



Industry  
Canada

Industrie  
Canada

## Making a Difference

*Contributing to  
the Quality of Life  
of Canadians*

2003

### Industry Canada's Mandate

The Department's mandate is to help make Canadians more productive and competitive in the knowledge-based economy, thus improving the standard of living and quality of life in Canada. Industry Canada's policies, programs and services help grow a dynamic and innovative economy that

- provides more and better-paying jobs for Canadians;
- supports stronger business growth through continued improvements in productivity and innovation performance;
- gives consumers, businesses and investors confidence that the marketplace is fair, efficient and competitive; and
- ensures a more sustainable economic, environmental and social future for Canadians.

Through its five strategic objectives (innovation, connectedness, marketplace, investment and trade), Industry Canada aims to help Canadians contribute to the knowledge economy and improve productivity and innovation performance.

[www.ic.gc.ca](http://www.ic.gc.ca)

Canada

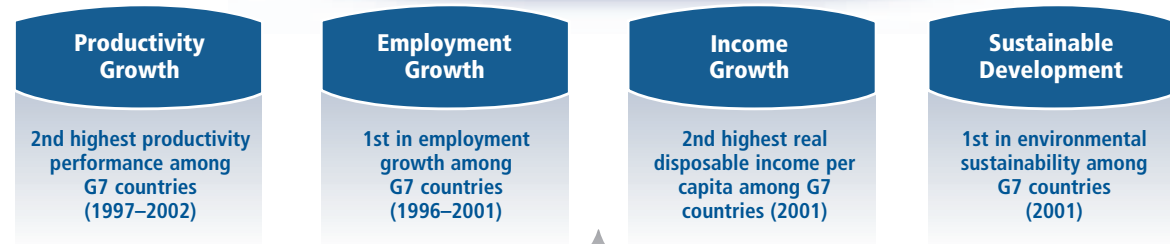
## Our Programs

Aboriginal Business Canada  
 Broadband for Rural and Northern Development  
 Pilot Program  
 Computers for Schools Program  
 Canada-Ontario Infrastructure Program  
 Canada Small Business Financing Program  
 Canadian Apparel and Textiles Industries Program  
 Community Access Program  
 Federal Economic Development Initiative for  
 Northern Ontario  
 SchoolNet  
 Smart Communities Program  
 Softwood Industry and Community Economic  
 Adjustment Initiative  
 Structured Financing Facility  
 Student Connections  
 Sustainable Cities Initiative  
 Technology Partnerships Canada

## Our Services

BusinessGateway.ca  
 Canada Business Service Centres  
 Canadian Trade Commissioner Service  
 Corporations Canada  
 ebiz.enable  
 ExportSource  
 International Trade Centres  
 Investment Partnerships Canada  
 Networks of Centres of Excellence  
 SourceCAN  
 Spectrum, Information Technologies and  
 Telecommunications Gateway  
 Strategis  
 Technology Roadmaps  
 Trade Team Canada Sectors  
 Team Canada Inc  
 Web-4-All

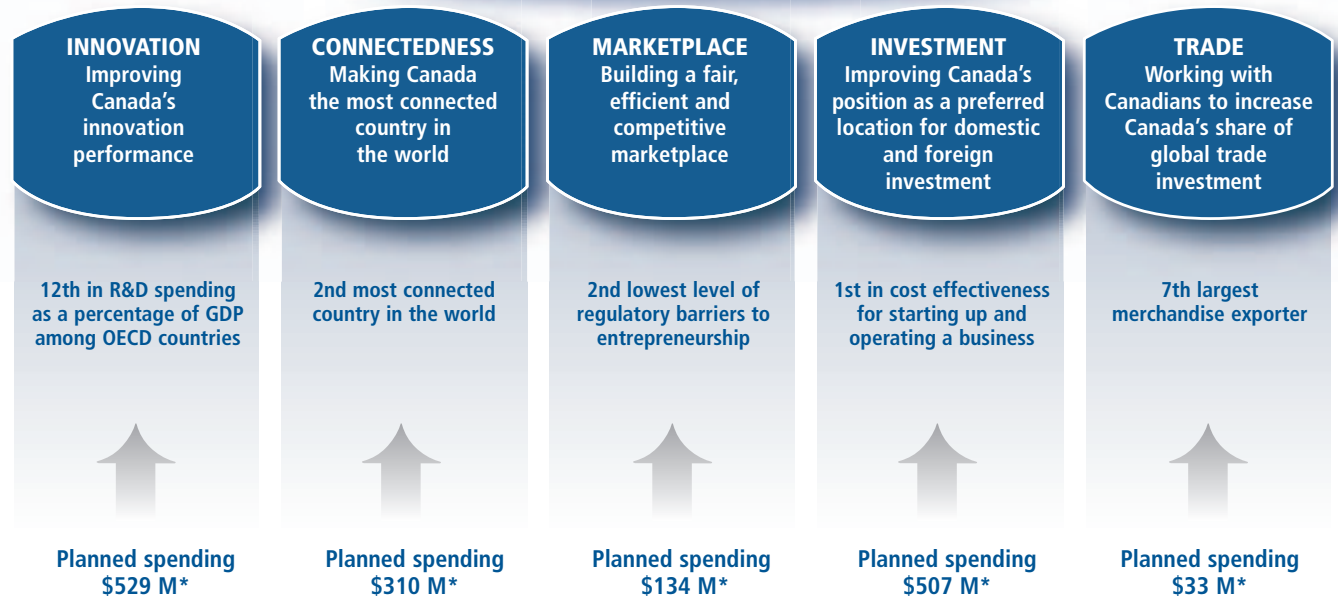
### Growing a Dynamic Economy Where We Stand



SUCCEEDING IN THE KNOWLEDGE-BASED ECONOMY

INDUSTRY CANADA: MEETING THE CHALLENGE

### Our Strategic Objectives Where We Stand



Total Planned Spending 2003–2004: \$1658.7 million dollars\*\*  
Planned Full Time Equivalents 2003–2004: 6156

For further information on these and other Industry Canada programs and services, please visit:  
[www.ic.gc.ca/cmb/welcomeic.nsf/icPages/Programs](http://www.ic.gc.ca/cmb/welcomeic.nsf/icPages/Programs)

\* Figures are based on budgetary main estimates for 2003–04, exclusive of supplementary estimates. Grants and contributions (Gs&Cs) and employee benefits plan are included.  
\*\* Figures are based on budgetary main estimates for 2003–04, exclusive of supplementary estimates and net of revenues. Grants and contributions (Gs&Cs) and employee benefits plan are included. Includes \$146 million for corporate management and governance.

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## Minister's Message

Our success in an increasingly global and knowledge-based economy is dependent upon a thriving and innovative economy. We are increasingly gaining recognition as a leader in this new knowledge economy, in part because of our significant investments in advanced research and ground-breaking developments by Canadians in new technologies such as fuel cells, genomics and biotechnology. By building on our economic strengths, we are improving the standard of living, and the quality of life, of all Canadians.

We continue to make great strides, with the best economic growth of all the G7 nations over the past five years. We have posted a budget surplus for six years while cutting personal and business taxes. Our labour force is one of the most highly educated in the world, and businesses know Canada has the lowest cost of doing business of all G7 nations. We are taking a hard look at streamlining regulations to encourage investment and innovation. Since 1997, the Government of Canada has invested more than \$11 billion in research performed by businesses, universities and colleges right here in Canada.

As well, we are focussing on improving productivity in Canada. *Canada's Innovation Strategy* is guiding how we increase the productivity and competitiveness of Canadian businesses by increasing our focus on research and development, developing our capacity to commercialize the fruits of this research, making venture and development capital more readily available, and ensuring that our work force has the skills it needs to compete in the 21st century.

Industry Canada works with Canadian firms to build a more productive, innovative and competitive economy, thereby improving the standard of living and quality of life of Canadians. The Department's programs are complemented by those of the 16 federal departments and agencies that make up the Industry Portfolio, including the regional development agencies, the Canadian Space Agency, Statistics Canada, the granting councils and others.

These organizations work in partnerships to help businesses, universities, colleges and not-for-profit institutions turn ideas into new products and services, to promote the growth of small and medium-sized enterprises by providing access to capital, information and services, and to encourage the development of new products for export into more international markets. They also foster new approaches to community economic development in every region of Canada, based on community strengths and ambitions.

Industry Canada and the Portfolio partners are only one piece of the puzzle. By cooperating with associations and developing international affiliations, we are creating virtual institutes across Canada and around the world linking researchers, scientists and academics who share data, apply their different perspectives and devise solutions in fields of common interest, such as genomics or biotechnology.

During the past year, we have met with governments, businesses, institutions and associations to discuss *Canada's Innovation Strategy*. At the National Summit on Innovation and Learning in November 2002, we identified a number of priorities for Canadians, including improving Canada's business environment, continuing investment in the creation and commercialization of knowledge, building a skilled work force, strengthening our communities, increasing health research and advancing sustainable development.

Together, we have developed a broad consensus throughout many sectors of the economy about what must be accomplished for Canada's economy to continue to excel. We have identified a strategy, we have identified specific goals and we are taking the first important steps.

The initiatives championed by Industry Canada, as well as by our partners in *Canada's Innovation Strategy*, will help us create conditions favourable for innovation by Canadian firms and institutions, and will continue to encourage the development of pioneering technologies in Canada for markets around the world. We are on our way to ensuring that Canada remains a country with a growing economy for the balance of this decade, a magnet for investments, and a place where we can continue to build a better standard of living and quality of life.

A handwritten signature in black ink, reading "Allan Rock". The signature is fluid and cursive, with the first letters of "Allan" and "Rock" being capitalized and prominent.

Allan Rock  
Minister of Industry

## Introduction

Building a higher standard of living and a better quality of life for Canadians is the primary objective of the Government of Canada's economic and social policies. By fostering an environment conducive to economic growth and investment, the government provides the foundation on which to build a world-leading economy driven by innovation, imagination and talent.

At the same time, the Government of Canada is only one player affecting our quality of life. For this reason, it is firmly committed to working in partnership with individuals, families, voluntary organizations, the private sector and other levels of government in order to help shape our country's society and economy.

The government is also striving to modernize its own management practices, as outlined in *Results for Canadians: A Management Framework for the Government of Canada*. The aim is to become more citizen-focussed, values-driven, results-oriented and committed to responsible spending. The shift involves greater transparency and accountability. Federal departments and agencies are giving more attention to how their programs and services affect the lives of Canadians as clients, taxpayers and citizens. They are learning to report on their performance by linking objectives and achievements to improvements in the quality of life of Canadians.

This publication tells the story of how Industry Canada is making a difference to Canadians and improving their quality of life.

It first looks at quality of life – what it means for Canadians and how Canada compares with other countries in this regard.

