



NORTHERN RENAISSANCE
PERSPECTIVES ON CANADA'S
ECONOMIC PERFORMANCE AND
GLOBAL COMPETITIVENESS



PRESENTATION ON THE OCCASION OF
PRIME MINISTER CHRÉTIEN OF CANADA'S
MISSION TO ITALY
BY THOMAS d'AQUINO
PRESIDENT AND CHIEF EXECUTIVE
BUSINESS COUNCIL ON NATIONAL ISSUES
ROME
MAY 20, 1998

- ✳ **Good morning, ladies and gentlemen.**
- ✳ **It is a great pleasure to have this opportunity to address such an impressive group of people from both the private and public sectors of Canada and Italy.**
- ✳ **The title of my presentation, “Northern Renaissance”, in a few words captures the significance of the improvements in Canada’s global competitiveness in recent years and reflects a general consensus among member chief executives of the Business Council on National Issues.**



**THE BUSINESS COUNCIL ON NATIONAL ISSUES
IS CANADA'S SENIOR BUSINESS ORGANIZATION COMPOSED
OF THE CEOs OF THE 150 LARGEST CANADIAN ENTERPRISES
AND REPRESENTING ALL KEY SECTORS**

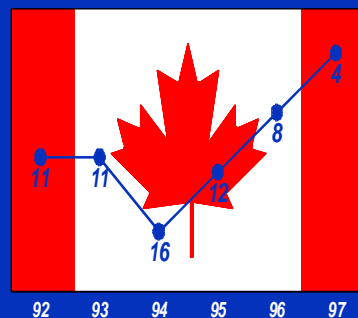
Autos & Parts	Insurance	Printing & Publishing
Banking	Manufacturing	Retail Trade
Chemicals & Petrochemicals	Metals and Minerals	Steel
Engineering	Oil, Gas & Energy	Telecommunications
Elec. & Electronic	Paper and Forest Products	Textiles
Food & Beverage	Pharmaceuticals	Transportation

- ✳ **But first, a few words about the Business Council on National Issues -- the “BCNI”.**
- ✳ **The Council today consists of 150 chief executives of leading Canadian enterprises.**
- ✳ **The organization concerns itself with strategic issues of national and global relevance to Canadian business leaders.**
- ✳ **Member companies currently administer in excess of CDN \$1.6 trillion in assets, have an annual turnover of approximately CDN \$600 billion and are responsible for a significant majority of Canada’s exports, investment and research and development.**



CANADA'S INTERNATIONAL COMPETITIVENESS HAS IMPROVED

Canada's Competitiveness Ranking



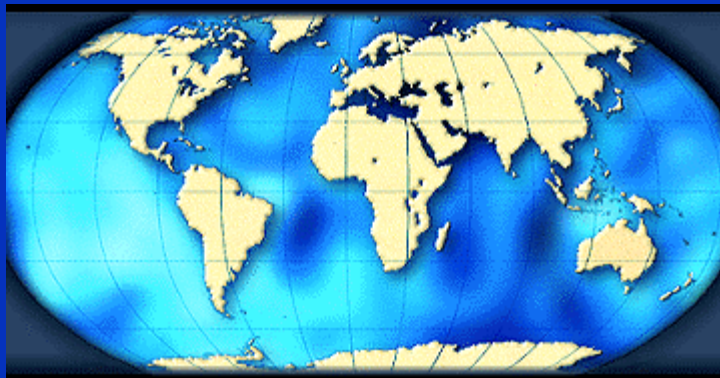
Source: World Economic Forum

- ◆ By the end of the 80s, Canadian competitiveness was on a downward slide.
- ◆ World Economic Forum dropped Canada from 5th to 16th ranking by 1994.
- ◆ Major structural changes and market-oriented policies have produced dramatic improvement.
- ◆ Canada has climbed to 4th spot in the 1997 rankings.

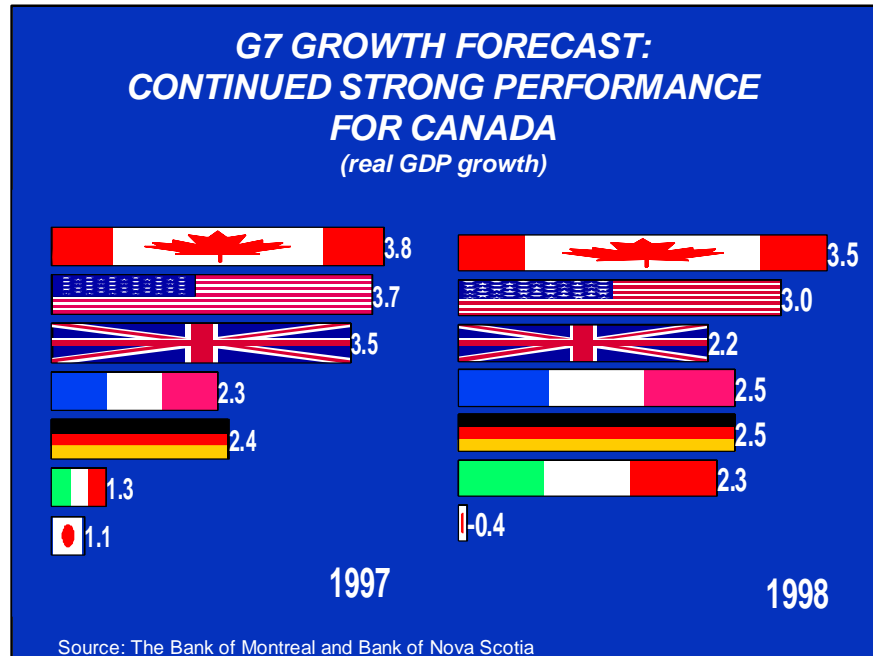
- ◆ **By the end of the 1980s, the general consensus in Canada was that our competitiveness was on a dangerous slide downwards. The World Economic Forum, that at one time had ranked Canada 5th, marked us down to 16th by 1994.**
- ◆ **Professor Michael Porter, in a landmark study carried out in 1990 in conjunction with the BCNI and the Canadian Government, warned that we had to pull up our socks.**
- ◆ **And pull up our socks we did! With the benefit of a Free Trade Agreement in place with the United States and eventually the incorporation of Mexico, a tough battle against inflation, aggressive restructuring of Canadian companies, a long-overdue battle to bring public sector finances under control and a stronger market orientation on the part of governments, the tide was reversed.**
- ◆ **In 1997, Canada was back up to 4th spot in the WEF rankings with the prospect of doing even better this year.**



**THE ASIA CRISIS:
THE IMPACT ON
GLOBAL MARKETS AND CANADA**



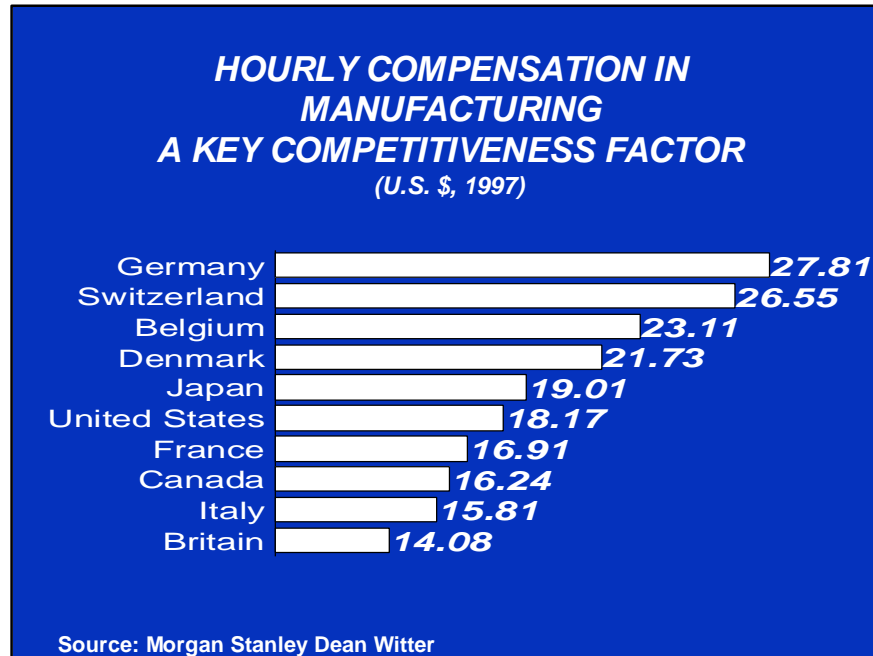
- ✦ **The financial crisis in East Asia is beginning to have repercussions in other regions of the world. As a result, the outlook for global growth has deteriorated dramatically. The Economist Intelligence Unit has lowered its global growth forecast to 2.9 percent from 3.6 percent.**
- ✦ **So far, the impact in North America has led to more moderate growth, to lower net exports and to lower inflation primarily as a result of lower prices for commodities and imports.**



