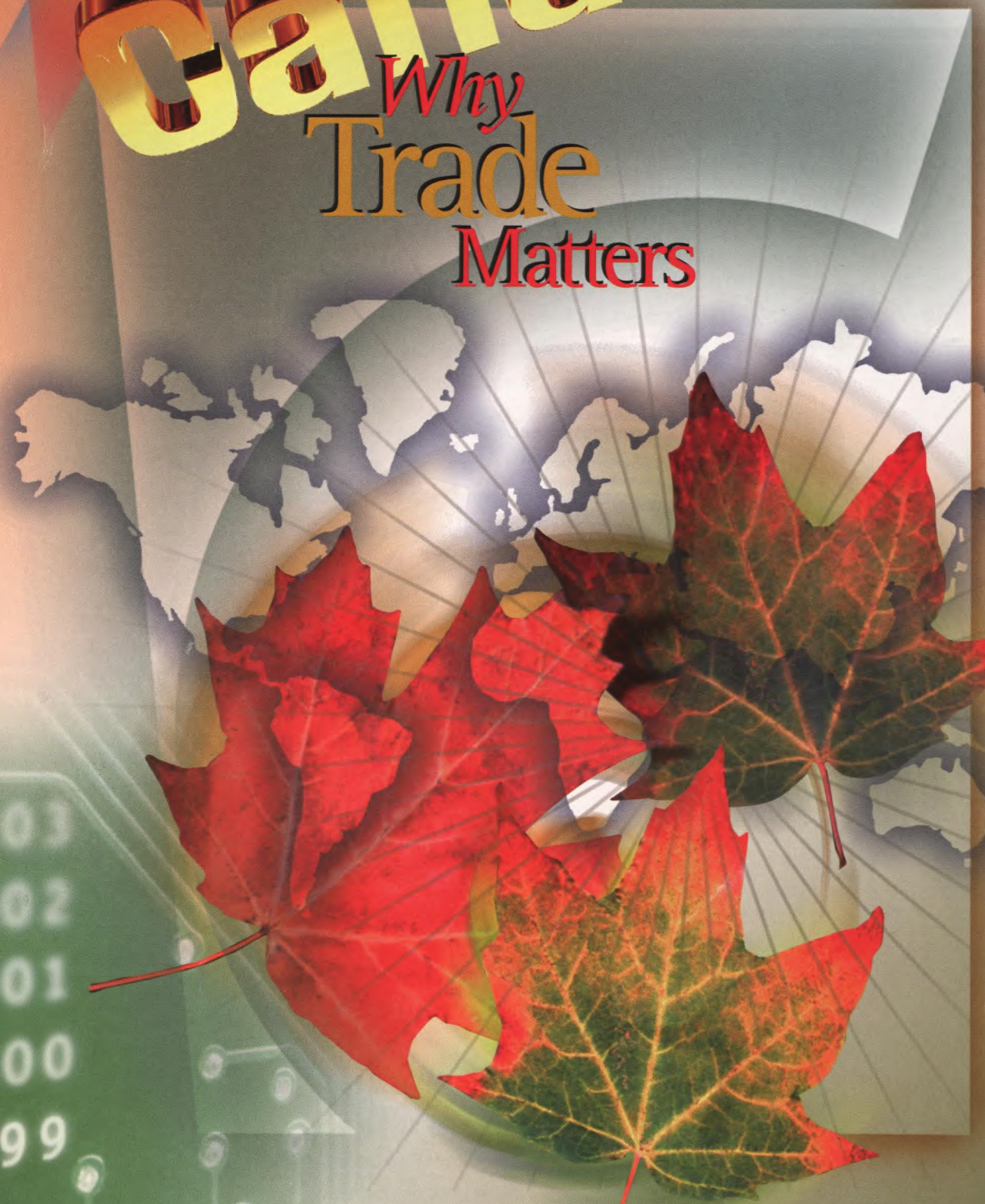
.6356 8829(E)