The report presents Industry Canada's overarching priorities: productivity growth, employment growth, income growth and sustainable development. It examines how these contribute to growing a dynamic economy, and how well Canada is doing in these areas compared with other countries.

It then shows how Industry Canada makes a difference through its five strategic objectives: innovation, connectedness, marketplace, investment and trade. For each strategic objective, the report highlights what we have accomplished, where we stand in relation to other countries and where we are going.

“If we want excellent health care, if we want outstanding education for our children and grandchildren, if we want safe and clean communities throughout this country, we have to have the economy that performs well enough to enable us to achieve those important goals.”

— Allan Rock,  
Minister of Industry

## Quality of life in Canada

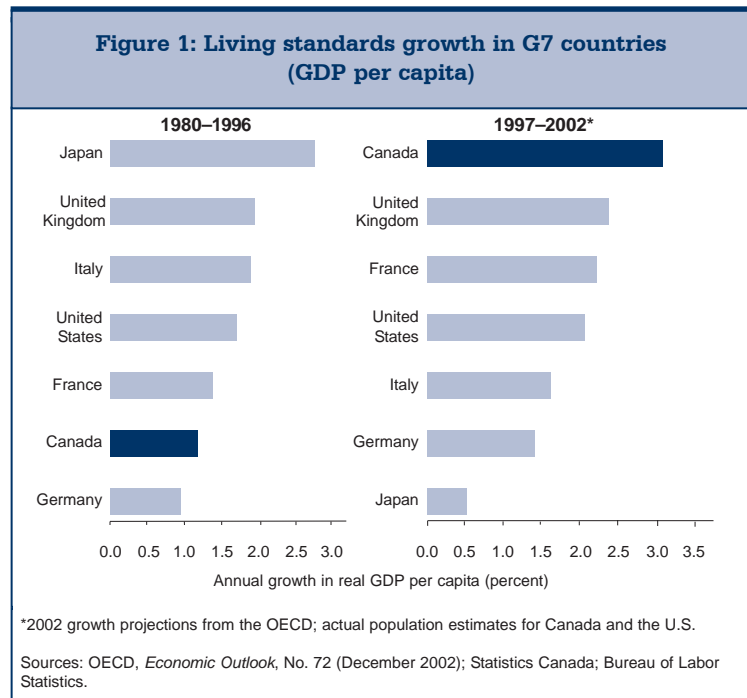
Canadians enjoy a high quality of life and standard of living. Income levels are high, life expectancy is long, the population is healthy, our communities are safe and our natural environment is unsurpassed. This explains why the United Nations consistently ranks Canada as one of the top ten countries in the world in which to live. In fact, in terms of quality of life, the United Nations 2003 Human Development Index ranks Canada second only to the United States among G7 countries and eighth in the world.

The standard of living is considered by many to be the most important dimension of the quality of life. A higher living standard not only contributes to the financial well-being of individuals within a society, it also enables the funding of social policy initiatives that improve the quality of life of society as a whole.

Canada’s standard of living has shown significant improvements in recent years. A widely used measure of living standards is gross domestic product (GDP) per capita. From 1997 to 2002, Canada’s GDP per capita rose faster than any other leading industrialized country, including the United States. This is quite significant, especially when contrasted with the 1980–96 period. During those years, Canada ranked second-to-last among the G7 countries in terms of growth in GDP per capita (see Figure 1).

Today, however, the world economy is increasingly competitive and technology-driven, and Canada faces many challenges as it seeks to maintain its high standard of living. A higher living standard depends on real economic growth, which in turn depends on growth in productivity. Innovation is a key driver of productivity. Therefore, to improve our economic performance and standard of living, we must continue to nurture and develop existing strengths and assets, and we must explore new avenues and opportunities for improving productivity and encouraging innovation.

*Canada’s Innovation Strategy* ([innovationstrategy.gc.ca](http://innovationstrategy.gc.ca)) was launched in February 2002. It seeks to improve the living standard of all Canadians by positioning us to move into the ranks of the world’s most innovative and skilled countries. The strategy is the basis for a government-wide agenda to build upon our strengths and values.





## Growing a Dynamic Economy

### Industry Canada's overarching priorities

Industry Canada's mandate is to help make Canadians more productive and competitive in the knowledge-based economy, thus improving the standard of living and quality of life in Canada. Industry Canada works toward growing a dynamic economy by promoting growth in **productivity, employment and income**, and fostering **sustainable development**.

The Department works in partnership with a variety of stakeholders in delivering its programs and services, and it consults with these stakeholders in developing effective micro-economic policies. Important partners include Canadian industries, universities and colleges, non-governmental organizations, members of the federal Industry Portfolio, other government departments, and provincial and territorial governments. All of these partners help Industry Canada work to fulfil its mandate and achieve success.

### Productivity growth

A country's productivity level is the single most important determinant of sustained improvements in its standard of living. A modern, competitive economy has a high level of innovation; this gives rise to new products for international markets, and more efficient ways of producing goods and services.

From 1997 to 2002, Canada's productivity performance improved considerably. The shift to budgetary surpluses, a lower debt-to-GDP ratio, lower tax burdens and low inflation have stimulated investment and contributed to Canada's improved productivity growth.

During the same period, Canada's labour productivity growth was the second-highest in the G7, surpassed only by the United States. This is a striking contrast to the 1980-96

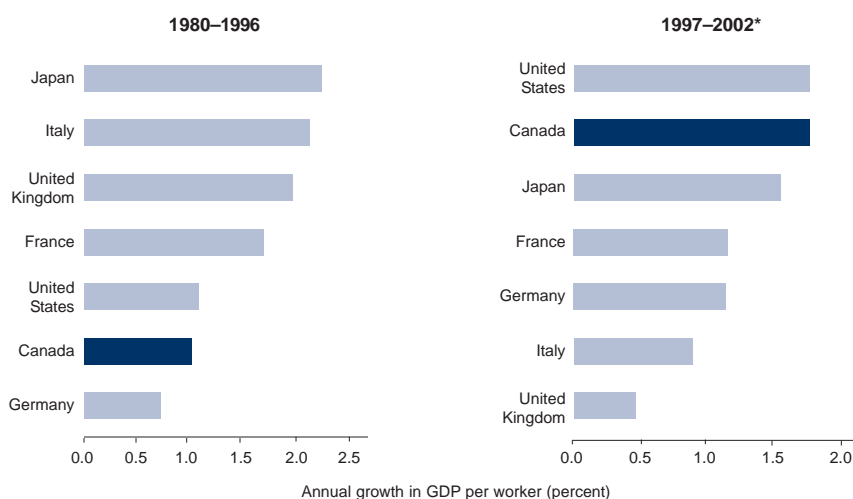
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"Make no mistake: it [innovation] is no longer simply a matter of choice for Canada or for anybody else. It is the new deal in the globalization game. If we want to guarantee future generations a high standard of living, we have no choice but to innovate."

— Allan Rock,  
Minister of Industry

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**Figure 2: Labour productivity growth in G7 countries**



\*2002 growth projections from the OECD; actual employment data for 2002 for Canada and the U.S.

Sources: OECD, *Economic Outlook*, No. 72 (December 2002); Statistics Canada; Bureau of Labor Statistics.

period, during which time Canada had one of the lowest rates of labour productivity growth among the G7 (see Figure 2 on previous page).

The pace of productivity growth in Canada is quickening. Even so, productivity levels in Canada are significantly lower than in the United States – our largest trading partner and key competitor. Closing that productivity gap remains a central objective of our economic policies because it is key to enhancing our standard of living and our capacity to make individual and collective choices.

As noted earlier, innovation is a key driver of productivity. *Achieving Excellence: Investing in People, Knowledge and Opportunity*, Industry Canada's contribution to *Canada's Innovation Strategy*, aims to make Canada more productive and competitive by building a world-leading economy driven by innovation, imagination and talent.

### Employment growth

Employment is the most basic link between economic and social development. The development of business and industrial opportunities not only creates jobs, it also tackles the root causes of many social problems. A high employment rate is a key element in achieving a high average standard of living.

Canada's labour market performance has been strong. In fact, more than 1.5 million new jobs were created in Canada between 1996 and 2001. This was the highest rate of job growth among the G7 countries.

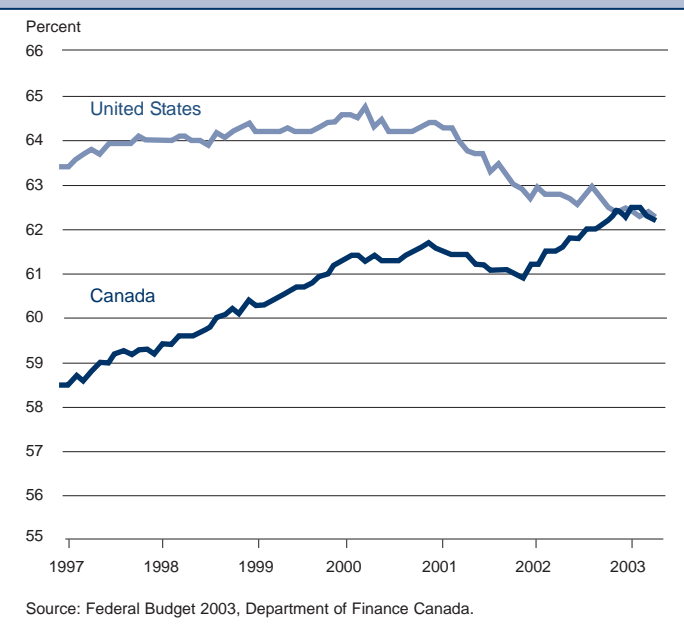
During 2002, the Canadian economy created 560,000 new jobs – the largest number created over any 12-month period on record since 1976.

At 3.7 percent, this represented the fastest rate of job growth in 15 years.

Canada outperformed the United States in employment growth during the 2001 global slowdown and the 2002 recovery. In contrast to Canada's strong job

creation record in 2002, the U.S. economy lost 229,000 jobs over that year. At the time of tabling of Federal Budget 2003, the employment rate in Canada was about the same as the U.S. rate for the first time in 20 years (see Figure 3).

**Figure 3: Employment rates for Canada and the United States, 1997–2003**



In addition, Canada's unemployment rate fell significantly over the course of the 1990s. In 1993, Canada's unemployment rate of 11.2 percent was one of the highest in the G7. In 2002, while the global downturn pushed up unemployment rates in most post-industrial countries, Canada's rate remained relatively stable at 7.7 percent.

## Income growth

One indicator of a country's economic health is real disposable income per capita. Like GDP per capita, real disposable income per capita is influenced by productivity, employment growth and taxes.

Between 1997 and 2001, Canadians experienced a 2.3 percent annual increase in their real disposable income per capita. Nevertheless the Organisation for Economic Co-operation and Development (OECD) reports that, since the 1970s, Canada's growth in real per capita incomes has not kept pace with growth in the United States (see Figure 4).