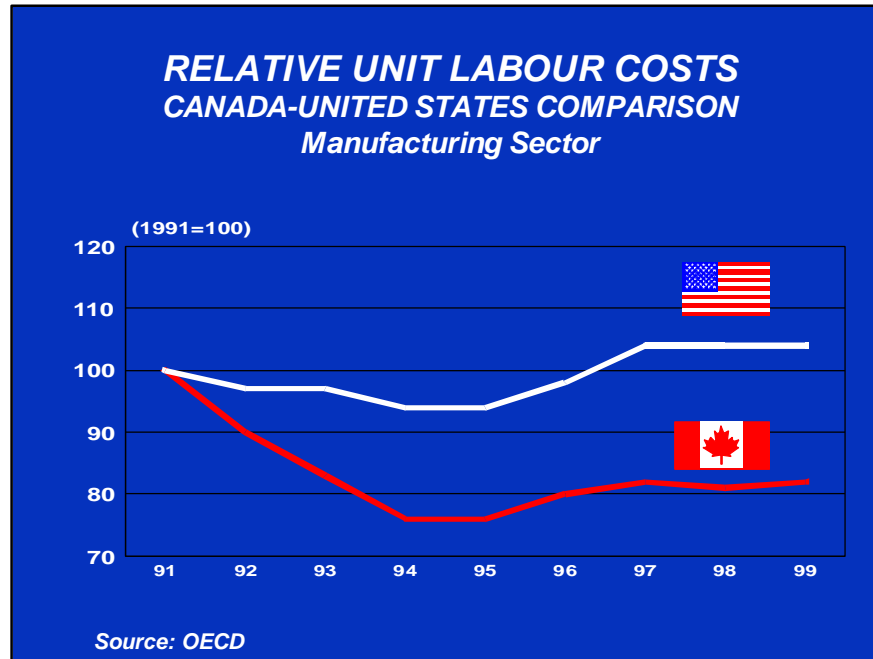
- ✳ **Canada was a growth leader last year and will lead the G-7 again this year with albeit more modest growth of about 3.5 percent in real terms.**
- ✳ **After several years of export-led growth, domestic demand in the form of consumption, housing and business investment has become the key engine of economic growth.**
- ✳ **As indicated in the graphic, growth in continental Europe will be stronger this year, with more moderate growth in Britain.**
- ✳ **Japan has been hard hit by the financial crisis and will likely tip into recession this year.**



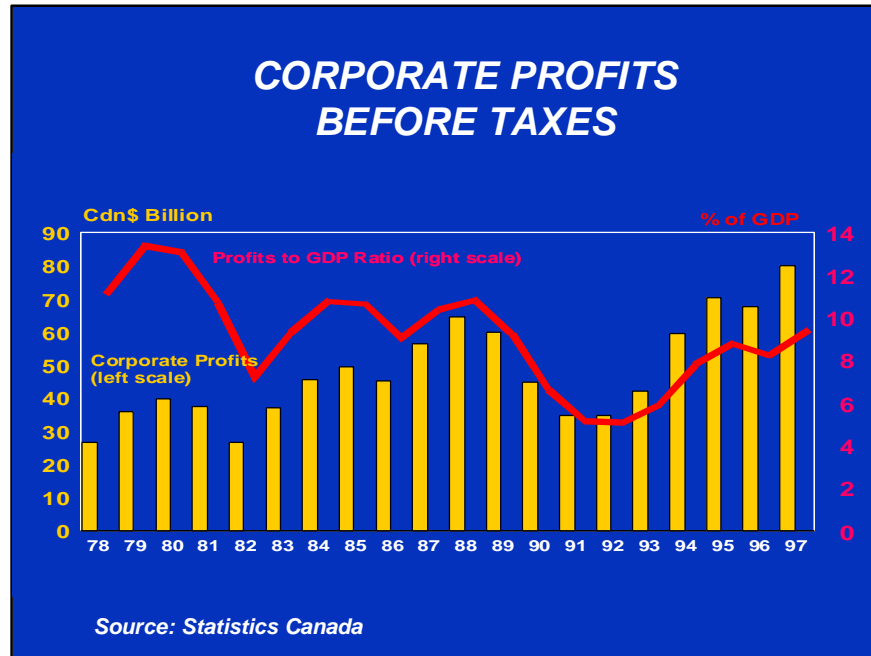
- ✳ **The story on inflation is very positive. After almost twenty years of inflation levels ranging from 5 to more than 12 percent, Canada can now claim to have one of the best inflation records in the industrialized world.**
- ✳ **Canada's inflation has stayed below two percent since 1992 -- for six years, and continues to be superior to that of the United States.**
- ✳ **The current Canada-U.S. T-Bill negative spread is at about 30 basis points. Canada's yield curve out to thirty years remains below that of the United States -- a significant achievement in the face of the recent flight to quality as a result of the Asia financial crisis.**
- ✳ **The weakness in Asian markets, softer commodity prices and the flight to quality over the past six months have not helped the Canadian dollar. The currency remains more than ten cents below its purchasing power parity level of about 82 cents. Still, the Canadian dollar has appreciated against many other currencies.**



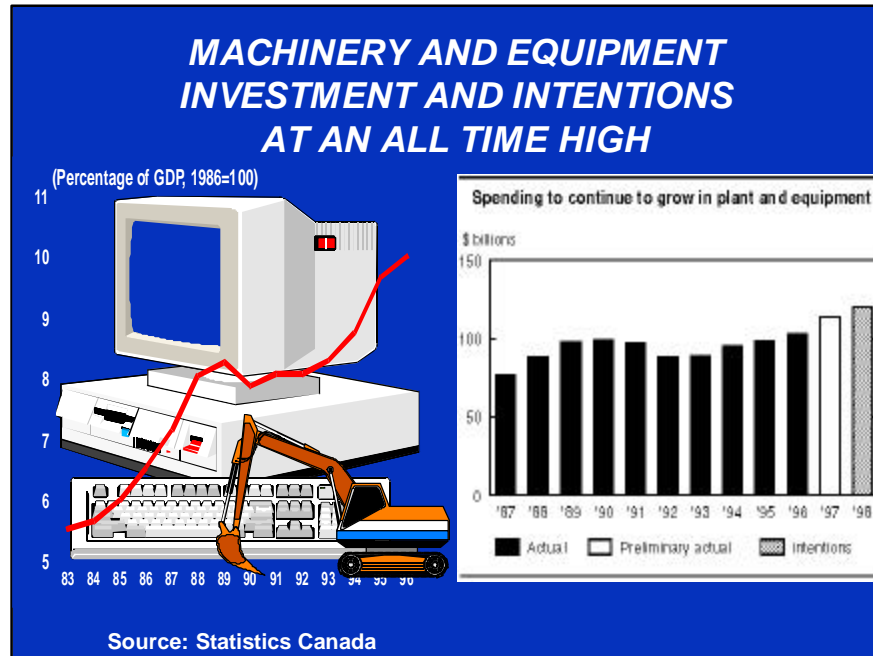
- ✳ **Labour costs still represent 65 to 70 percent of total production expenses in most countries.**
- ✳ **Wage changes, therefore, go a long way to explaining shifts in global competitiveness.**
- ✳ **Canada has among the lowest wage bills in the OECD, not just with respect to time worked but also including benefits.**
- ✳ **As you can see from this graphic, Germany topped the list in terms of wage bills in 1997, followed by Switzerland, Denmark, the Netherlands and Japan.**
- ✳ **More importantly, relative labour costs in France, Canada, Italy and Britain have moved below those of the United States.**