doc
CA1
EA
2000C18
ENG

Canada

Why Trade Matters

2003
2002
2001
2000
1999

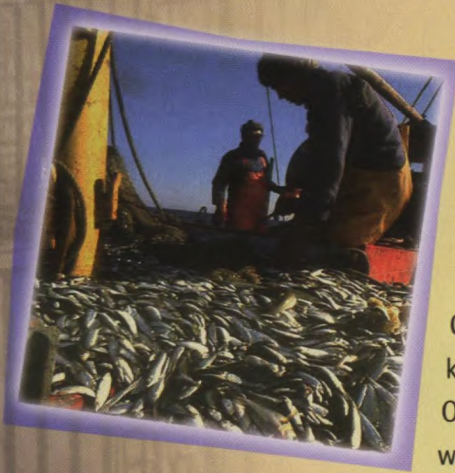


Canada



Why Trade Matters

For six straight years the United Nations has ranked Canada the best country in the world in which to live. How did a country of 30 million people climb to the very top? One of our biggest boosters has been our ability to do business with the outside world. Trade enhances the quality of Canadian life. Success in the international marketplace helps give Canadians the economic energy we need to create the nation we want.



Is trade really that important to Canadians? Think about it. More than 40 percent of everything that Canadians produce is exported. In 1998, Canada shattered its own export record for the seventh straight year. We exported \$368 billion in goods and services to countries throughout the world. That is more than \$12 145 for every Canadian – kids, youth and retirees included.

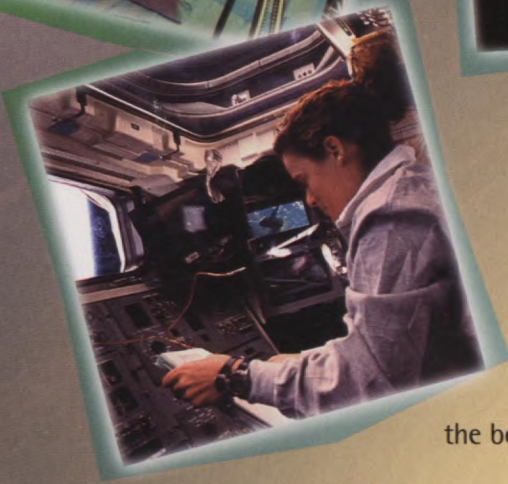
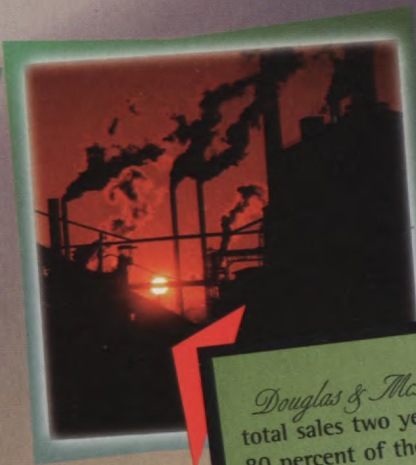
Canada's increasingly complex economy – bursting with potential – can't keep growing unless we continue to develop markets outside our borders. Only one out of every 200 people in the world is Canadian. If we ignore what the other 199 have to buy and sell, Canada's cash registers will soon turn quiet and increasing numbers of Canadians will find themselves out of work. Every \$1 billion increase in Canada's exports sustains 6 000 Canadian jobs. One out of three Canadian jobs depends on exports.

COMPETING TO WIN



If asked why trade matters, a Grade 5 kid might say "Canadians sell a lot of stuff to other countries, and we get a lot of money. Canadians use that money to buy stuff they need." That may be too simple an explanation for economists and adults in general, but it does get to the heart of the matter.

63120964



Douglas & McIntyre's export sales have increased from 23 percent of total sales two years ago to 31 percent of 1998's \$6.1 million. More than 80 percent of their exports go to the United States, 16 percent head to Europe; and 3 percent to Japan and Australia. "There has been a subtle shift in emphasis in the last five years to exports being critical and central to what we do. We have changed our publishing program to focus more on the international market."

SCOTT McINTYRE, PRESIDENT, DOUGLAS AND McINTYRE PUBLISHING GROUP,
VANCOUVER, BRITISH COLUMBIA

Trade means imports as well as exports. If some of the billions of dollars that Canadians earn from exports is used to purchase imported goods, so much the better. Other countries need to export to us if they are going to buy from us.

Trade brings in technology and materials needed to create exports and offers Canadians a wider range of personal choice in purchasing everything from oranges, to cars, to medication. It encourages competitive pricing, creates jobs, stimulates technological advances and promotes more educated societies.