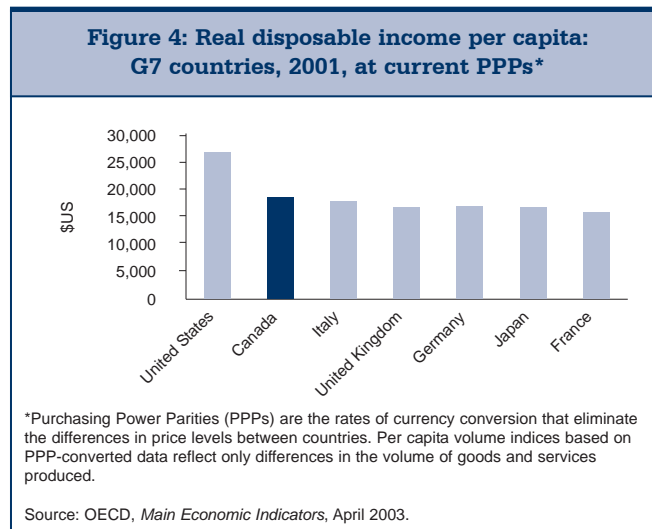
The OECD attributes this variance to the gap in productivity between the two countries, and the divergent rates of personal income taxation.

In 2000 and again in 2001, however, the income disparity between the United States and Canada narrowed, suggesting that the Canadian economy is moving in the right direction. We can continue to narrow this gap by exploring and investing in new opportunities that will enhance our position in the knowledge-based economy, and will improve our productivity performance.

## Sustainable development

A more innovative and productive economy does not just mean higher incomes for Canadians. It also means ensuring that our economic choices integrate social as well as environmental considerations so that Canada's development will be sustainable. At the heart of sustainable development is the idea of ensuring a better quality of life for everyone, now and for generations to come.

In order to create the foundation for a more productive, competitive, knowledge-based economy, Industry Canada will continue to promote sustainable development as part of its mandate. Industry Canada's sustainable development strategy (SDS II) enabled the Department to play a leadership role and form partnerships that promote sustainable development through three objectives: eco-efficiency, environmental technologies and decision making. This year, the

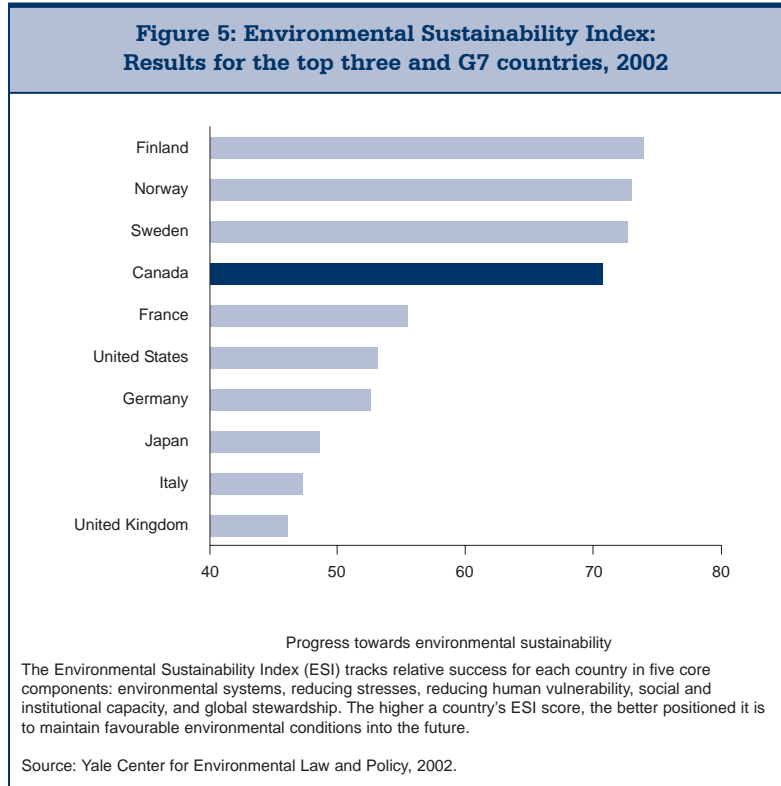


“Eco-efficiency is an important tool that can stimulate innovation, strengthen productivity performance as well as achieve environmental objectives.”

— Industry Canada  
Executive

Department will also consult with a wide range of stakeholders to develop the next phase of the strategy (SDS III), which is due to be tabled in Parliament in December 2003.

The 2002 Environmental Sustainability Index (ESI) is an initiative of the World Economic Forum's Global Leaders for Tomorrow Environment Task Force. It ranks overall progress toward environmental sustainability for 142 countries by measuring 20 core indicators and a total of 68 underlying variables. Canada ranks highest among G7 countries and fourth overall (behind Finland, Norway and Sweden) in terms of the level of impact the environment has in shaping economic policies.



In comparison, the United States ranks 45th on the ESI (see Figure 5).

To be effective, sustainable development requires a participatory, multi-stakeholder approach to policy making and implementation. The Department will therefore continue to work in partnership with a variety of stakeholders to foster productivity growth and innovation in Canadian industry through the development, commercialization and demonstration of "best in class" sustainable development tools, practices and technologies in all sectors.



## Innovation

### *Improving Canada's innovation performance*

Innovation is the process through which economic or social value is extracted from knowledge, new ideas, products and services. To sustain and increase Canada's prosperity, we must create the right environment for innovation, strengthen our capacity for innovation in all regions of the country and improve our ability to commercialize the results of our innovation activities.

#### What we have accomplished

Industry Canada has helped build and strengthen the Canadian economy in all regions and communities by:

- increasing investment in Canadian research and development (R&D) throughout the economy;
- encouraging Canadian firms to reap more benefits from creating knowledge and bringing ideas to market; and
- partnering to ensure that in the future Canada will have enough highly qualified people with the skills to contribute to a vibrant, knowledge-based economy.

The Department recognizes that Canadian organizations in all economic sectors face challenges in expanding their R&D capabilities and bringing new products to market. To help meet the challenges, Industry Canada has consistently supported the commercialization and adoption of innovative processes and products.

The Department targets many programs toward small and medium-sized enterprises (SMEs), which face particular difficulties marketing their ideas and overcoming financial and managerial obstacles. For example, Communications Research Centre Canada (CRC), an agency of Industry Canada, operates an Innovation Centre for SMEs, offering office space, access to unique labs and facilities, a world-class research team and a portfolio of leading-edge patented technologies.

*Canada's Innovation Strategy* lays the foundation for improvements to our innovation performance. The strategy builds on earlier commitments to innovation and includes the participation of all

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Industry Canada is working to promote the adoption of an "innovation culture" in Canada.

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#### Technology Partnerships Canada

Technology Partnerships Canada (TPC), a key instrument of *Canada's Innovation Strategy*, is a technology investment fund.

- From the program's inception in March 1996, to March 31, 2003, TPC's cumulative portfolio included projects representing an overall multi-year R&D investment approaching \$12 billion (including \$2.3 billion from TPC). These projects are expected to create or maintain more than 43,000 jobs. TPC's active portfolio includes more than \$817 million in 467 projects with SMEs.
- During 2002-03, TPC approved investments of more than \$430 million in 120 projects, which are expected to leverage more than \$1.37 billion in additional investments.

([tpc.ic.gc.ca](http://tpc.ic.gc.ca))

“The Innovation Strategy is not simply a government program. It’s a blueprint for the nation by which the government hopes to provide leadership in delivering on what must be done by the private sector, by universities and colleges, by labour unions, working together in common cause to achieve national goals.”

— Allan Rock,  
Minister of Industry

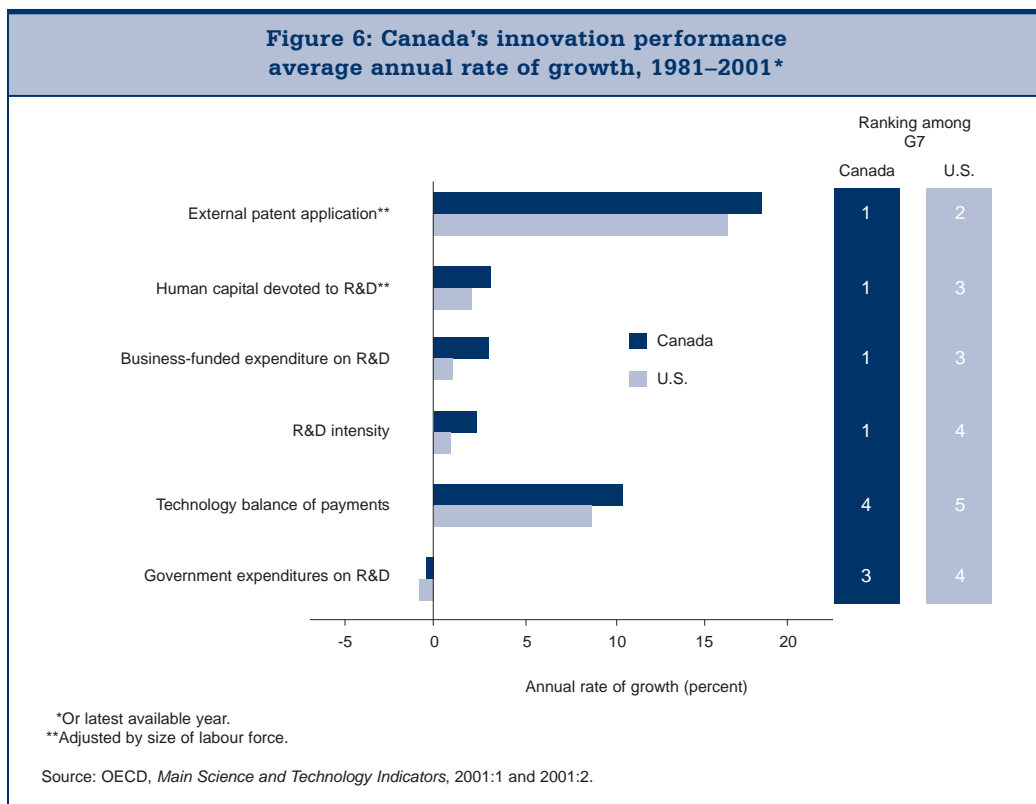
stakeholders — governments, researchers, businesses, academia and individual Canadians. In essence, *Canada’s Innovation Strategy* is a blueprint for building a stronger, more competitive economy.

*Achieving Excellence: Investing in People, Knowledge and Opportunity* is Industry Canada’s contribution to the strategy. It emphasizes the importance of innovation in Canada’s economy, and proposes a national innovation vision. It establishes goals and targets, and outlines federal initiatives in support of the strategy.

