

Seizing Global Advantage

A Global Commerce Strategy
for Securing Canada's Growth & Prosperity



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A Message from the Minister



Canada has one of the most successful and prosperous economies in the world today. That success is a product of many distinct Canadian advantages, most notably our strong fiscal management, excellent business conditions, stable financial institutions and, especially our longstanding openness to international trade and investment.

Participation in global commerce has helped Canadians build a strong, stable economy that boasts thousands of leading-edge companies, a highly skilled and educated workforce, world-class financial infrastructure, and top-quality research and development facilities.

Even as we celebrate these strengths, Canadians must not be complacent about the future. Measures were introduced in *Budget 2009 – Canada’s Economic Action Plan* to maintain Canada’s comparative global advantage. We will seek out new opportunities for Canadian business through the promotion of free trade and continue to create a business environment conducive to investment.

Competition is fierce. Countries like China and India have emerged with tremendous market opportunities, but also as powerful new sources of competition. Traditional powers like the United States and the European Union are stepping up their competitive game, both to capitalize on new market opportunities and to meet the competition they face at home.

The Government of Canada is committed to building a stronger, more competitive Canadian economy that will thrive in the years ahead. Under the Global Commerce Strategy, the federal government is investing \$50 million a year towards:

- Securing favourable terms of access to the markets, investment and innovation opportunities where Canadian commercial interests are greatest.
- Attracting global investment and innovation to Canada and facilitating Canadian commercial engagement abroad.
- Expanding Canada’s international commercial network to ensure our companies have the support they need to capitalize on opportunities across the entire spectrum of modern business.

Canada is an ambitious and dynamic player with a strong track record of success in global commerce. In the face of rising international competition and profound difficulties in the global economy, Canada’s future prosperity hinges on how well we collectively harness our competitive advantages to maintain our place as one of the world’s great trading nations and most successful economies. The Global Commerce Strategy is our plan to meet these goals.



The Hon. Stockwell Day
Minister of International Trade and
Minister for the Asia-Pacific Gateway

Canada in the Global Economy

The global economy has changed dramatically over the past decade. Fewer barriers to international trade and investment and major technological advances in transportation and communications mean commercial activity is increasingly taking place on a global scale.

Globally engaged companies are not only selling internationally, but also investing in production facilities and forming new kinds of partnerships with suppliers, producers, distributors and innovators located around the world. As a result, global value chains – in which the steps in moving a good or service from conception, design and production to the end user are dispersed across commercial networks that span the globe – are on the rise.

Global competition is also on the rise. New economic forces like China, India, Brazil and Russia have emerged. Home to some three billion people entering the global marketplace as consumers, these new powerhouses offer tremendous market opportunities for Canadian companies. As countries with advancing levels of industrialization, they are also increasingly competing with Canada for market share, investment and high value-added activities in global value chains. Longstanding economic powers like the U.S. and countries across Europe are responding to such rising competition by stepping up their own competitive strategies to ensure their businesses succeed on the global stage. As a result, governments are increasingly competing against one another to help their businesses and investors gain an edge in the race for market share, technological advantage, foreign investment and other global value chain opportunities. Canada must do the same.

The Government of Canada has pledged to improve Canada's competitiveness and to support Canadian firms as they pursue opportunities in the global marketplace. Through its **Global Commerce Strategy**, the Government is taking action to:

- Boost Canadian commercial engagement in global value chains;
- Secure competitive terms of access to global markets and networks for Canadian businesses;
- Increase foreign direct investment in Canada and Canadian direct investment around the world; and
- Forge stronger linkages between Canada's science and technology community and global innovation networks.

Global commercial engagement key to Canadian economic strength

- Despite the weakening global economy, Canadian exports of goods and services climbed 5.2 percent to reach a record high of \$557.9 billion in 2008. Canadian imports of goods and services climbed 6.3 percent to reach \$533.3 billion.
- Foreign direct investment (FDI) holdings in Canada jumped by 14.4 percent in 2007, bringing the stock of FDI in Canada past the half a trillion dollar mark. Nevertheless, the stock of Canadian direct investment abroad (CDIA) at the end of 2007 still exceeded foreign direct investment in Canada.