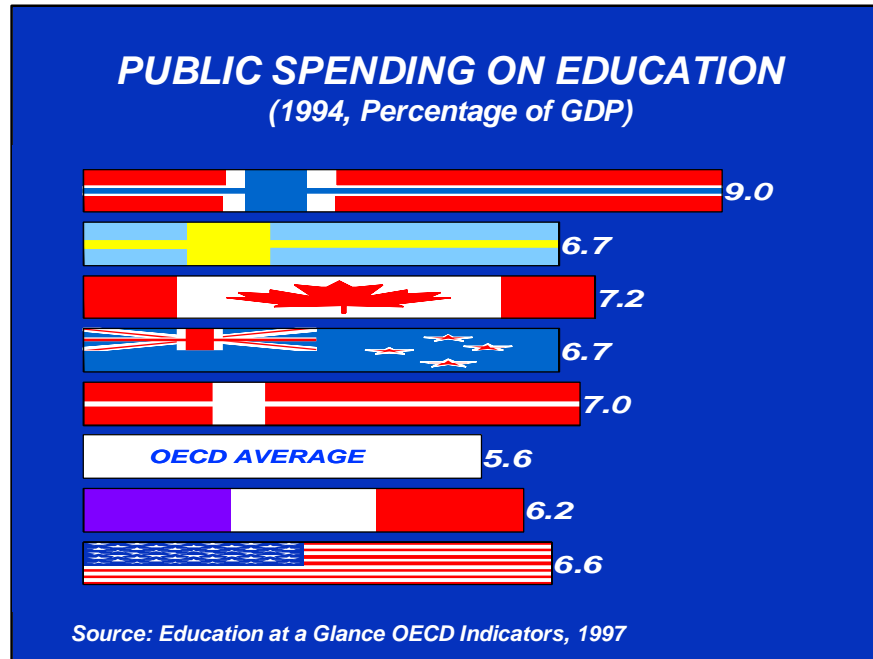
- ✳ **Canada's manufacturing sector unit labour costs, when compared with those in the United States, give us a decided advantage.**
- ✳ **Looking ahead, strong cost performance is expected to continue as overall wage and cost pressures remain subdued in Canada.**



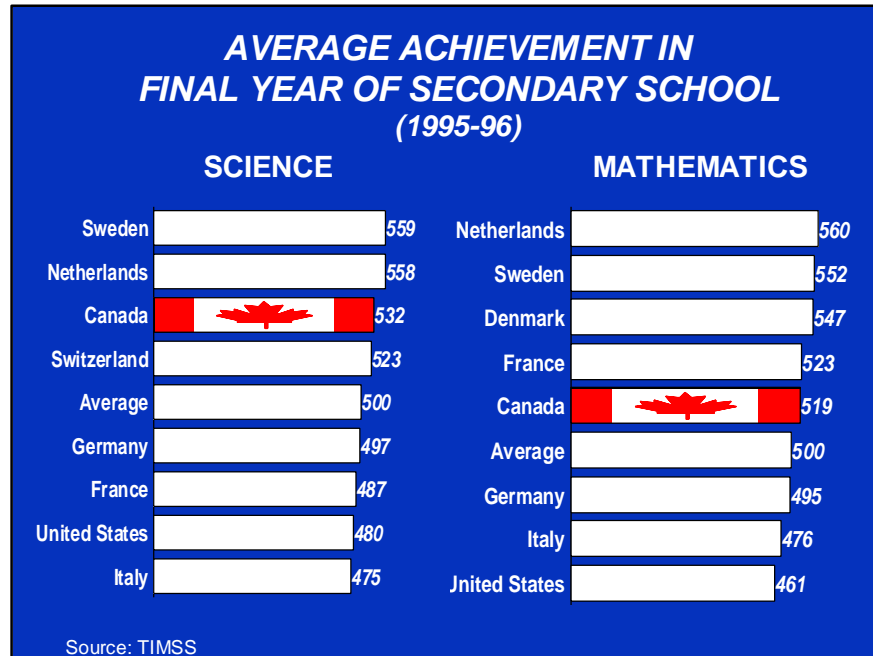
- ✳ **Restructuring, re-investment, and enhanced productivity have combined to improve the profitability of the Canadian private sector.**
- ✳ **After reaching post-depression lows in 1992, profits have recovered, but still remain below the long-run average of about 10 percent of GDP on a before-tax basis.**



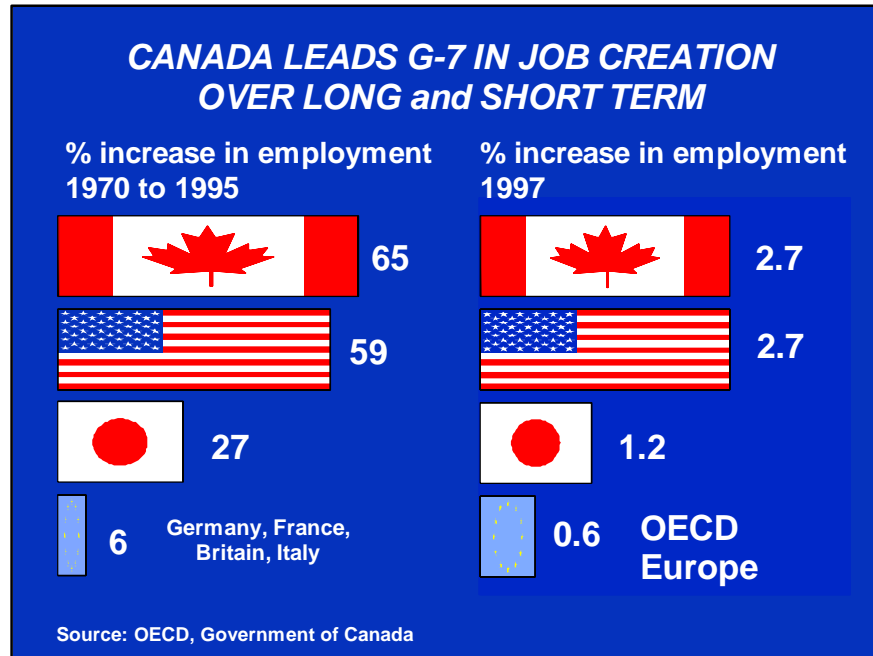
- ✳ **Canada's businesses have invested aggressively in productivity-enhancing machinery and equipment.**
- ✳ **Total real machinery and equipment investment in Canada as a percentage of GDP has increased from 5.5 to more than 10 percent.**
- ✳ **Low interest rates, strong exports, healthy business profits, near record high overall capacity utilization rates, and record levels of business confidence are keeping investment growth buoyant.**
- ✳ **Investment plans for 1998 show growth coming from both investments in machinery and equipment and investments in non-residential construction. Service-producing industries are expected to account for 55% of the total increase in investment, with goods-producing industries accounting for the remaining portion.**



- ✳ **Canada invests heavily in its education system -- a crucial component of competitiveness.**
- ✳ **The equivalent of 7.2 percent of GDP is allocated to spending on education --one of the highest in the OECD.**



- ✳ **Still, Canadians are far from complacent about the education system. There is strong and growing support across the country to extract better results in student performance, particularly in the context of globally-competitive skills.**
- ✳ **These graphics show that Canadian students in the final year of secondary school achieved results well over the average, but we still have some way to go to capture top spot.**



- ✳ On the jobs front, the news is getting better.
- ✳ Measured in the long-term, specifically from 1970 to 1995, Canada has had the best job creation record among the G-7 countries.
- ✳ In 1997, Canada and the United States registered an increase in employment of 2.7 percent, again tops in the G7.
- ✳ The unemployment rate in Canada today remains high at 8.4 percent, however the situation has improved dramatically.
- ✳ More than 372,000 net new jobs were created in 1997. So far this year, more than 170,000 jobs have been created and the economy is on a pace to create more than 500,000 jobs. This would be the strongest performance on record and will lower the unemployment rate below 8 percent by year's end.