Following the release of *Canada’s Innovation Strategy*, a country-wide engagement process that involved the participation of more than 10,000 Canadians was undertaken. This culminated in the National Summit on Innovation and Learning, held in November 2002. Stakeholders representing various industrial sectors, non-governmental organizations, and provincial and territorial representatives attended the summit in order to shape future priorities for *Canada’s Innovation Strategy*. The participants reached a consensus on a list of 18 priority recommendations that will enable both the government and the private sector to collectively improve Canada’s innovation performance. The outcome of the meeting was the development of an Innovation Action Plan, which will serve as a guideline to implementing *Canada’s Innovation Strategy*.

## Where we stand

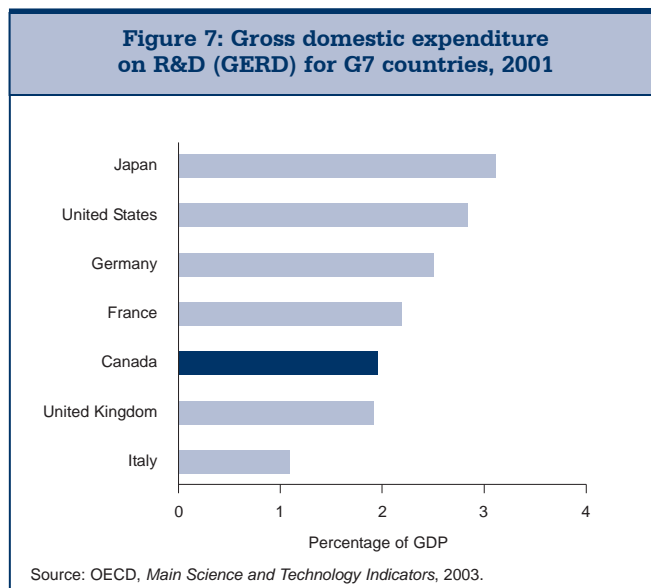
In terms of overall innovation performance, Canada ranks lower than many of the world’s leading economies. However, our performance has shown significant improvements in relation to that of other G7 countries, and in some areas we are outstripping our major competitors (see Figure 6).



For example, during the past two decades, Canada achieved the fastest rate of growth in the number of workers devoted to R&D, external patent applications, business expenditures on R&D and R&D intensity.

Our country's gross domestic expenditure on R&D (GERD) as a percentage of GDP increased to 1.94 percent in 2001 from 1.60 percent in 1991. This placed Canada 5th among the G7 and 12th among the 30 OECD countries (see Figure 7).

In *Canada's Innovation Strategy*, the Government of Canada committed to doubling its spending on R&D by 2010. Recent projections indicate that Finland, Iceland, Sweden, Japan, the United States and Korea could all have GERD/GDP ratios above 3 percent by 2010. Based on these projections, Canada will need to increase its R&D spending to close to 3 percent of GDP in order to achieve top-five status among OECD countries.



## Where we are going

Budget 2003 recognizes the need to build on previous investments in R&D. In accordance with recommendations made at the National Summit on Innovation and Learning, the Budget commits an additional \$1.7 billion to R&D.

By providing funding to organizations such as the Canada Foundation for Innovation and Genome Canada, Industry Canada will continue to support innovation growth.

*Achieving Excellence: Investing in People, Knowledge and Opportunity* recognizes the key role that Canadian universities play in the country's innovation system. Universities train a highly qualified work force and perform research that, in the long run, contributes to Canada's competitiveness.

To help universities and colleges expand commercialization of their research, Industry Canada intends to review the

**Emerging sectors with high potential for growth**

At the National Summit on Innovation and Learning, participants flagged health sciences, biotechnology and clean energy as emerging sectors with high growth potential.

Industry Canada will continue to encourage these promising sectors through programs and organizations such as:

- Technology Partnerships Canada;
- Genome Canada;
- PRECARN;
- Fuel Cells Canada; and
- BioProducts Canada.

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“To reach the knowledge performance target of becoming one of the top five countries in terms of R&D performance by 2010, we will need to at least double the number of research personnel in our current labour force and foster a strong management class.”

— *Achieving Excellence: Investing in People, Knowledge and Opportunity*

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Framework of Agreed Principles, signed with the Association of Universities and Colleges of Canada, to gauge progress toward the goal of tripling commercialization by 2010. Canada is also striving to rank among world leaders in terms of the share of private-sector sales attributable to new innovations.

The knowledge-based economy fuels an ever-increasing demand for skilled workers. Our current demographic situation indicates that there will be growing shortages in skilled labour. For Canada to improve its innovation performance, we need to ensure that our economy has a sufficient supply of highly qualified personnel. With Citizenship and Immigration Canada and Human Resources Development Canada, Industry Canada is working to fast-track skilled workers who are entering Canada with job offers, to attract top international students and to break down the barriers to the recognition of foreign credentials.

*Canada's Innovation Strategy* recognizes that a one-size-fits-all approach to improving communities' innovation performance is not appropriate. Industry Canada will therefore work to develop an innovative communities initiative. This initiative will help smaller Canadian cities and communities to foster innovation for sustainable growth, based on their strengths and resources.

Industry Canada will also continue to help companies achieve their sustainable development objectives by offering information products and tools for implementing sustainable development and eco-efficiency. The Department will partner with the investment community to further its understanding of how corporate sustainable development practices drive value, as well as how sustainable development can be factored into investment decision making.



## Connectedness

### *Making Canada the most connected country in the world*

Connectedness provides Canadians with new opportunities for learning, interacting, transacting business and developing their social and economic potential. One of the government's most fundamental objectives is to continue to foster an environment of excellence in which all Canadians can take advantage of the benefits of the information age in order to more effectively develop and share their talents, skills and ideas.

### What we have accomplished

Industry Canada is the lead department in the Connecting Canadians initiative, the government's overall strategy for making the information and knowledge infrastructure accessible to all Canadians. The Department has taken strides toward its goal of making Canada the most connected country in the world by:

- ensuring basic connectivity and now access to high-speed broadband;
- making sure that access is affordable, and that Canadians have the skills to use and benefit from information and communications technologies (ICTs); and
- contributing to Canadian content on-line.

As stated in *Achieving Excellence: Investing in People, Knowledge and Opportunity*, innovative economies require leading-edge infrastructure to compete in the global marketplace. Industry Canada's efforts have helped Canada become a world leader in terms of high-speed broadband penetration rates. Specifically, the Department has established the National Broadband Task Force, whose report, entitled *The New National Dream: Networking the Nation for Broadband Access*, was released in 2001; and it has allocated \$105 million in funds for broadband expansion.

Industry Canada has promoted the adoption and use of technology by citizens, businesses, governments and communities. Along with a variety of partners, it has equipped schools, libraries and public access sites with the ICT necessary to connect Canadians.

#### Encouraging use of the Internet

Industry Canada programs, such as the Community Access Program (CAP), Canada's SchoolNet and Computers for Schools, played a leadership role in ensuring affordable and equitable access to the Internet.

- Since 1995, when Industry Canada's CAP was initiated, 8,800 public Internet access sites have been established nationwide. CAP sites provide access to ICTs, Government On-Line and e-learning, while providing opportunities for youth to gain/teach skills for the knowledge economy. ([cap.ic.gc.ca](http://cap.ic.gc.ca))
- The First Nations SchoolNet Program supports Internet connectivity for First Nations schools under federal jurisdiction. It has assisted in connecting all First Nations Schools wishing to participate. This represents over 80 percent of all First Nations Schools. ([schoolnet.ca](http://schoolnet.ca))
- Since its inception in 1993, Computers for Schools has donated more than 425,000 refurbished computers to Canadian schools and libraries. The program has helped young Canadians gain skills and experience that will be invaluable to their education and careers. ([cfs-ope.ic.gc.ca](http://cfs-ope.ic.gc.ca))

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Connectedness is at the foundation of the knowledge economy and society.

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“Broadband can open up new possibilities for on-line learning, health care and access to government services.”

— Allan Rock,  
Minister of Industry

Industry Canada also plays a significant role in providing government services on-line. The Government of Canada’s Government On-Line (GOL) initiative articulates a commitment to increasing the range and sophistication of services available to Canadians. GOL aims to deliver integrated client-centred services to Canadians, anytime, anywhere, and in the official language of their choice by 2005.

Industry Canada’s key services already have a substantial on-line presence. In fact, as of March 31, 2003, the Department had met its accelerated GOL target of placing all key products and services on-line; two full years ahead of the Government of Canada’s

target. The Department’s 17 key on-line services provide combined information and transactional e-services for clients, such as database queries, on-line transactions, e-payments and authentication. The Department will continue to ensure that the submission and management of any personal or confidential information is securely handled on-line and complies with federal privacy legislation, rules and processes.

Industry Canada contributes to the Canada site by managing the BusinessGateway portal ([businessgateway.ca](http://businessgateway.ca)). The latest version of the portal was launched in the spring of 2002. The portal offers business content specific to each Canadian province and territory. In addition, as Industry Canada’s program delivery Internet site, Strategis

([strategis.gc.ca](http://strategis.gc.ca)) is integral to meeting GOL commitments. Strategis is also a major contributor of business and economic content to GOL gateways and cluster portals. Furthermore, Industry Canada manages the Assistive Technology Portal of the Persons with Disabilities Cluster ([www.at-links.gc.ca](http://www.at-links.gc.ca)).

### Where we stand

Canada has long been an innovator in providing its citizens with affordable access to an advanced information and communications infrastructure, as well as the skills necessary to fully reap the benefits of the information age.

### CANARIE and CA\*net4

In 2001, in partnership with CANARIE Inc., Industry Canada announced a \$110 million funding agreement to design, develop and operate Canada’s national research and innovation network, CA\*net4.

The deployment and operation of CA\*net4 provides Canada’s research and education community with access to a national broadband network for collaborative learning, research and innovation. As a major node in the network, Communications Research Centre Canada connects CA\*net4 users to satellite and broadband networks around the world, facilitating international collaboration and demonstrating the benefits of various broadband applications.

([canarie.ca](http://canarie.ca))

### Smart Communities

Through its Smart Communities initiative, Industry Canada is helping to demonstrate how the innovative and widespread use of information and communications technologies (ICTs) can transform the way people live, work and do business.

In all, 12 Smart Communities demonstration projects were chosen — one in each province, one in the North and one in an Aboriginal community. The 12 communities are rapidly becoming centres of expertise in the integration of ICTs into virtually every area of service delivery, including health care, education, tourism and business.