Trade can have its downside – like any opportunity, it involves risk. But there is no question that international trade presents an endless range of win-win situations for those countries with the resolve to compete. As long as the game is played by the rules.



DOES CANADA HAVE WHAT IT TAKES?

Canada used to be known as a commodity-based economy. Grains. Minerals. Timber. Those commodities continue to matter very much to Canada. But while commodities accounted for 65 percent of Canada's exports only two decades ago, they account for just 45 percent now.

Why? Because Canada has developed a much more sophisticated economy in recent decades – a knowledge-based economy. Canada has some of the best educational systems anywhere. Consider this: the 1998 list ranking the top 40 electrical engineering programs in North America featured the names of 18 Canadian universities. Canadian schools produce the kind of know-how that fuels modern hi-tech industries such as our aerospace industry, the fifth largest in the world.

The Global Competitiveness Report ranked Canada first among nations in technological potential. We Canadians can't afford to waste all that potential. Canada's domestic market is simply not large enough to absorb Canada's enormous productive capabilities. We must convert those capabilities into global success – through trade – or we will lose them.



Diagnostics Chemicals Ltd. currently earns about 90 percent of its revenues from exports, compared to 75 percent five years ago. Its largest export market is the United States, with 80 percent of its total heading south of the border. Other large markets include Japan, Germany, France and Italy. Diagnostics opened marketing subsidiaries in the U.S. and Mexico to meet increased demand. It has 150 employees, double the number three to four years ago.
DIAGNOSTICS CHEMICALS LTD.,
CHARLOTTETOWN, PRINCE EDWARD ISLAND

Canada sells more to the United States than any other country does, by a wide margin. Free trade has helped. Canada's exports of goods to the United States increased from \$149 billion to \$242 billion between 1993 and 1998. Imports from the United States were \$234 billion in 1998. If Canadians can compete so successfully with the hard-trading Americans, we can compete with anyone, anywhere in the world.

*I*NTERNATIONAL HERMITS DON'T PROSPER

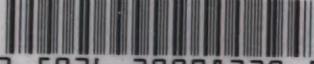
There are those who will argue that Canada will lose its identity if it becomes too dependent on the benefits of international commerce. Not so. Canadians know who they are. Canada needs to grow economically to sustain the kinds of unique social and cultural programs that have made our country special. We can't stand still – we need to win globally to grow domestically. Trade puts money in the pockets of Canadians who work in our hospitals, teach in our schools and run our social programs.



The last thing Canadians need to do is to hide from the rest of the world. Canadian workers, small business owners and entrepreneurs have the ability to compete. They are counting on their government to work – in concert with other governments – to create a level global playing field on which they can compete.

Investment follows trade and vice versa. There was a time when many Canadians were wary of foreign investment. A few still are. But look at the example of Ericsson Communications Canada, an international investor hiring smart young Canadians to work here rather than somewhere else. And to work for the benefit of all Canadians.

Avant-Garde Engineering's exports have increased about a hundred-fold since 1994, reaching \$23 million by 1998. It is among the fastest-growing companies in Canada, 40 times larger in 1999 than it was five years before. In 1994, AGE had three employees; today it has more than 100 and it expects to double that again in the next few years. While the United States is its major export market, AGE also exports to Chile, France and Egypt.
AVANT-GARDE ENGINEERING, L'ASSOMPTION, QUEBEC



GAYLORD LINDAL of *Viceroy Homes Ltd.* visited Japan in 1992 and came back convinced of its potential. The result of Viceroy's efforts in Japan was an export-led recovery that saw production climb from a few hundred units in the early 1990s to 1400 units in 1998-99. Staff, which was down to 100 is now at 350 and climbing. "We're shipping a value-added product, which is a major benefit to Canada. And we're shipping it to what is probably the toughest manufacturing market in the world."

GAYLORD LINDAL, PRESIDENT AND CEO,
VICEROY HOMES LTD., PORT HOPE, ONTARIO

CANADA'S TRADE AGENDA

Some Canadians have expressed concerns about the impact of globalized trade on Canadian commerce. Some of those concerns have been exaggerated, but many are legitimate. Change always creates challenges, and those require the full attention of governments to maximize the benefits of change and minimize its side effects.