**CANADA HAS A KNOWLEDGE-BASED
INDUSTRIAL STRUCTURE**

- ✦ **In the G-7, Canada is second only to the United States in terms of size of its service sector as a percent of GDP.**
- ✦ **Key service sub-sectors include: financial, information technology, management consulting and engineering services.**
- ✦ **The World Economic Forum ranks Canada second in the G-7 and seventh among 45 nations in terms of quality of information technology.**

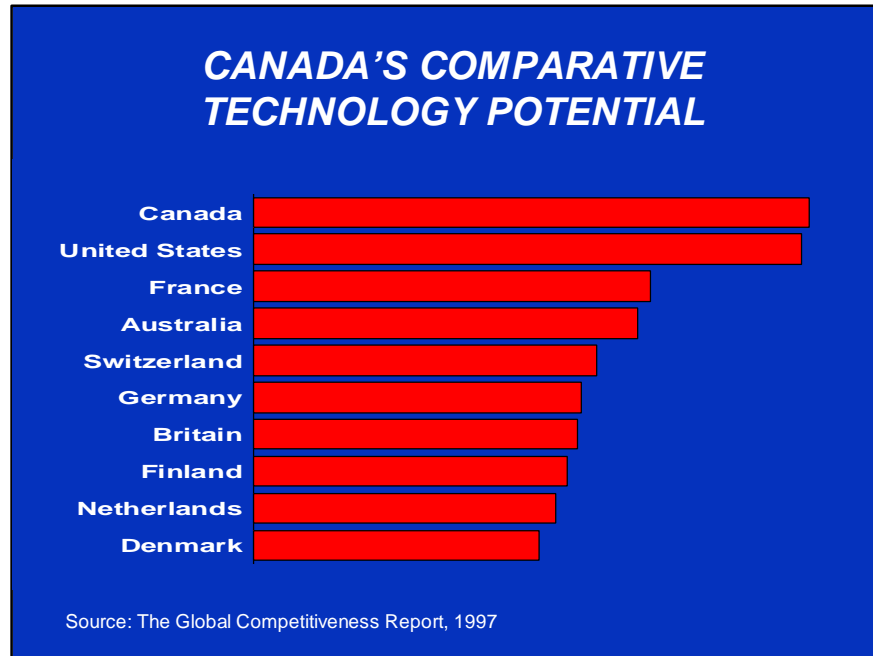
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- ✦ **Canada's information and communications technology sector has grown 50 percent between 1990 and 1995 in real terms. This sector has grown much faster than the Canadian economy overall.**



**CANADA'S TELECOMMUNICATIONS
PRODUCTS INDUSTRY
A WORLD LEADER**

- ✦ **Industry consists of 300 companies primarily found in Ontario, Quebec and British Columbia.**
- ✦ **Average annual growth in Canada of 9 percent since 1988 in telecommunications products manufacturing.**
- ✦ **Three Canadian companies rank in the top 50 telecom's products vendors globally: Northern Telecom (7th), Newbridge (35th) and Mitel Corporation (50th).**

- ✦ **Canada's telecommunications products industry consists of 300 companies primarily found in Ontario, Quebec and British Columbia.**
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- ✦ **Three Canadian companies rank in the top 50 telecommunications products vendors globally: Northern Telecom (7th), Newbridge (35th) and Mitel Corporation (50th).**



- ✳ **As indicated in this graphic (taken from the World Economic Forum's Global Competitiveness Report, 1997), Canada ranked first in technology potential.**
- ✳ **In the development of an index connecting basic national characteristics with the level of information technology, the following factors were deemed important:**
 - ▶ **enrollment in university;**
 - ▶ **the quality of scientific research institutions; and,**
 - ▶ **sufficient power generation capacity.**
- ✳ **Canada has marked strengths in all three areas.**



***POSITIVE ENVIRONMENT FOR
PRIVATE SECTOR
RESEARCH AND DEVELOPMENT***

- ◆ generous tax treatment of R&D investment
- ◆ a highly qualified and skilled work force
- ◆ overall researcher costs competitive internationally
- ◆ strong inter-institutional linkages -- close proximity to manufacturing and public research facilities
- ◆ high quality of life, including favourable socio-economic infrastructure
- ◆ Canada is perceived by foreign-owned companies as an attractive place to conduct R&D

- ◆ **A positive environment for private sector research and development is a Canadian advantage.**
- ◆ **The pluses are a:**
 - ▶ **generous tax treatment -- the after-tax cost of R&D in Canada is 71 cents per dollar versus 89 cents in the United States;**
 - ▶ **highly qualified and skilled workforce;**
 - ▶ **a low cost structure for R&D -- overall researcher costs are quite competitive internationally;**
 - ▶ **strong institutional linkages;**
 - ▶ **a high quality of life.**
- ◆ **Canada is perceived by foreign-owned multinationals as an attractive place to conduct R&D. According to the Conference Board of Canada, spending intentions by foreign-owned companies are matching intentions by Canadian-based companies.**



**AND YET, CANADA HAS
AN INNOVATION GAP**

♦ **ACCORDING TO THE OECD AND STATISTICS CANADA:**

- overall private sector R&D spending remains low as a percentage of GDP, despite the fact that Canada has several R&D champions;
- general use of technology is less in Canada than in the United States (our main competitor);
- as is diffusion and adoption of advanced technologies in strategic economic sectors;
- and the private sector is experiencing growing skills mismatches.

**THIS HELPS EXPLAIN CANADA'S LAGGING OVERALL
PRODUCTIVITY GROWTH PERFORMANCE**

- ♦ **And yet, as analysis by the OECD and Statistics Canada suggests, Canada has an innovation gap.**
- ♦ **There are several factors which have contributed to this innovation gap. The most important are listed in this graphic.**
- ♦ **In its latest survey, the Conference Board of Canada concluded that private sector R&D expenditures are expected to continue at a high pace. However, many companies still have to implement formal processes as well as innovative practices.**
- ♦ **Canada must improve its productivity performance if it is to achieve both sustainable long-term economic growth and rising standards of living over time.**



- ✦ **With its strategic geographical location, its multi-cultural make-up and its diversified trade links (WTO, NAFTA, FTAA, APEC, EU), Canada provides very attractive access to the world's richest and most dynamic markets in America, Asia and Europe.**



- ✦ Proximity and easy access to the United States is a huge advantage for Canada.
- ✦ From Vancouver and Calgary, about 30 million people can be reached within two day's drive. (From Montreal and Toronto, more than 110 million people can be reached within one day's drive, and more than 170 million people within two day's drive.)
- ✦ Also, "open skies" policy has considerably facilitated business travel between Canada and the United States.