Expanding Canadian Access to Global Markets and Networks

Canada continues to push for freer trade through the World Trade Organization (WTO) in the Doha Development Round. Agricultural producers, manufacturers and service providers stand to benefit from the expanded access to global markets that a successful outcome would secure. But at the same time, the Government is also pursuing an ambitious bilateral agenda to secure competitive terms of access for Canadian businesses, investors and innovators. Making strategic use of the entire suite of international trade policy instruments, the Government is pursuing efforts in those markets where the opportunities are greatest.

- ***The North American Free Trade Agreement (NAFTA)***: Without a doubt, Canada's most important platform of economic opportunity is North America and its most significant trade instrument is NAFTA. Since it came into effect, NAFTA has revolutionized continental trade and investment, helping to unlock our region's full economic potential. NAFTA has helped to stimulate economic growth and create jobs across Canada. It also paved the way for greater market competition, as well as enhanced choice and purchasing power for Canadian consumers, families, farmers and businesses. Furthermore, NAFTA has provided North American businesses with better access to materials, technologies, investment capital and talent available across North America. This has helped make our businesses more competitive, both within North America and around the world. With other economic players like China challenging our competitiveness, NAFTA continues to provide Canada, the U.S. and Mexico with an excellent foundation for strengthening continental commercial linkages. Canada continues to work closely with its North American partners on a wide range of efforts to keep our borders secure and open to efficient commercial exchanges.

- **Free Trade Agreements:** Canada is currently engaged in negotiations with key countries in the Caribbean (CARICOM) and Central America (CA4), the Dominican Republic, Panama, Singapore and South Korea. Canada recently signed Free Trade Agreements with Peru, Colombia and the European Free Trade Association countries (Iceland, Norway, Switzerland and Liechtenstein), and has successfully completed negotiations with Jordan. Canada has also undertaken joint studies with Japan and the European Union to help determine how to foster closer economic partnerships with these important partners. In early 2009, Canada and India also agreed to initiate exploratory talks towards an economic partnership agreement.
- **Foreign Investment Promotion and Protection Agreements (FIPAs):** FIPAs provide the protection and predictability investors need when investing in foreign markets. They are being pursued where Canadian investment levels or opportunities for growth are substantial. Since 2007, Canada has concluded negotiations with India, Jordan, Kuwait, Madagascar and Peru. Negotiations are ongoing with Indonesia, Mongolia, Vietnam, and Tanzania, while those with China are in the final stages. Exploratory discussions are being pursued with a number of countries in Asia, Africa and the Middle East. Furthermore, updates are nearly complete for Canada's FIPAs with the six countries that most recently acceded to the European Union.
- **Air Services Agreements:** Canada's more than 70 bilateral air services agreements have varying degrees of openness and cover a spectrum of objectives, such as facilitating passenger traffic, enhancing market access, and supporting international shipping and cargo traffic. Since the announcement of the Blue Skies initiative in November 2006, Canada has successfully negotiated new or updated existing agreements with the European Union, and a number of other countries (Barbados, Costa Rica, Dominican Republic, Iceland, Japan, Jordan, Kuwait, Panama, Philippines, Mexico, New Zealand, Singapore and the United States.) Canada is also engaging in consultations with a number of key bilateral partners, including Australia, Egypt, Japan, Korea and Turkey.
- **Innovation and Science and Technology (S&T) Cooperation Arrangements:** Bilateral S&T arrangements are important tools for forging S&T partnerships and great examples of how countries can join forces, build off each other's strengths, and put exciting, innovative products to work on the global stage. Thanks to an agreement with India, for example, Canadian companies have gained an important access point to a recognized world leader in mathematics, science and technology and education. A similar agreement with China is helping Canadian innovators bring their work to market more quickly. Other arrangements have been signed with Brazil, the EU, France, Germany, Israel, Japan and Korea. Moving forward, the Government is looking to pursue new S&T arrangements with Chile, the U.S., the U.K., the Netherlands, the Nordic countries, Switzerland and Mexico.

Boosting Canada's Share of Global Investment and Innovation

Investment and innovation are key drivers of today's global value chains. Businesses are investing in new products, technologies, production facilities and distribution networks to cut costs, expand market share and generate higher earnings and profits. Businesses are also competing for global investment capital as a means to boost their own operations, productivity and competitiveness.