([smartcommunities.ic.gc.ca](http://smartcommunities.ic.gc.ca))

Figure 8: Summary of Connectedness Index results for 2001\*

	Overall		Availability		Price		Reach		Use	
No. of indicators	42		12		8		12		10	
Weightings	100 percent		20 percent		5 percent		25 percent		50 percent	
	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index
United States	1	109	1	113	1	107	2	108	3	107
Canada	2	108	2	107	3	104	1	109	1	111
Sweden	3	106	3	105	3	104	2	108	2	109
Finland	4	102	5	101	1	107	4	100	5	101
United Kingdom	5	99	5	101	7	98	5	98	6	99
Australia	6	99	4	102	9	94	5	98	4	102
Germany	7	97	7	99	5	100	8	95	7	97
Japan	8	94	8	91	10	92	7	99	8	95
France	9	93	8	91	5	100	10	92	9	90
Italy	10	92	10	90	8	95	9	94	9	90

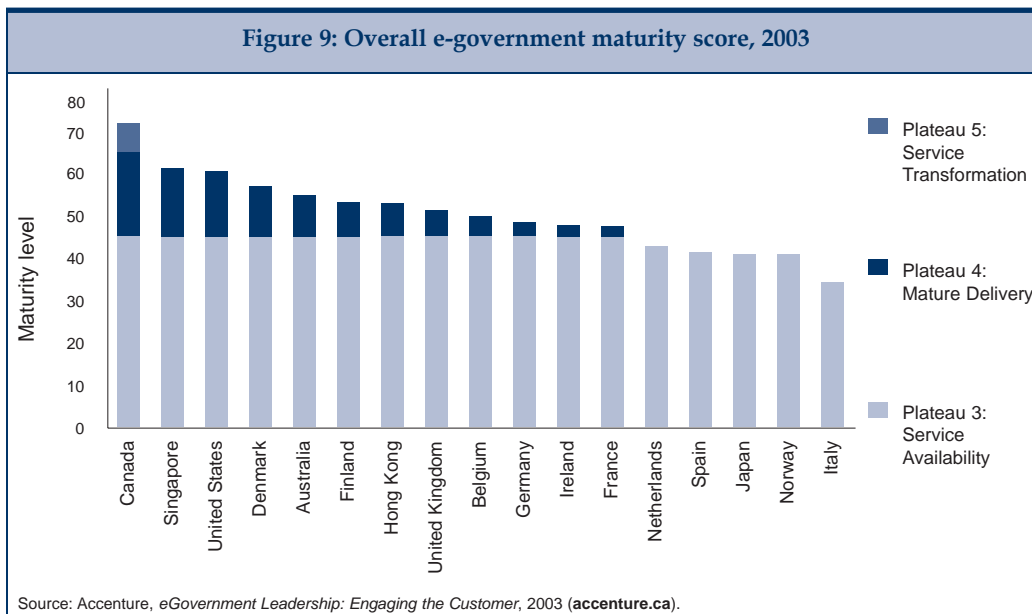
\*Rankings are based on selected indicators, subject to the availability of credible, comparable international data. The rankings are estimates formed from source data that are between 6 and 18 months old.

Source: Conference Board of Canada, 2002 ([conferenceboard.ca](http://conferenceboard.ca)).

The Conference Board of Canada’s annual Connectedness Index rates the 10 most connected countries in the world (the G7 countries plus Australia, Finland and Sweden) in terms of the availability, price, reach and use of ICTs. On the 2001 Index, Canada ranked second only to the United States, for the third consecutive year (see Figure 8).

Furthermore, Canada stood first in reach and use of ICTs, with the highest level of high-speed Internet usage of all G7 countries at 6.2 connections per 100 inhabitants, and three-quarters of the Canadian population capable of accessing high-speed networks or other broadband infrastructure. This is an improvement from the previous year, when Canada placed third in reach and second in use.

Figure 9: Overall e-government maturity score, 2003



According to a study by Accenture, a world-leading management consulting and technology services company, Canada continues to lead internationally in the area of e-government. For the third year in a row, Canada ranked first in providing electronic access to all government programs and services.

The Accenture study shows countries progressing toward e-government maturity through a series of five plateaus. In ascending order, the top three plateaus are service availability, mature delivery and service transformation. In 2003, Canada was the only country to reach the highest plateau of service transformation. This puts Canada ahead of our two major competitors, Singapore and the United States, and positions us as the only country to reach the fifth and highest level for on-line maturity this year (see Figure 9 on previous page).

## Where we are going

Innovative economies require leading-edge infrastructures to compete in the global marketplace. High-speed broadband infrastructure – the next generation of Internet access – is an important component of innovation. Through the Communications Research Centre’s Rural and Remote

Broadband Access Program, the Department is fostering research and development (R&D) in innovative technologies that will enhance the affordability and availability of broadband services. The Government of Canada has committed to ensuring affordable high-speed Internet access for all Canadian communities by 2005. The Broadband for Rural and Northern Development (BRAND) Pilot Program marks the first step to achieving that goal.

In partnership with industry and academia, Industry Canada, through CANARIE Inc., will continue to support the development and demonstration of advanced applications via CA\*net4. CA\*net4 is a high-performance network that will link research networks and institutions throughout Canada. Through 2007, the Department will support the deployment and operation of CA\*net4. This will provide Canada’s research community with customer-managed, high-speed optical networking capabilities, enabling researchers to pursue advanced research and the development of applications in areas such as e-health, e-learning, e-business, e-content and the environment.

Through programs such as SchoolNet and the Community Access Program, the Department will continue to play a leadership role in ensuring Canadians’ access to digital infrastructure, promoting digital literacy and facilitating equitable participation in the networked economy.

The Student Connections initiative helps SMEs adopt e-business by providing practical e-commerce and Internet training to thousands of businesses each year. Through its *E-Commerce First Step* suite of services, Student Connections helps SMEs remain current with emerging on-line opportunities and information, thereby strengthening their competitiveness in today’s global electronic marketplace ([www.studentconnections.ca](http://www.studentconnections.ca)).

### Broadband for Rural and Northern Development Pilot Program

Industry Canada launched the Broadband for Rural and Northern Development Pilot Program in September 2002.

Over the next three years, the \$105 million pilot program, in partnership with the private sector, will help to increase the number of communities with broadband access. The program will provide Canadians with access to health care, education, lifelong learning and business opportunities.

([broadband.gc.ca](http://broadband.gc.ca))



## Marketplace

### *Building a fair, efficient and competitive marketplace*

An effective marketplace builds and maintains consumer confidence and offers businesses the greatest opportunity for competitiveness, innovation and prosperity. The Government of Canada's role is to create the right environment for an effective marketplace, using a balanced approach. This means serving the public interest by establishing appropriate regulations and enforcement mechanisms to protect individuals, while ensuring that those regulations create a business environment supportive of innovative economic growth.

### What we have accomplished

Industry Canada's marketplace service organizations (MSOs) are proactively modernizing marketplace legislation, regulations, policies and rules. They are improving services to clients, as well as the tools used to detect, prevent and deter fraudulent, unfair and deceptive behaviour.

The wide range of activities in which MSOs are involved include expanding mobile wireless services through increased availability of spectrum; stopping telemarketing fraud; further improving the effectiveness of the country's patent regime; and providing consumers with the tools to increase their confidence in on-line purchasing. Through partnerships and consultation, the Department ensures compliance with marketplace rules by pursuing a wide range of activities. These activities encompass: education to increase awareness, active support for voluntary compliance, the promotion of behavioural change and responsible practices, and (when appropriate) the use of direct enforcement to stop and prevent anti-competitive, fraudulent, unfair and deceptive behaviour.

Marketplace service organizations
<p>Industry Canada's marketplace service organizations (MSOs) work together and in partnership with other governments, countries, businesses and consumers to ensure that the Canadian marketplace is world-class.</p> <p>Industry Canada's MSOs include:</p> <ul style="list-style-type: none"> <li>• Canadian Intellectual Property Office (<a href="http://cipo.gc.ca">cipo.gc.ca</a>)</li> <li>• Competition Bureau (<a href="http://competition.ic.gc.ca">competition.ic.gc.ca</a>)</li> <li>• Corporations Canada (<a href="http://strategis.gc.ca/corporations">strategis.gc.ca/corporations</a>)</li> <li>• Marketplace Framework Policy Branch (<a href="http://strategis.gc.ca/cilpd">strategis.gc.ca/cilpd</a> and <a href="http://strategis.gc.ca/ip">strategis.gc.ca/ip</a>)</li> <li>• Measurement Canada (<a href="http://mc.ic.gc.ca">mc.ic.gc.ca</a>)</li> <li>• Office of Consumer Affairs (<a href="http://consumer.ic.gc.ca">consumer.ic.gc.ca</a>)</li> <li>• Office of the Superintendent of Bankruptcy Canada (<a href="http://osb-bsf.ic.gc.ca">osb-bsf.ic.gc.ca</a>)</li> <li>• Spectrum, Information Technologies and Telecommunications Sector (<a href="http://sitt.ic.gc.ca">sitt.ic.gc.ca</a>)</li> </ul>

The Department also supports the Canadian Consumer Information Gateway, Canada's most extensive source of interjurisdictional consumer information available on the Internet ([consumerinformation.ca](http://consumerinformation.ca)).

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A fair, efficient and competitive marketplace is the cornerstone of a healthy and dynamic economy.

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The recently enhanced version of the Gateway provides access to reliable consumer information from more than 35 national and 70 regional non-government partners, 40 Government of Canada departments and agencies, and more than 250 provincial and territorial ministries and agencies.

In October 2002, Corporations Canada was awarded a Government Technology Exhibition (GTEC) bronze medal in the category of Innovative Cross-Jurisdictional E-Government Projects. To obtain the benefits of corporation status, businesses must incorporate in one jurisdiction and register in each province where they intend to operate. The Joint On-line Filing Project focusses on making these cross-jurisdictional filing processes more streamlined, accessible and user-friendly; it provides a single window environment to file federal/provincial information, and provides for on-line payment with a credit card at a lower fee.

In support of parliamentary committee reviews of marketplace framework legislation and in fulfilment of statutory requirements, two reports were tabled in the fall of 2002 on behalf of the Minister of Industry. The report, *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act*, has been referred to the House of Commons Standing Committee on Canadian Heritage; the *Report on the Operation and Administration of the Bankruptcy and Insolvency Act and the Companies' Creditors Arrangement Act* has been referred to the Senate Standing Committee on Banking, Trade and Commerce.

Under the Patent Cooperation Treaty (PCT) administered by the World Intellectual Property Organization (WIPO), Industry Canada's Canadian Intellectual Property Office (CIPO) has now

## Ensuring compliance with marketplace rules

In 2001, the Office of the Superintendent of Bankruptcy Canada registered and supervised 105,853 new insolvencies (a 6 percent increase over 2000 figures), and it supervised the closing of 90,517 insolvencies, resulting in the payment of \$284.5 million in dividends to creditors (a 31 percent increase over 2000). ([osb-bsf.ic.gc.ca](http://osb-bsf.ic.gc.ca))

The Competition Bureau's investigation of five telemarketing cases over the past three years yielded a net savings to consumers of about \$9 million, far outweighing investigative costs of about \$800,000. ([competition.ic.gc.ca](http://competition.ic.gc.ca))

## CIPO granted ISA/IPEA status

There are 10 International Searching Authorities (ISAs) — the patent offices of Australia, Austria, China, Japan, the Republic of Korea, the Russian Federation, Spain, Sweden, the United States, and the European Patent Office. With the exception of Spain, all ISAs are also International Preliminary Examining Authorities (IPEAs).