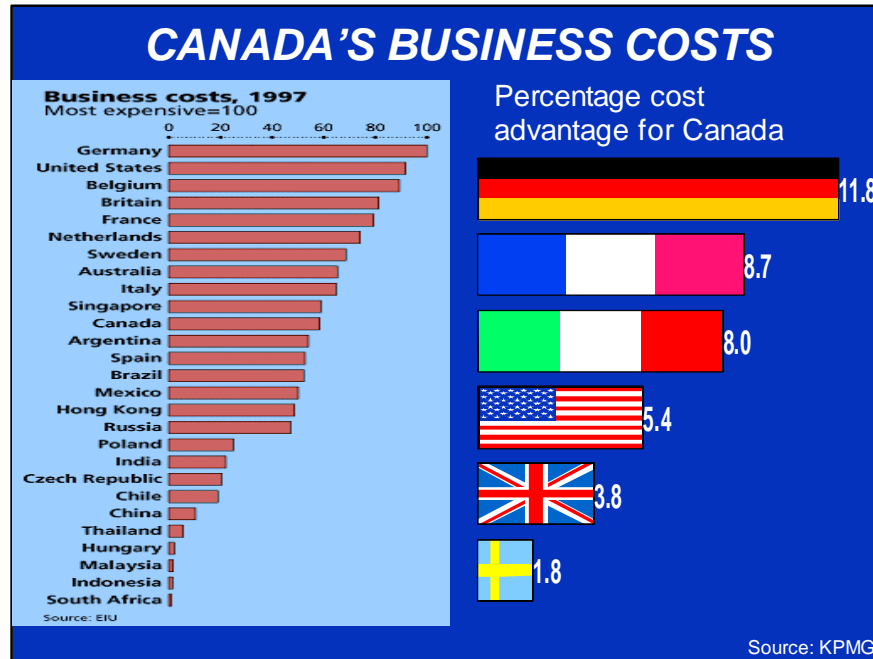
**THE BEST PLACES IN THE WORLD
TO CONDUCT BUSINESS**

(1998 - 2002 RANKING)

NETHERLANDS
UNITED KINGDOM
UNITED STATES
CANADA
SINGAPORE
DENMARK
SWITZERLAND
GERMANY
FRANCE
AUSTRALIA

Source: Economist Intelligence Unit

- ✦ **The Economist Intelligence Unit recently rated the business environment of several countries using market potential, tax and labour market policies, infrastructure, skills and the political environment as indicators.**
- ✦ **As shown in this graphic, from 1998 - 2002, Canada ranks as the fourth best country in the world in which to do business.**
- ✦ **The Canadian private sector also is becoming increasingly recognized for its management expertise, efficiency and service orientation. For example, the World Economic Forum last year ranked Canada third in terms of quality of corporate management.**
- ✦ **Finally, according to a Deloitte & Touche study, more than ten percent of the world's two hundred fastest growing firms are Canadian. Three Canadian companies actually placed among the top fifteen globally.**



- ✳ The Economist Intelligence Unit has developed a new index of relative business costs in 27 economies, based on indicators such as wages (both direct and indirect), corporate taxes, perceived corruption levels, office and industrial rents, and road transport.
- ✳ Germany was the most expensive, followed by the United States. Canada ranks eleventh, ahead of Singapore.
- ✳ Further, in a 1997 study carried out in conjunction with Canada's Department of Foreign Affairs and International Trade, KPMG analyzed the costs of doing business in seven countries. These costs were based on both location insensitive and sensitive costs.
- ✳ The study concluded that Canada is the lowest-cost country in which to do business. Notably, Canada holds a significant cost advantage over European countries in terms of initial investment costs and has the second lowest labour costs.



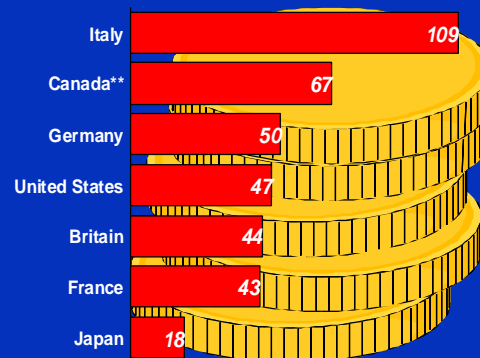
- ✳ **The Corporate Resources Group of Geneva ranked more than 100 cities around the world in terms of quality of life. Canadian cities ranked as follows:**
 - ▶ **Vancouver second**
 - ▶ **Toronto fourth**
 - ▶ **Ottawa sixth**
 - ▶ **Montreal eighth**
 - ▶ **Calgary thirteenth**
- ✳ **Toronto ranked the fifth most desirable location for international headquarters in a survey of 800 senior executives of U.S. MNE's and the eighth best place to conduct business in North America by Fortune magazine.**
- ✳ **Canada achieved number one ranking according to the United Nations Human Development Index in 1993, 1994, 1995 and 1996.**



CANADA'S PUBLIC DEBT LEVELS ARE STILL VERY HIGH

1997, % of GDP, National Accounts Basis

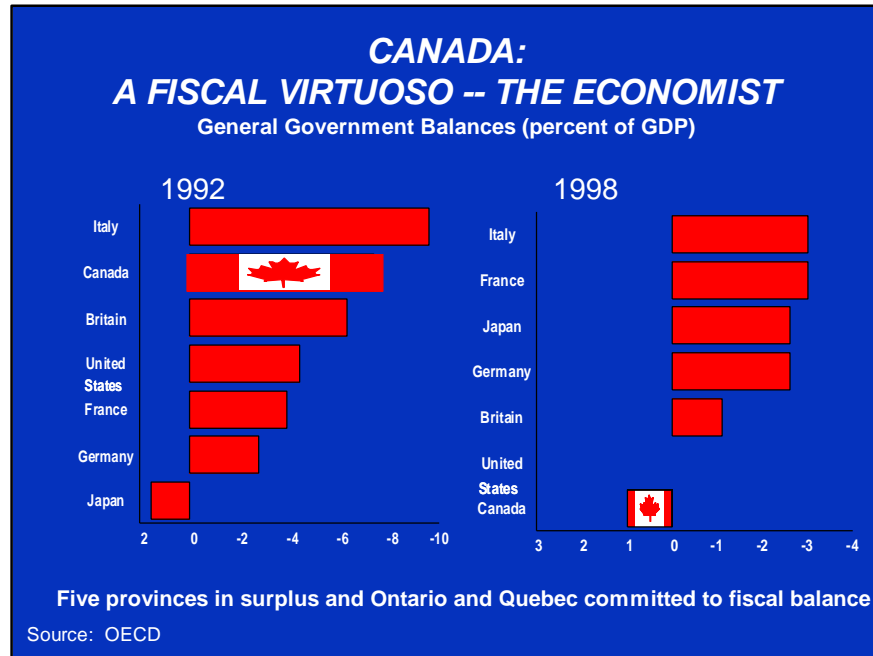
- ✓ Canada's foreign indebtedness is also very high, but has started to decrease.
- ✓ For the first time in more than two decades, the federal government began paying down its debt.