The Government of Canada is committed to making Canada a magnet for global investment and innovation, and to supporting Canadians pursuing investment and innovation opportunities abroad. Building on the progress being made in negotiating bilateral investment and S&T agreements with key partners, as well as partnerships with Export Development Canada, the Canadian Commercial Corporation and with the provinces and territories and business stakeholders, the federal government is expanding its efforts to promote Canada's strengths as a partner and destination for global investment, enterprise and innovation. Under a new Foreign Investment Promotion Strategy, Canada's commercial network at home and abroad is focusing on building the Canada "brand" in key markets and priority sectors through a wide range of new initiatives, including:

- **Investment Champions Program:** Canadian business leaders are being recruited to reach out to prospective investors to highlight specific opportunities for partnering with Canadian companies, and the business cases for doing so. Investment Champions will help draw potential investors to industry-specific events across Canada and enrich the itineraries of visits to Canada by potential investors.
- **Investment Promotion Tools:** New tools that articulate strong business cases for partnering with Canadian companies in key sectors and industries are under development. New sector- and industry-specific materials and a marketing campaign revolving around Canadian success stories are being developed. Work is also underway to enhance Canada's visibility and presence at major international business events attended by influential corporate decision-makers.

- **Investment Awareness Outreach:** The 2010 Olympic and Paralympic Games in Canada offer an excellent opportunity to showcase Canada's attractive business climate and thousands of innovative and highly competitive businesses to the world.
- **Investor Aftercare Services:** New services are being introduced to help foreign investors in Canada connect to the Canadian suppliers, professionals, labour, knowledge and innovation networks they need. Investors will also be provided with help in identifying expansion opportunities and/or ways to address issues affecting their current operations.
- A number of new **Global Value Chain Initiatives** will help Canadian companies identify, explore and tap into global value chain opportunities, particularly those driven by U.S.-based multinationals or overseas-based multinationals with operations in the U.S.

Recognizing the importance of partnering with other innovative countries to access foreign knowledge, technologies and expertise in creating marketable products, the Government is also committed to enhancing Canada's profile and participation in global innovation networks. Leveraging federal domestic S&T Strategy efforts to make Canada's business environment one that encourages S&T and innovation, Canada's international network is boosting the national profile in this regard. As well, through expanded funding of such programs as the **International S&T Partnerships Program** and the **Going Global Innovation**, the Government is seeking to accelerate the commercialization of Canadian innovations in priority markets and sectors.

The Government is also committed to increasing the number of international students choosing Canada. In that regard, funding was announced for the Vanier Scholarships and Global Excellence Chairs to attract foreign students to Canadian post-secondary institutions.

Strengthening Canada's International Commercial Network

The Government of Canada's international commercial network – the Trade Commissioner Service – currently encompasses over 900 Canadian Trade Commissioners active in over 150 cities worldwide, including 17 regional offices across Canada. Working side-by-side with Canadian diplomats, officials from some 22 federal departments and agencies, commercial partners like Export Development Canada and the Canadian Commercial Corporation, as well as with provincial and territorial counterparts and other stakeholders, Canadian Trade Commissioners provide thousands of Canadian clients each year with information, advice and support that helps them advance their international commercial strategies.

In the face of rising complexity and competition, the Government of Canada recognizes that Canada's Trade Commissioner Service needs to be expanded and strengthened in key markets that are aligned with Canadian business interests. This is essential as Canada's international presence is small in comparison with other nations like the U.S., the U.K., Germany, France, Japan and Australia, all of whom continue to expand efforts to support their companies. It is also necessary to meet rising demand from Canadian companies for increasingly sophisticated support in accessing global value chain opportunities, establishing operations abroad, connecting with global innovation networks, finding potential joint venture partners, licensing technologies and attracting talent and capital.

- ***Increasing the footprint of the Trade Commissioner Service in key centres around the world:*** The Government is expanding resources in a number of key locations abroad and opening offices in a number of new markets. In China, for example, new offices will be opened in Chengdu, Nanjing, Qingdao, Shenyang, Shenzhen and Wuhan. In India, Canada is expanding its presence to include Hyderabad, Kolkata and Ahmadabad. The Government is also establishing new trade missions in Ulaanbaatar (Mongolia), Porto Alegre and Recife (Brazil) and Tijuana and Villahermosa (Mexico).
- ***Strengthening the Canada-based Trade Commissioner Service:*** Canada-based Trade Commissioners are often the first point of contact for many Canadian businesses seeking to broaden their international trade and investment interests. They also act as an essential link to Canada's network abroad. The Government is expanding the Canada-based network by increasing resources in existing locations across Canada.