In November, Canada will enter discussions with more than 130 member countries of the World Trade Organization (WTO) during the third WTO ministerial conference in Seattle, Washington. The Seattle meetings will look at past WTO agreements, as well as look forward to the next WTO negotiations coming up in 2000.

Active Canadian participation in these WTO sessions underscores the Government of Canada's determination to see the right rules govern business transactions around the world.

Canada is a medium-sized country. From time to time we compete against countries that like to throw their weight around. Canada cannot match the subsidies and other unfair advantages that some countries give their industries and farmers. We need rules that every country can work with. Canada can compete successfully but the playing fields must be level and the rules clear and evenly applied.

To reap the benefits of trading internationally, all players must know and agree to operate by the same rules in global markets.



Dominion Veterinary Laboratories exported more than 60 per cent of its pharmaceutical products 1998-99. Of its export sales, \$3.5 million went to the United States, and \$400 000 to the Middle East. Exports have grown very rapidly recently, from only \$25 000 in 1994-95 to the current level of about \$4 million. "It shows that a family-owned company can make an impact in foreign trade. Exports are a great opportunity for us."

SHELDON EARN, PRESIDENT.,
VETERINARY LABORATORIES, WINNIPEG, MANITOBA



Rachael Lewis is still energized by her whirlwind visit to Japan in September. Her small consulting firm, *R.L. Resource Management*, was one of four companies from the Yukon that participated in the Team Canada 1999 trade mission to the region. It was the firm's first foray into Japan, but the second time it made headway with Team Canada.

"We made all kinds of valuable contacts in Latin America on the 1998 trade mission, including a number of government agencies that were directed to us by two Chilean companies that we met."

RACHAEL LEWIS, PARTNER, R.L. RESOURCE MANAGEMENT, WHITEHORSE, YUKON

They must balance trade goals with a commitment to social justice and a sustainable world ecology.

Canada has championed the environment and social justice within the Free Trade Area of the Americas (FTAA). It will treat these issues as priorities at the WTO meetings in Seattle.

INTERESTED?

For more information on Canada's trade agenda, access the website of the Department of Foreign Affairs and International Trade: www.dfaif-maeci.gc.ca/tna-nac/

To comment on Canadian trade matters, go to: www.dfaif-maeci.gc.ca/tna-nac/contact-e.asp

or by mail or fax at the following address:

Trade Negotiations Consultations
Trade Policy Consultations and Liaison
Division (EBC)
Department of Foreign Affairs and
International Trade
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario K1A 0G2
Fax: (613) 944-7981

Printed copies of this publication may be
obtained by contacting:

Enquiries Service (SXCI)
Department of Foreign Affairs and
International Trade
125 Sussex Drive, Tower B-2
Ottawa, Ontario K1A 0G2

or by calling:

1 800 267-8376 (toll-free); or,
(613) 944-4000 (Ottawa-Hull area);
Fax: (613) 996-9709

OTHER SOURCES:

| | |
|--|---|
| Strategis: Trade and Investment | http://strategis.ic.gc.ca/sc_mrkti/engdoc/homepage.html |
| International Trade and Finance | http://www.fin.gc.ca/activity/ACTIVE.html |
| Customs - Business | http://www.ccra-adrc.gc.ca/customs/business/menu-e.html |
| Contracts Canada - Trade Agreements | http://contractscanada.gc.ca/en/trade-e.htm |
| Agri-Food Trade Policy | http://www.agr.ca/itpd-dpci/indexe.html |
| Canadian Food Inspection Agency | http://www.cfia-acia.agr.ca/english/toc.html |
| Labour Program | http://labour-travail.hrde-drhc.gc.ca/doc/lab-trav/eng/ |
| The Green Lane: Environmental Agreements | http://www.ec.gc.ca/envagree_e.html |
| Canadian Heritage - Trade and Investment | http://www.pch.gc.ca/culture/invest/english.htm |

In October 1999 Ericsson announced a \$196 million investment to develop new telecommunication solutions. This investment will create 130 new engineering positions at Ericsson's research facility in Montreal. Since 1990 Ericsson has invested over \$1 billion in Canada as well as employing 1400 people at the company's Montreal and Mississauga facilities. Ericsson Canada posted over \$600 million in sales last year.
ERICSSON COMMUNICATIONS CANADA, MISSISSAUGA, ONTARIO