Source: OECD

** Includes federal and provincial debt. On a Public Accounts Basis, Canada's debt is about 98%

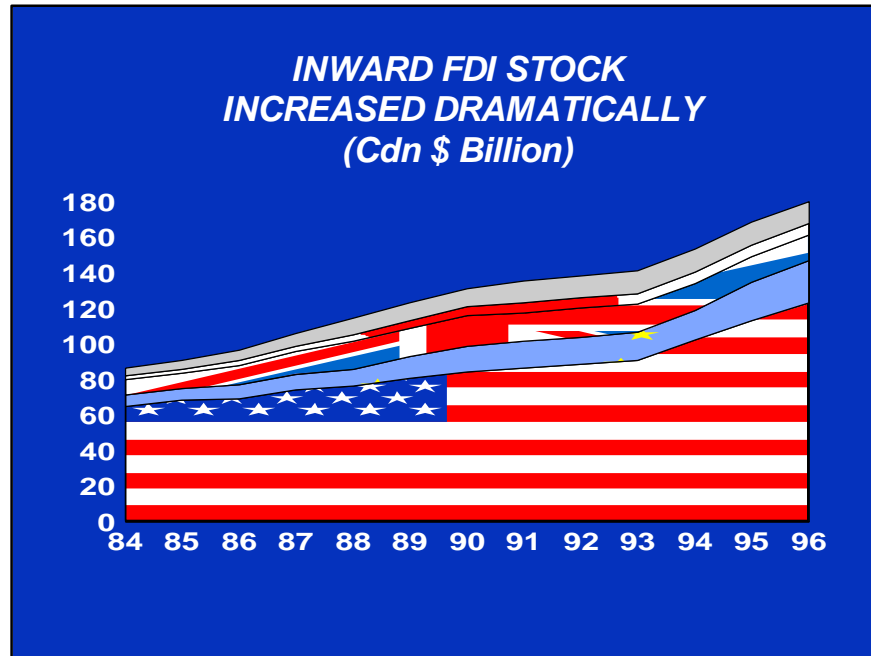
- ✳ Other than relatively high unemployment, what are Canada's two most pervasive economic problems?
- ✳ They are high levels of public debt and high levels of taxation. Let's look at the debt problem first.
- ✳ On a national accounts basis, combined federal-provincial debt stands at 67 percent of GDP -- second only to Italy among the G-7 countries.
- ✳ On a public accounts basis, which includes important off-budget liabilities, the combined public debt stands at about 98 percent.
- ✳ The situation however is changing. Our foreign indebtedness as a percent of GDP is in decline, and this year the federal government began paying down its debt load.



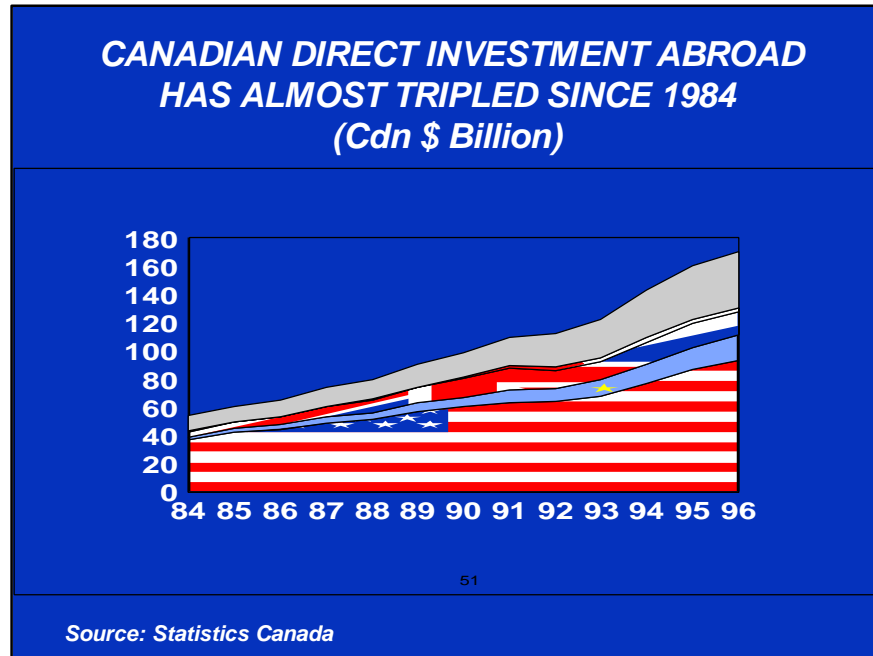
- ❖ Canadian governments have taken major strides to roll-back deficits. So successful has the assault on deficits been that The Economist magazine recently labelled Canada as a “fiscal virtuoso”.
- ❖ According to the OECD, Canada was the only G7 country to post a surplus in 1997.
- ❖ In 1998 and 1999, Canada is projected to further consolidate its position, with surpluses of 1.0 and 1.5 percent of GDP.
- ❖ Canada has gone from the second worst deficit balance in the G-7 to the best in a short five years.



- ❖ One of the consequences of runaway debt and deficits, and increased government outlays is higher taxes.
- ❖ This graphic indicates what many of you already know -- that Canada has among the highest top marginal tax rates on personal income in the industrialized world.
- ❖ The average top marginal tax rate is about 53 percent and is applied at the relatively low threshold of about C\$ 66,500.
- ❖ Fortunately, several provinces have lowered and will continue to lower their personal income tax rates in future.
- ❖ Still, Canada's high marginal tax rates will continue to be a drag on consumer demand, on domestic economic growth, and on employment. The negative effects are more pronounced in retaining and attracting managerial and professional talent particularly vis-à-vis the United States.



- ✳ **The total stock of foreign direct investment into Canada since 1984 has increased from about \$85 billion to \$180 billion in 1996.**
- ✳ **This represents an increase from 19 percent of GDP in 1985 to 23 percent in 1996.**
- ✳ **From both a flow and a stock perspective (as indicated in this graphic), the United States continues to be the dominant source of inward FDI with a 68 percent share.**
- ✳ **European Union members are also major investors in Canada: including Britain with an 8 percent share, the Netherlands with a 4 percent share, France and Germany with a 3 percent share and Japan with a 3.6 percent share.**
- ✳ **Finally, the distribution of inward FDI has shifted away from resources toward services as well as food, beverages and tobacco; chemicals; electrical and electronic products; construction and communications.**



- ✳ **In the past decade, the Canadian private sector has dramatically increased its presence abroad and become a major global investor.**
- ✳ **The total stock of Canadian direct investment abroad since 1984 has more than doubled from \$57 billion to more than \$170 billion in 1996.**

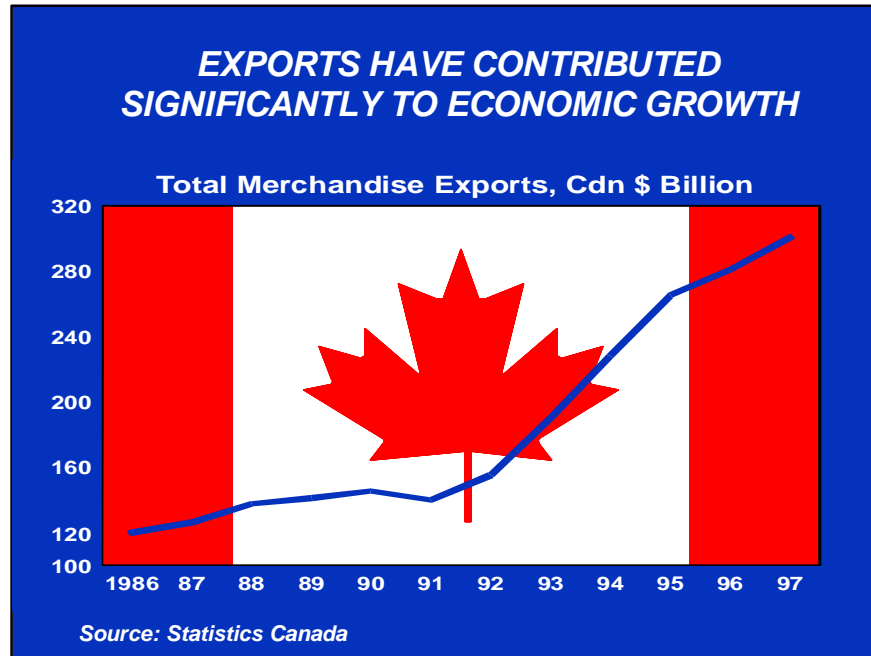


**CANADA'S OUTWARD ORIENTATION
INCREASING**

Ranking by Foreign Assets	Ranking by Index of Transnationality*
1. Royal Dutch Shell	1. Nestlé
2. Ford	2. Thomson Corporation
3. General Electric	3. Holderbank Financiere
4. Exxon	4. Seagram
5. General Motors	5. Solvay
6. Volkswagen	6. Asea Brown Boveri
7. IBM	7. Electrolux
8. Toyota	8. Unilever
9. Nestlé	9. Philips
10. Mitsubishi	10. Roche Holding
11. Bayer	11. SCA
12. Asea Brown Boveri	12. Northern Telecom
13. Nissan Motor	13. Glaxo Wellcome
14. Elf Aquitaine	14. Cable and Wireless
15. Mobil Corporation	15. Volvo