CIPO has been granted ISA and IPEA status, having been recognized for the following:

- a highly qualified, competent and growing corps of patent examiners, with bilingual, and sometimes trilingual, language capabilities;
- a modern and efficient automated patent processing system, supported by a forward thinking and comprehensive information technology infrastructure;
- a vast collection of patent documents and on-line resources that permit patent examiners to conduct comprehensive searches of relevant documentation; and
- an organizational commitment to the pursuit of excellence in client service delivery.

([cipo.gc.ca](http://cipo.gc.ca))

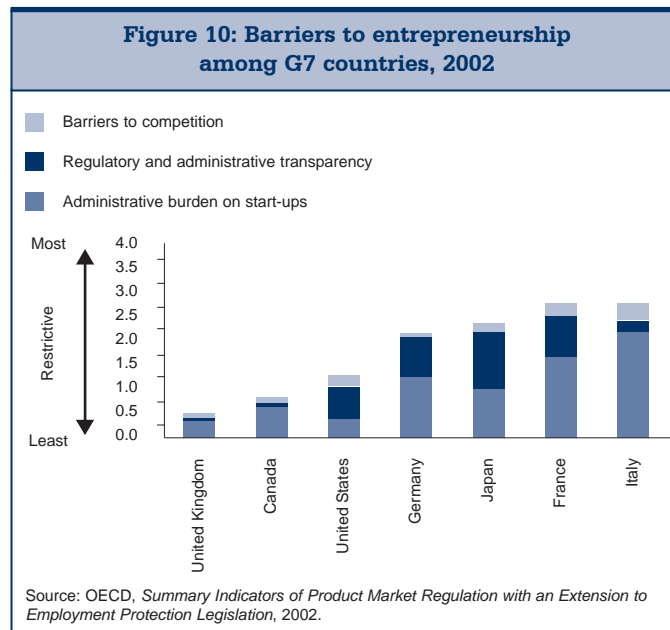
been granted status as an International Searching Authority (ISA) and International Preliminary Examining Authority (IPEA). Receiving ISA/IPEA status means that CIPO will be able to help clients acquire patent rights worldwide. The move also affirms Canada's position as a leading player within WIPO. CIPO will begin offering service in this capacity in 2004.

## Where we stand

A strong regulatory capacity builds and maintains consumer confidence, and moderates risk and liability. It also offers businesses the greatest opportunity for competitiveness, innovation and prosperity by sustaining stable and secure economic performance.

According to the 2002 OECD report entitled *Regulatory Reform in Canada: Maintaining Leadership Through Innovation*, Canada has developed a strong regulatory capacity over the past 20 years, which has contributed to our country's economic growth. In measuring the regulatory climate, the OECD report examined three areas: regulatory policies for both foreign and domestic firms; economic regulation and how it supports competition; and administrative regulation.

In comparative terms, Canada's overall economic and administrative regulations are innovation-friendly. By international standards, Canada has one of the lowest levels of regulatory barriers to entrepreneurship in the world, surpassed only by the United Kingdom (see Figure 10). This relatively low burden gives Canadian entrepreneurs an advantage in the global marketplace and supports an innovative economy.



However, although Canada ranks well overall, the OECD points out that there are still opportunities to improve our position in terms of regulatory policies. For example, Canada's regulations directed at foreign firms are more restrictive than those of other countries, possibly making Canada less attractive to foreign investors.

## Where we are going

In the September 2002 Speech from the Throne, the government re-affirmed its commitment to accelerate reforms in the regulatory arena through a "smart regulation" strategy. Smart regulations will allow Industry Canada to continue to improve Canada's position with respect to regulatory policies and barriers to

"Canadians' confidence in the marketplace is essential to attracting investment and fostering innovation. With the lightning speed of technological change, business, innovators and consumers must all have access to state-of-the-art, user-friendly tools and information in order to thrive in the knowledge-based economy."

— Allan Rock,  
Minister of Industry

entrepreneurship, as well as to capitalize on the innovative ideas, international know-how and leading-edge technologies that foreign firms contribute by investing in Canada. In making this commitment, which is a component of *Canada's Innovation Strategy*, the government has recognized that moving away from prescriptive regulatory regimes toward performance-based regulation is essential to help Canadian firms keep pace with innovation-driven businesses elsewhere. Ultimately, this shift will enhance the climate for investment, increase trust in the marketplace, and foster innovation and investment in R&D.

As indicated in the February 2003 Budget, Industry Canada will consult with Canadians and propose actions to strengthen governance standards for federally incorporated companies and financial institutions to ensure that they remain of the highest order and contribute to improving investor's confidence in Canada's marketplace.

In addition, Canada's bankruptcy and insolvency laws will be reviewed by the Senate Committee on Banking, Trade and Commerce, paving the way to developing proposals for reform to ensure that Canada's insolvency system remains responsive to market needs.

Canada is also working to include competition policy provisions in free trade agreements and to broaden its network of cooperation with other jurisdictions which, in the short-term, include Japan and the United Kingdom.

Industry Canada's MSOs will continue to ensure that the marketplace remains competitive and dynamic. They will do this by improving services to clients, such as providing the status of patent applications on-line. By 2004, CIPO, as an ISA/IPEA, will be able to provide clients with greater access to the international patent system, reinforcing Industry Canada's commitment to continued excellence in the area of service delivery to clients.

## Industry Canada's efforts to build a fair, efficient and competitive marketplace

To address fraudulent, unfair and deceptive behaviour in the marketplace, Industry Canada is involved in:

- seeking tougher penalties;
- increasing awareness among target groups on how to detect and self-protect against these crimes; and
- modernizing the tools used for detection, prevention and deterrence.

## Reviewing the marketplace framework

- In light of the review of the Patented Medicines (Notice of Compliance) Regulations by the Standing Committee on Industry, Science and Technology, and to foster innovation and investment in R&D, Industry Canada will assess the need to modernize Canada's patent regime to ensure that our intellectual property framework remains among the most modern and progressive in the world.
- The fundamental principles underlying Canada's copyright policy are remuneration and control for rights holders, and the dissemination of and access to their works. While the House of Commons Standing Committee on Canadian Heritage reviews the Copyright Act, Industry Canada and Canadian Heritage intend to continue consulting on and developing proposals for legislative amendments to address issues designated as requiring attention in the near future. More information can be found in *Supporting Culture and Innovation: Report on the Provisions and Operation of the Copyright Act*. ([strategis.gc.ca](http://strategis.gc.ca))
- In order to modernize the governance framework for not-for-profit corporations, Industry Canada will develop proposals to replace Part II of the *Canada Corporations Act* with a new Act that is based on the principles of flexibility, transparency and accountability.



## Investment

### *Improving Canada's position as a preferred location for domestic and foreign investment*

Investment and capital formation are essential for stimulating economic growth, innovation and sustainable development. Foreign firms in Canada engage heavily in R&D and raise our country's productivity and capital investment levels. Domestic investment creates jobs and strengthens Canadian communities. In order to attract more investment in Canada, we must continue to actively market Canada as an attractive destination for investment.

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Canada's economic fundamentals and relative cost advantages provide a first-rate business environment.

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#### What we have accomplished

To promote investment in Canada, Industry Canada has contributed to the development and implementation of specific initiatives related to investment policy, marketing and communications, attracting investment in priority markets and sectors, and encouraging investment by SMEs and Aboriginal businesses.

In addition, the Department completed an evaluation of the accomplishments of the *Investment Canada Act*. Industry Canada also completed an analysis comparing the Act with the regimes of investment review in other countries. This will allow the Department to assess the efficiency of Canada's investment review regime and benchmark it against that of other countries.

#### Investment priority sectors

Industry Canada's investment priority sectors include:

- information and communications technologies;
- life sciences;
- aerospace and defence;
- automotive industries;
- energy technologies; and
- chemicals.

Investment round tables in which a broad spectrum of partners participated, including Canadian posts abroad, resulted in Investment Action Plans for eight priority markets.

Agriculture and Agri-Food Canada and Natural Resources Canada are key sectoral partners.

#### Supporting SMEs

Recent studies by Statistics Canada reveal that small businesses create between 70 percent and 80 percent of all new jobs in Canada. Industry Canada supports SMEs and their contribution to Canada's economic prosperity.

- The *Canada Small Business Financing Act* has facilitated access to approximately 11,000 loans, generating an estimated \$1 billion in investment aimed at modernizing, improving or expanding small businesses in Canada.
- In partnership with community-based organizations in 22 communities across Canada, the Department has helped firms to become "investor-ready" and find risk capital through the Canada Community Investment Plan. In the past four years, nearly \$235 million has been invested in more than 400 firms outside the major financial centres.
- Aboriginal Business Canada (ABC) has invested over \$30 million in Aboriginal business start-ups and expansions, leveraging more than \$50 million in additional investment. ([abc-eac.ic.gc.ca](http://abc-eac.ic.gc.ca)) ABC has also worked in partnership with the Federal Economic Development Initiative for Northern Ontario (FedNor), regional agencies and Indian and Northern Affairs Canada to deliver the Aboriginal Business Development Initiative. This initiative improves access to capital funds and to federal programs for Aboriginal businesses. ([fednor.ic.gc.ca](http://fednor.ic.gc.ca))



“We can compete with the world and win. We can attract the investment and the people we need to achieve our full potential — not simply so we can impress economists with numbers on a chart, but so that we can preserve and enhance the quality of life for Canadians.”

— Allan Rock,  
Minister of Industry

To increase business awareness and consideration of Canada as a preferred investment destination, Industry Canada is working with the Department of Foreign Affairs and International Trade (DFAIT) in a joint initiative called Investment Partnerships Canada (IPC). Working in partnership with other federal departments and the provinces, IPC is the focal point for foreign direct investment (FDI) attraction within the Government of Canada. IPC conducts government-wide marketing and communications campaigns to increase Canada’s visibility, and to market the advantages of Canadian business and investing in Canada.

Through IPC, the Department worked closely with the Canada Customs and Revenue Agency, Citizenship and Immigration Canada, Transport Canada and provincial partners to ensure that the strategy for addressing border issues after September 11, 2001, did not negatively affect Canada’s image as an investment location.

Industry Canada has also worked to establish Canada as the destination of choice for international investment within North America. It continues to promote investment in industrial sectors which offer the greatest potential for economic benefits.