Across Canada and around the world, the Trade Commissioner Service is also re-aligning its services to better meet Canadian companies' broader range of needs in today's highly integrated global economy. Trade Commissioners are being trained to enhance their capacity to support Canadian investment abroad. They are also being equipped with new tools to promote Canada as a destination for foreign investment and enterprise. Trade Commissioners are increasingly tailoring their efforts and services to the specific opportunities and challenges of the market in which they are operating.

In some markets, for example, Trade Commissioners are sharply focused on highlighting Canada as an investment destination and/or supporting Canadian business investors active in that market. In others, the greatest focus is on supporting innovation and technology partnerships. In still other markets, Trade Commissioners may be actively supporting trade negotiations or focusing on more traditional export promotion activities.

Of course, as services are driven by Canadian business needs, Trade Commissioners around the world are engaged in all of these activities to some degree or another. Thanks to greater information sharing and collaboration with key partners like Export Development Canada, the Canadian Commercial Corporation, the provinces and various industry stakeholders, Trade Commissioners are able to ensure that their efforts are consolidated and maximized on behalf of Canadian companies, as they confront the challenges and opportunities presented by today's integrated global economy.

Canada's Priority Markets

Based on extensive consultation with government, academic and Canadian business and industry representatives, the Government has identified 13 priority markets around the world where Canadian opportunities and interests have the greatest potential for growth.

Americas

- Brazil
- Latin America & Caribbean
- Mexico
- U.S.

Asia Pacific

- Association of South East Asian Nations (ASEAN)
- Australia & New Zealand
- China
- India
- Japan
- Korea

Europe & Middle East

- Europe
- Russia
- Gulf Cooperation Council (GCC)

Working closely with Canadian businesses, the Government is advancing Canadian interests in each of these markets by embracing the full range of international business activities.

- In **North America**, for example, we are seeking to solidify and expand the advantages achieved through the North American Free Trade Agreement (NAFTA). Our focus is on working with our NAFTA partners to keep trade, investment and talent moving across our borders.
- In the case of Brazil and throughout **Latin America and the Caribbean**, our focus is on deepening access to markets through trade negotiations and by brokering a continental approach to economic integration, development and competitiveness.
- The Government is also working with partners across **Europe** – including the European Union and the countries of the European Free Trade Association – to identify opportunities to remove remaining barriers to the flow of goods, services and capital, and to enhance bilateral cooperation in areas such as science and technology, energy and the environment.
- To advance Canadian commercial engagement in **Asia**, we are expanding Canada’s on-the-ground presence and services to better tap into global value chains and partnering opportunities, particularly in innovation-rich markets like Japan and rapidly growing players like China and India.

- Canadian merchandise exports to the United States, in 2008, climbed 5.5 percent to reach \$375.5 billion.
- Canadian merchandise exports to the European Union increased 3.5 percent, while our merchandise imports from the EU jumped 9.5 percent.
- Merchandise exports to key trading partners like Brazil, India and Japan showed double-digit percentage increases.
- Canadian merchandise exports to China grew 9.2 percent, while merchandise imports increased 11.3 percent.
- Exports slowed in the final quarter of 2008 reflecting lower energy and metal prices and a slowing global economy.

For more detailed information about each of the 13 priority markets, please visit the Department of Foreign Affairs and International Trade website at www.international.gc.ca or contact the Trade Commissioner Service at tradecommissioner.gc.ca or call 1 888-306-9991.

Conclusion

The Government of Canada is committed to helping Canadian companies achieve global commercial success and to making Canada a magnet for global investment, enterprise and talent.

Canada's international commercial network – the Trade Commissioner Service – is being expanded to meet the increasingly sophisticated needs of globally engaged Canadian companies. Free trade agreements are being pursued to provide Canadians with better access to markets where their commercial interests show the greatest potential for growth. New bilateral agreements on foreign investment and science and technology cooperation are providing solid foundations for cultivating stronger commercial linkages in key markets like India and China. So too are more strategically targeted efforts to raise awareness of Canada's many commercial advantages. Furthermore, the advantages Canada is building through tax cuts and upgrades to infrastructure, especially at Canada-U.S. border crossings and Canada's Asia-Pacific Gateway, can be leveraged to enhance our competitive position in North America, Asia and beyond.

In the face of rising international competition and profound difficulties in the global economy, Canada's future prosperity hinges on how well we collectively harness our competitive advantages to maintain our place as one of the world's great trading nations and most successful economies.