Source: United Nations, World Investment Report 1997

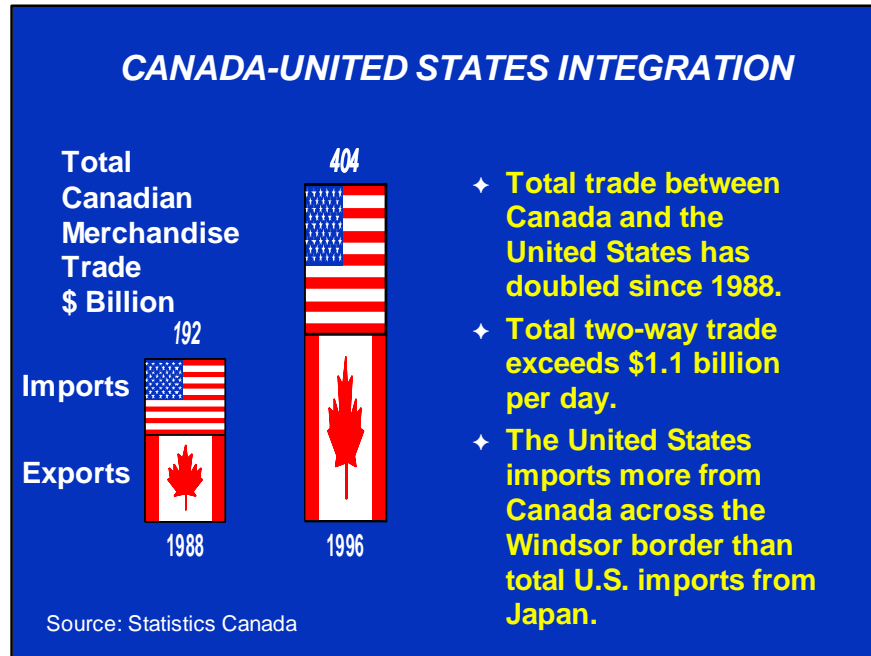
- ✳ **Trade and investment liberalization has improved the outward orientation of the Canadian private sector.**
- ✳ **As a result, Canada is developing its own home-grown multinationals.**
- ✳ **If one ranks a transnational corporation by foreign assets, then the top 15 transnational corporations look quite familiar (indicated in chart on left).**
- ✳ **However, taken in isolation, foreign assets, foreign sales, or foreign employment do not fully capture the global orientation of transnational corporations.**
- ✳ **In fact, three of the top-ranked Canadian-based multinationals rank in the top fifteen if one takes into account the average of foreign assets to total assets, foreign sales to total sales, and foreign employment to total employment (indicated in red in chart on right).**



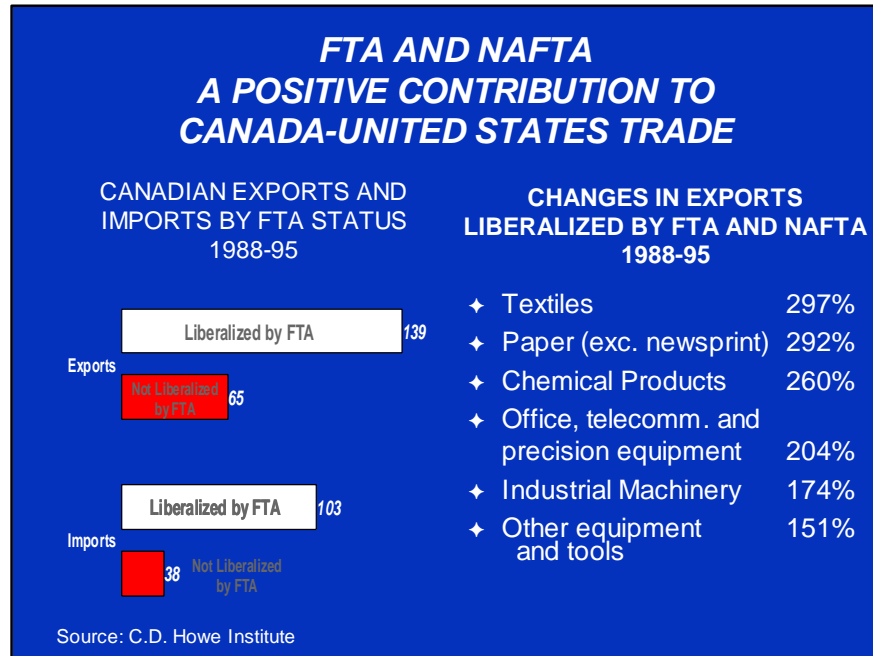
- ✳ **Canadian export performance continues to be stellar.**
- ✳ **In 1997, Canadian exports will reach and could surpass \$300 billion, representing about 7 percent growth.**
- ✳ **Since 1991, our exports have more than doubled.**
- ✳ **Merchandise trade, as a share of GDP, stands at 35 percent. Almost one half of Canada's private sector output is exported.**



- ✳ According to the World Trade Organization, world trade in 1996 grew four percent, down from rates of between seven and eight percent in the mid-1990s.
- ✳ Nevertheless, Canada maintained its ranking as a top global exporter of merchandise goods (seventh in 1996 with a 3.8 percent share).



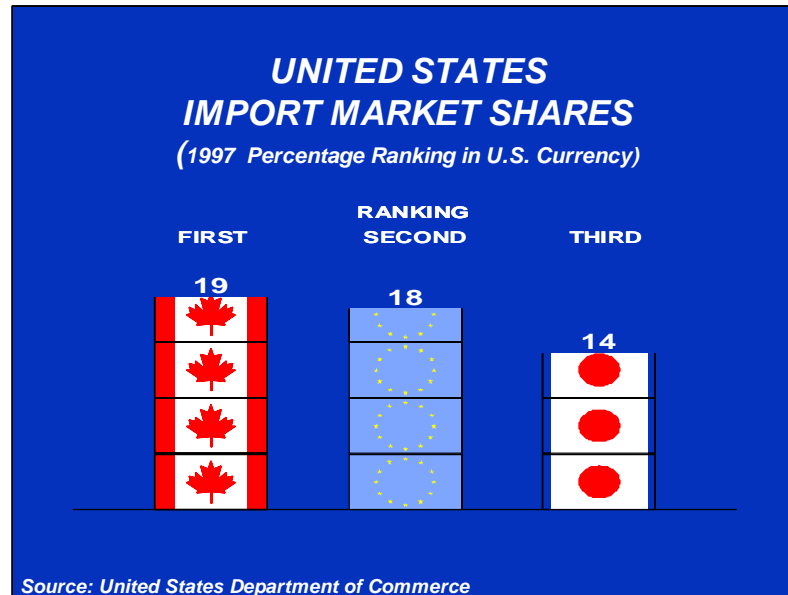
- ◆ **Improvement in total trade between countries is one of the most important indicators of integration between countries and of successful free trade agreements. On both, the Canada-United States Free Trade Agreement has worked as predicted a decade ago.**
- ◆ **Total trade between Canada and the United States has doubled from \$192 to \$405 billion in 1996 .**
- ◆ **Trade between the two countries now exceeds more than \$1.1 billion per day; and, United States imports at a single crossing in Ontario exceed the totality of United States imports from Japan.**
- ◆ **In 1996, Canada registered a merchandise trade surplus with the United States of \$40 billion. Our overall balance, including services, was also in surplus in 1996.**



- ◆ **Growth in bilateral trade between Canada and the United States has been robust since the FTA and NAFTA came into effect.**
- ◆ **Canadian exports to the United States in economic sectors liberalized by the FTA grew by 139 percent from 1988 to 1995 while exports to sectors not liberalized by the FTA grew 65 percent.**
- ◆ **Proving that trade theory works, the same can be said for Canadian imports from the United States.**
- ◆ **The graphic on the right indicates the increase in exports for several sectors liberalized under the FTA and NAFTA. In several cases, the export performance is stunning.**



- ✳ This graphic shows that Canada's growth in total exports over the past decade has been quite broad, touching all major sectors of the Canadian economy.
- ✳ High-value added sectors such as machinery and equipment, motor vehicles and parts and industrial products have performed quite well.
- ✳ Canada continues to rely upon exports of energy and natural resources. However, as a percentage of total, exports in these sectors are declining.