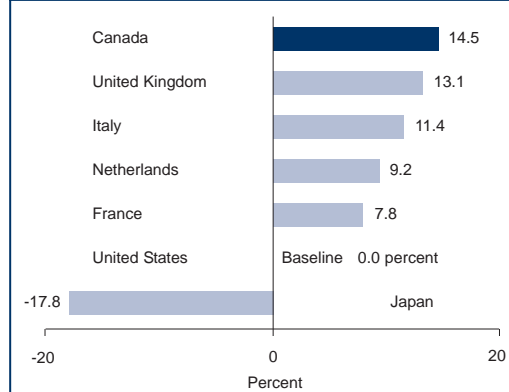
## Where we stand

In 1997, 1999 and 2002, KPMG business studies found Canada to be the most cost-effective location for starting up and operating a business. According to the 2002 study, *Competitive Alternatives: Comparing Business Costs in North America, Europe and Japan*, Canada averaged a 14.5 percent cost advantage over the United States (see Figure 11).

As the overall lowest-cost country for conducting business, Canada offers distinct and compelling advantages to global firms seeking the best location in which to invest, establish or expand their operations.

In fact, Canada’s attractiveness as an investment location is yielding some positive results. Canada’s investment stock increased dramatically from \$131 billion in 1990 to \$321 billion in 2001, with nearly two thirds of investment coming from the United States.

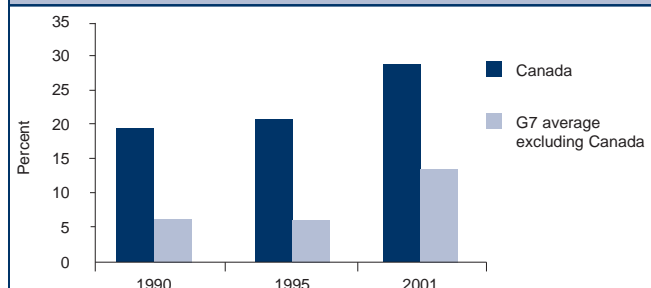
**Figure 11: Canada’s relative business cost advantage, 2002**



This figure illustrates the percent cost advantage/disadvantage relative to the United States. The percentages were aggregated by measuring the combined impact of 27 cost components that are most likely to vary by location. The components encompass such things as the cost of labour, transportation, utilities and income taxes.

Source: KPMG, *Competitive Alternatives: Comparing Business Costs in North America, Europe and Japan*, 2002.

**Figure 12: Share of inward stock of FDI as a percentage of GDP**



Source: Compilations based on data from the OECD and United Nations Conference on Trade and Development.

From 1990 to 2001, the ratio of inward FDI stock to GDP in Canada grew by 10 percent to reach 29 percent. This was the highest in the G7, and more than double the average of 13.9 percent for the other G7 countries (see Figure 12 on previous page).

## Where we are going

Competing for a larger share of FDI will require a more attractive investment climate. Our other major trading partners, including the United States, are improving their investment environments. Canada must, therefore, benchmark its laws, policies and regulations against international best practices, and promote continuous improvements to our business and regulatory environments.

In order to maintain and improve on Canada's investment climate, real and perceived impediments to FDI (including border formalities, immigration, and regulatory and foreign ownership issues) need to be addressed. The Minister of Industry has asked the House of Commons Standing Committee on Industry, Science and Technology to review the issue of foreign investment restrictions in telecommunications. The Committee tabled its report and recommendations in the spring of 2003, and the government is expected to respond by the fall. In addition, the Department will continue to consult with foreign multinational enterprises and Canadian industry, analyse key investment climate issues and impediments that have an impact on investment, and advocate certain policy and regulatory changes. These initiatives build on the

### Investment in Canada

Through Investment Partnerships Canada, the Department works to attract and retain increased multinational investment in our country by:

- providing investment information products and Internet-based marketing and communications tools, such as the Invest in Canada Web site ([investincanada.gc.ca](http://investincanada.gc.ca));
- conducting coordinated and targeted investment campaigns; and
- working with the private sector, both at the domestic and international levels, to facilitate strategic alliances and promote investment opportunities.

### Industry Canada programs that support SME and Aboriginal investment

- The *Canada Small Business Financing Act* (CSBFA) loans program will work to increase investment in viable and durable SMEs by facilitating access to approximately \$1 billion delivered through about 10,000 loans to small businesses. The Department also expects that the CSBFA Capital Leasing Pilot Project will facilitate access to about \$50 million in financing through about 300 capital leases extended to SMEs. ([strategis.gc.ca](http://strategis.gc.ca))
- Community Futures Development Corporations (CFDCs) will continue to help SMEs and Aboriginal businesses across Canada obtain necessary financing. In Northern and rural Ontario CFDCs are delivered by FedNor. Over the next two years, Ontario CFDCs will invest more than \$70 million in rural and Northern Ontario SMEs, leveraging an additional \$50 million in investments. ([fednor.ic.gc.ca](http://fednor.ic.gc.ca))
- The Aboriginal Business Development Program (ABDP), delivered by Aboriginal Business Canada, will invest more than \$39 million per year in support of Aboriginal entrepreneurs, leveraging an additional \$80 million in investments from other sources. ([abc-eac.ic.gc.ca](http://abc-eac.ic.gc.ca))

Government of Canada's commitment to the smart regulation strategy.

Despite the favourable results of the KPMG study, research shows that Canada is still not the first choice for many investors. International investors need to be made more aware of the advantages of investing in Canada. Working with various partners, especially through IPC, Industry Canada will take steps to increase awareness among potential investors in key sectors by implementing focussed marketing and communications strategies.

In addition, a knowledge-sharing system accessible by all IPC partners will be established. Industry Canada will continue to actively support the Deputy Ministers' Investment Champion campaigns led by IPC.

Industry Canada will also continue to support domestic investment by providing timely information, policies and services to Canadian SMEs and target groups, including Aboriginal people and rural communities.

## The importance of Canadian investment abroad

When Canadian companies invest abroad, it benefits them and the entire Canadian economy. Greater exposure of Canadian companies to other competitive markets enhances growth and business opportunities. Especially important are investments in technically sophisticated goods and services industries, as well as production methods — these are vital to Canadian competitiveness in the long term.

Canadian companies are increasingly realizing the gains of investing abroad. Over the past decade, greater investment flows into Canada have been mirrored by commensurate investments abroad by Canadian firms.

Industry Canada is very active in areas of international investment that matter most to Canadians. The Department vigorously promotes Canada as a good place to invest. It also monitors constantly changing international investment activity to assist in implementing appropriate and timely policy responses. Other important activities include negotiating fair rules on investment with our trading partners, and performing key economic research.

([intinvest.ic.gc.ca](http://intinvest.ic.gc.ca))

## Trade

### *Working with Canadians to increase Canada's share of global trade*

Trade is important to all Canadians. It supports jobs and creates economic activity in every region of the country. The primary goal of the government's trade strategy is to increase domestic employment and wages in order to attain an overall higher standard of living for all Canadians. A coordinated approach, recognizing the linkages between investment, innovation and trade, builds a strong foundation for international business development and enhances productivity.

#### What we have accomplished

Industry Canada has continued to promote the benefits of exporting, and has helped SMEs enhance their ability to compete at the global level. The Department helps Canadian companies pursue foreign markets, and it promotes Canada as a supplier of high-quality goods and services. In addition, Industry Canada has worked with DFAIT to defend and promote Canada's trade interests.

With a presence in each province, and as an active member of Team Canada Inc (a network of 23 federal departments and agencies), Industry Canada is uniquely positioned to work with its partners to increase domestic and international trade through improved market access for Canadian companies. The Department continues to develop and improve its programs, products and services, and to provide them to Canadian firms and the export community in an integrated manner.

A predictable and open trading environment is imperative if existing and new Canadian exporters are to be competitive in today's global marketplace. The Government of Canada is committed to bringing down barriers to exporting in key markets, ensuring continued efficient access to existing markets, and modernizing shared borders. Industry Canada is an active participant in these

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Canada's export growth is playing a major role in fostering knowledge-intensive, high-wage jobs.

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#### Promoting international market development

Through the Trade Team Canada Sectors (TTCS), Industry Canada collaborates with other government departments, provincial governments, non-governmental organizations and companies to deliver an international market development program that is tailored to companies' needs and that focusses on strategic opportunities and priorities.

In 2002–03, TTCS ensured a Canadian presence at more than 100 international trade shows and missions. This Canadian presence provides Canadian companies with access to foreign markets and contributes to international market development.

Of the participants surveyed:

- approximately 80 percent indicated they were able to access new markets and enhance or maintain their current presence;
- 94 percent expect a positive business impact; and
- 10 percent made on-site sales in excess of \$500,000.

At the same time, Industry Canada is also making important contributions toward branding Canada as a leading supplier of superior goods and services. The *Brand Canada* program was introduced to raise the profile and improve the image of Canada at key international trade shows.

([ttcs.ic.gc.ca](http://ttcs.ic.gc.ca))

“Positioning ourselves for future success is so important for Canada because we are a trading nation. Indeed, with almost 50 percent of our economy dependent on the export of goods and services, we are one of the greatest trading nations on earth.”

— Allan Rock,  
Minister of Industry

efforts. In partnership with DFAIT and the Department of Finance Canada, it has pursued an active trade policy agenda.

Industry Canada’s International Trade Centres (ITCs) work with all levels of government and other organizations through Regional Trade Networks. These partnerships provide the appropriate mix of products and services to help business clients in their export development initiatives. ITCs offer programs and services for new exporters, which serve to increase their awareness of the benefits and mechanics of exporting.

Industry Canada also supported the Agreement on Internal Trade (AIT), which came into effect in 1995. This was a significant step toward building a stronger Canadian economy. It committed governments to reducing and eliminating, as far as possible, barriers to the free movement of persons, goods, services and investments in Canada. Since AIT came into effect, progress has been made in key areas of procurement, labour mobility, consumer-related standards and measures, and transportation.