- ✳ **This graphic never fails to impress.**
- ✳ **It shows that Canada holds the largest share of the import market of the United States.**
- ✳ **Countries of the European Union and Japan follow behind.**



**U.S. IMPORTS OF MOTOR VEHICLES
1996**

	<u>U.S. \$ Billion</u>	<u>% Share</u>	<u>% Change 1992-96</u>
– Canada	43.1	39	10.5
– Japan	32.8	29	2.3
– Mexico	15.4	14	29.5
– Germany	9.8	9	11.0
– Sweden	2.1	2	9.0

Source: U.S. Department of Commerce, Bureau of the Census

- ✳ **These statistics tell an even more compelling story about Canada's competitiveness landscape.**
- ✳ **Canada has almost a 40 percent share of all United States motor vehicle imports and the compound annual growth rate has been more than 10 percent since 1992.**
- ✳ **In a NAFTA context, four years after implementation, automotive trade has been rationalized and productivity and profitability has improved among auto manufacturers in North America.**
- ✳ **The data indicate clearly that NAFTA has been a winner for both Canada and Mexico from the perspective of automobile exports.**
- ✳ **Finally, Canada has a 15 percent world market share in auto exports, a third place ranking after Germany and Japan.**



**U.S. IMPORTS OF
AEROSPACE* PRODUCTS
1996**

	<u>U.S. \$ Billion</u>	<u>% Share</u>	<u>% Change 1992-96</u>
– Canada	3.2	24	9.2
– France	3.0	23	-7.2
– United Kingdom	2.5	19	-1.1
– Japan	1.1	8	14.5
– Germany	0.8	6	10.3

Source: U.S. Department of Commerce, Bureau of the Census

Note: (*) Includes aircraft, parts, guided missiles, space vehicles and parts.

- ✳ **Canada also commands a 24 percent market share of United States imports of aerospace products.**
- ✳ **While less in terms of revenue, export growth from 1992 to 1996 suggests clearly that the sector is competitive internationally and in the United States.**



NAFTA HAS BEEN A WINNER FOR CANADA



- ◆ North America is home to more than 365 million people...
- ◆ and more than \$8.5 trillion in output.
- ◆ Canadian business believes in Mexico's long-term potential.
- ◆ How much hemispheric integration remains a question mark.

- ◆ **What about the NAFTA? It has been a winner for Canada.**
- ◆ **The free trade area is home to more than 365 million people... and more than \$8.5 trillion in output.**
- ◆ **Canadian business believes in Mexico's long-term potential.**
- ◆ **And what about further hemispheric integration? Canada and Chile signed a free trade agreement, and Canada wants to move further and faster.**
- ◆ **Canadian business remains strongly committed to the objective of hemispheric free trade and the Free Trade Agreement of the Americas (FTAA) dialogue.**

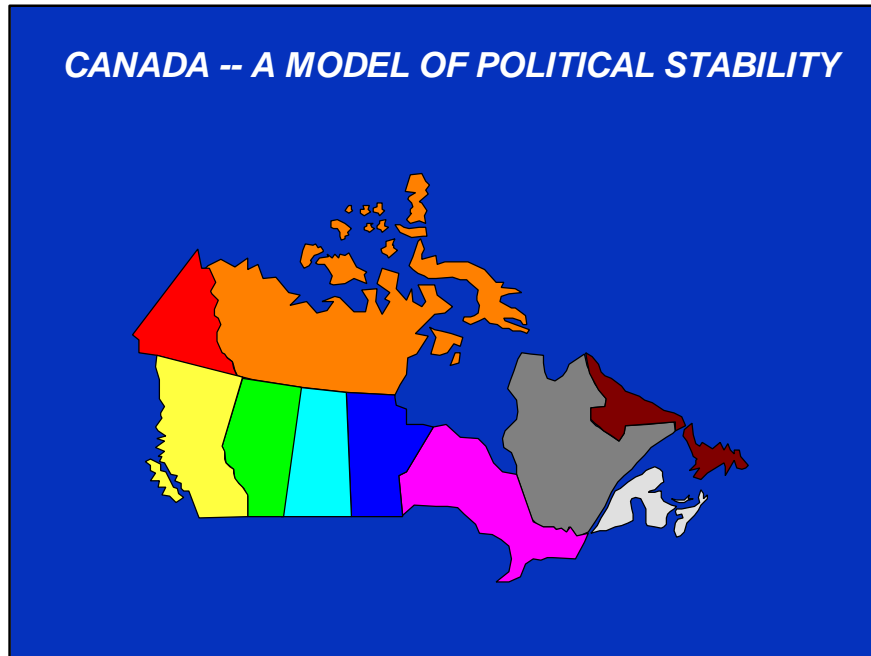


**CANADA -- A TRADE AND INVESTMENT
BRIDGE TO THE WORLD**

Atlantic, Pacific, Hemispheric and Global Responsibilities

- ✦ G-7, WTO, NATO, U.N. and OECD
- ✦ FTA, NAFTA and the hemisphere
- ✦ APEC and the European Union
- ✦ Commonwealth and Francophonie
- ✦ The good news is that Canadian business is much more outward-oriented than in the past and more willing to capitalize on our strategic advantages.

- ✦ It is sometimes forgotten that Canada, while small in population, has big international responsibilities and commitments.
- ✦ Membership in the G-7, NATO, NAFTA, APEC, the Commonwealth, the Francophonie, the WTO and the OECD are products of history, geography and wealth per capita.
- ✦ But the economic dimensions of these responsibilities offer Canadian business almost unlimited opportunities.
- ✦ The good news is that Canadian business is much more outward-oriented than in the past and more willing to capitalize on our strategic advantages.



- ✳ **Arguably, Canada continues to enjoy one of the highest levels of political stability in the developed world.**
- ✳ **The Canadian federal structure over time has proved to be immensely flexible in accommodating political change.**
- ✳ **An independentist government in Quebec is seeking secession of Quebec from Canada with an economic partnership supplanting the existing relationship. A significant majority of Quebecers reject outright independence.**
- ✳ **It would appear that nationalism in Quebec, for the moment, has ebbed and is in decline.**
- ✳ **Based on past experience, we are convinced that the current stresses in the Canadian federation can be managed to achieve a positive result.**



**CANADA AND THE FUTURE
BUSINESS PRIORITIES**

- ◆ Balance the books, develop budget surpluses, help the public sector achieve greater efficiencies, promote privatization and deregulation, begin to pay down public debt and reduce taxes, and generate more and better paid jobs.
- ◆ Achieve further improvements in corporate productivity, increase investment in R&D, improve adoption and diffusion of technology, and accelerate the shift to higher value-added goods and services.
- ◆ Adjust education and training efforts to reflect the global realities of a knowledge-based economy.
- ◆ Expand the depth and reach of global Canadian businesses and improve market share in fast developing economies.
- ◆ Promote political reforms that add further to Canada's competitive advantage as a stable and effective democracy.

- ◆ **How would I sum up this assessment of Canada and its prospects?**
- ◆ **Based on this presentation, I would have to say that we are quite optimistic...but not complacent.**
- ◆ **What are the key priorities ahead?**
- ◆ **This graphic lists some of the obvious ones.**
- ◆ **Achieving strong results in each of the above will make Canada a force to be reckoned with in the 21st century.**