**Trade negotiations**

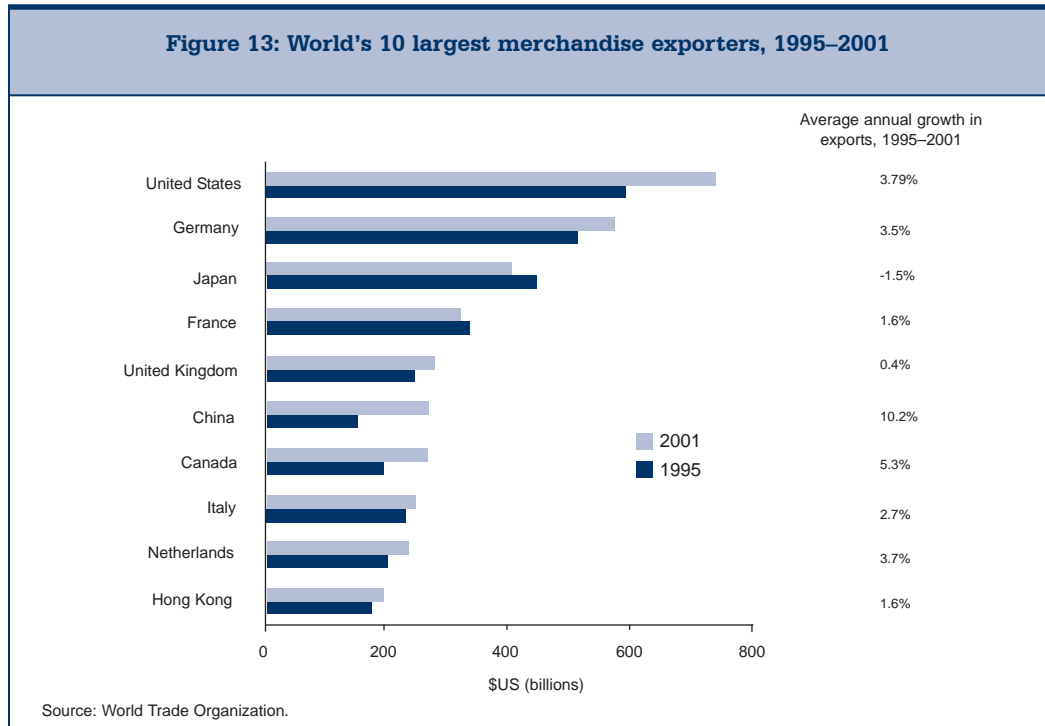
Canada is an active member of the World Trade Organization (WTO), having advanced our position in a number of WTO “Doha Round” negotiations.

Canada has also been actively seeking:

- a Free Trade Area of the Americas (FTAA);
- an agreement with four Central American countries (CA4); and
- an agreement with the four countries of the European Free Trade Association (Liechtenstein, Iceland, Norway and Switzerland) as well as Singapore.

## Where we stand

The OECD ranked Canada as the world’s seventh-largest merchandise exporter, with an annual growth rate of 5.3 percent from 1995 to 2001. But its position is





being challenged, particularly by China — a country that achieved the highest rate of growth over the same period. This growth has enabled China to move up the rank from ninth in 1995 to sixth in 2001 (see Figure 13 on previous page).

The United States continues to dominate as Canada's largest export destination, with some 82 percent of our exports going to U.S. customers. Statistics Canada estimates that the two-way trade in goods and services between Canada and the United States is worth about \$1.85 billion per day. Although the U.S. market is of primary importance, Canadian exporters are being encouraged to broaden their exporting efforts. At present, about 28 percent of Canadian exporters are active in markets other than the United States. In 2000, some 5,000 businesses exported exclusively to non-U.S. markets.

Since 1990, Canada's exports of goods and services have shown nine consecutive years of exceptional growth, reaching a record level of \$482.7 billion in 2000. For the second year in a row, however, Canada has experienced a decline in its exports of goods and services, edging down 2.4 percent in 2001 and 0.6 percent in 2002 to reach \$468.5 billion (see Figure 14).

This decline can be attributed in part to the trade impacts of geopolitical uncertainty and the downturn in the U.S. economy.

Since 1993, the exporter population in Canada has grown by almost 30 percent to encompass 38,000 exporting establishments. As in many economies, a small number of exporters account for the bulk of exports. In Canada, 4.2 percent of exporters account for 83.6 percent of exports. Data from 2000 shows that slightly more than 27,000 businesses exported goods and services valued at less than \$1 million each. Most of these establishments employed fewer than 50 employees. Many of these SMEs have the potential to become larger exporters or to export on a regular basis.

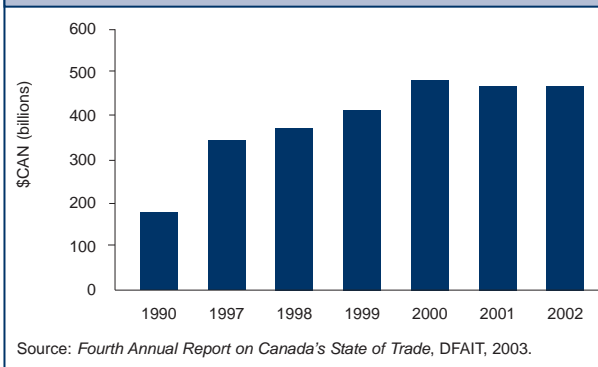
### Where we are going

In partnership with DFAIT, Industry Canada will continue to play a pivotal role in working with international partners to eliminate barriers where they exist, to strive toward mutually recognized standards, to promote sustainable development

#### Canada–U.S. Trade

- Canada and the United States have the world's largest trade partnership, with two-way trade that amounted to \$676 billion in 2001.
- Between 1996 and 2001, trade between Canada and the United States grew at a compound average rate of 9.8 percent a year.
- The United States trades more with Canada than with any other country — and more than with all of the countries of the European Union combined.

Figure 14: Canadian exports of goods and services



and to defend Canadian interests abroad. Some of the challenges we face include the currently lacklustre economic performance of most of our trading partners; geopolitical instability caused by the threat of international terrorism and the recent war in Iraq; the uncertainty related to problems in corporate governance; the imposition of import duties by the U.S. on lumber product exports; and the strengthening of the Canadian dollar. Despite these challenges, Industry Canada will continue to offer programs and services that prepare and promote Canadian exporters.

As an important consequence of Canada's ratification and implementation of the Kyoto Protocol, new international business opportunities for Canadian technologies and services will emerge. New energy efficiency and emissions reduction projects will be identified and pursued. These in turn will encourage Canadian innovations to advance to the marketplace both at home and abroad. By positioning Canada as a world-class economy, and Canadian industry as a key global source of high-quality, high-technology products and services, we will provide better opportunities for Canadian firms to expand their exports.

Industry Canada will work closely with a wide range of federal departments, provincial and territorial governments, and the private sector, with the aim of achieving better coordination of international business development activities. This will help Canadian exporters seeking to create new opportunities in other international markets. For example, Mexico is one of the

## Sustainable Cities Initiative

The Sustainable Cities Initiative (SCI) focusses on the urban challenges faced by cities in developing economies. Begun as a pilot in 1999, the initiative has been extended to 2004–05.

The initiative provides opportunities to brand Canada as a supplier of sustainable technologies. It allows the Canadian government, non-governmental and private sector organizations to work together in the pursuit of trade and development opportunities in cities abroad.

- The scope has expanded from 5 pilot cities to include 17 cities on four continents.
- To date, \$3 billion worth of potential projects have been identified that could be implemented over seven years. Of these, projects worth \$2 billion are already being actively pursued by Canadian firms and organizations — a significant return on the government's investment of about \$1.5 million to date.
- More than 340 Canadian firms, non-governmental organizations and government agencies are participating in the SCI pilot program in areas such as full-scale sustainable waste management systems, stormwater/sewer master plans/expansions, tourism initiatives, telecommunications, energy management and urban transportation.

## Industry Canada's work developing trade networks

Recognizing the importance of international trade to Northern Ontario's economy, FedNor is implementing a new Trade Strategy for Northern Ontario.

The strategy is designed to promote the growth of export trade activity by Northern Ontario firms and organizations. Key elements of the strategy include:

- the creation of a FedNor International Business Centre in Sault Ste. Marie;
- the establishment of a regionally oriented, community-based trade advisory network to facilitate information exchange, learning, training and the sharing of best practices; and
- the organization and financial support of Team Northern Ontario trade missions, including one to Detroit, Michigan, in June 2003.

([fednor.ic.gc.ca](http://fednor.ic.gc.ca))

fastest-growing export markets, even though it is starting from a small base. It is now our fourth-biggest export market, after the United States, the European Union and Japan.

The Department will continue to conduct and support research on key trade and investment issues. A key part of this approach is to ensure that Industry Canada's interests, and the interests of our clients, are fully reflected in Canada's trade negotiating strategy. The Department is actively involved in advancing Canadian industrial interests within each trade negotiation, in a balanced manner with a focus on services, industrial tariffs and market access, investment, intellectual property and subsidies. This includes work on the World Trade Organization (WTO) and the Free Trade Area of the Americas (FTAA) negotiations. FTAA negotiations are poised to create the world's largest free trade area. This will provide greater access to markets, fair and efficient dispute settlement, and stability for Canadian businesses.

Industry Canada also participates in other lower-profile negotiations. For example the Canada-Central America free trade negotiations, and a proposed bilateral trade and investment enhancement agreement between Canada and the European Union.

Industry Canada will work to ensure that opportunities for trade with our largest trading partner improve and adapt in response to the current economic and global realities. For instance, a priority is resolving border issues related to the movement of goods and people, so as to ensure that Canada's commercial interests are not compromised.

In recognition of the importance of our trade with the United States, and in order to support trade relations, Canada will increase its consular presence in the United States and will create new satellite offices focussed on specific sectors or issues. This approach will provide opportunities to communicate Canada's attractiveness as a destination for investment, and to highlight Canadian technical capabilities and innovative companies.

Team Canada Inc will focus on two priorities over the next year. One is to ensure that there are strong linkages and collaboration between the trade, investment, and science and technology cooperation agendas – the three pillars of international business development. The other priority is to build support for the Regional Trade Networks. These are federal, provincial, territorial and non-governmental partnerships in the regions that are directly accessible by SMEs interested in exporting.

The Department is also committed to working with the provinces to further reduce trade barriers and to look at ways of improving the AIT and enhancing internal trade in Canada.

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“By forging a new partnership [between universities, industry and government], we are improving the odds for Canadian researchers and entrepreneurs. This is an important step in unlocking one of the barriers to innovation in Canada.”

— Allan Rock,  
Minister of Industry

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## Conclusion

*Making a Difference* takes a strategic approach to reporting on how Industry Canada contributes to the quality of life of Canadians. It represents a step forward in results-based reporting for the Department by providing details on what we have accomplished, where we stand in comparison to other nations and where we are going in order to maintain or improve our relative position.

Through each of its five strategic objectives, Industry Canada works to grow a dynamic economy that contributes to the Government of Canada’s overall goal of enhancing the well-being and competitiveness of Canadians.

Recognizing that Industry Canada is only one player among many impacting our quality of life, the Department is committed to working through partnerships to sustain and improve Canada’s economic growth. Working together enables the Department to continue:

- building a knowledge infrastructure that supports innovation as well as broad economic and social objectives;
- supporting advanced research and access to digital infrastructure, skills development, electronic commerce and improved service delivery;
- reviewing our regulatory environment to ensure that it supports investment and innovation;
- fostering an innovative economy that attracts investment, bringing skills, ideas and financial resources to Canada; and
- creating new markets for trade, bringing new ideas and technologies into Canada.

While we have made progress towards achieving our five strategic objectives, there is still work to be done. By continuing to help provide the environment and infrastructure that enables Canadians to succeed in the global knowledge economy, Industry Canada is committed to making a difference to the quality of life of Canadians.

