



Department of Foreign Affairs
and International Trade
(International Trade)

Ministère des Affaires étrangères
et du Commerce international
(Commerce international)

Canada



Departmental Performance Report

2004-2005

For the period ending
March 31, 2005



The Honourable James Scott Peterson
Minister for International Trade

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Overview



Section 1



**The Honourable James Scott Peterson
Minister for International Trade**

1.1 Minister's Message

The Canadian economy fared well in 2004 despite a challenging global environment. It continued on a positive trend, with real growth of 2.9 percent mirrored in Canada's international trade performance, where exports of both goods and services rose to within 1 percent of their previous peak. This was a fitting backdrop to the International Commerce Strategy, which my department prepared in 2004-2005 as an integral component of the government's International Policy Statement. As the Strategy observed, the stakes involved in sustaining this success are high. International commerce is the lifeblood of the Canadian economy and the key to the choices that define our quality of life: we have no option but to "get it right." That is what my department is about, and that is the message I have been taking to Canadians.

No one in Canada is untouched by the dynamics of international commerce in the era of globalization. Trade and investment liberalization, rapid advances in communication and transportation technologies, as well as increased mobility of capital, people and ideas, are changing the economy before our eyes. These

dynamics have opened new markets to Canadian goods and services. But they have also created intense competition, especially from the emerging markets that are rapidly ascending the knowledge ladder. International business is reshaping itself to meet consumer demands for choice and quality, shifting to production and distribution models based on global or regional value chains—locating research, product development, design, manufacturing, financing and other services wherever it makes the most business sense, whether for cost, quality, or access to markets or ideas.

In this world, our need to innovate, to maximize the commercialization of new technologies, to showcase our skills and our many advantages, and to position ourselves for continuing success through durable relationships has never been greater. It is imperative that we miss no opportunity to take full advantage of the vast potential of the key markets of the 21st century, whether established or emerging. The International Commerce Strategy provides us with the framework in which we will pursue this goal, together with partners across the federal government and across Canada. Looking ahead, I see both challenges and new opportunities in the path we must take to ensure our well-being.

In December 2005, the World Trade Organization will hold a Ministerial Meeting that I hope will set the stage for the successful conclusion of the Doha Round of trade negotiations. In light of the tremendous give and take that will be required by all WTO members, success is anything but assured. The negotiations, with their emphasis on perennially challenging sectors such as agriculture and services, represent a major undertaking, with much at stake for Canada and for all countries—particularly the less developed—whose future prosperity is closely linked to the transparent and secure environment for global commerce that the WTO assures. Success will require strong political will and determination on all sides: we must continue to invest our full energy in the process.

While progress in the Doha Round is crucial to securing global markets, it is only one part of our International Commerce Strategy. Our most substantial economic relationship remains with the United States, which is also grounded in NAFTA and newer initiatives. Despite the profile of long-standing irritants such as softwood lumber, it bears remembering that the overwhelming proportion of our trade with

the United States is unencumbered. We will spare no effort in pursuing the goal of having all Canada-U.S. trade take place on a level playing field with all the rules of the game respected. No NAFTA member can forget—as Hurricane Katrina has so tragically reminded us—that this is an increasingly integrated continental economy in a competitive global environment: we prosper collectively or we decline collectively. This is the lesson we are taking to every corner of the United States through vigorous advocacy efforts, which are an integral part of our toolkit to continually strengthen and secure this most important of relationships.

We have also been engaged in other business facilitation efforts, such as regional and bilateral trade and investment negotiations, and in broad-ranging and innovative business development activities: this is what it takes to ensure Canadian enterprises of all sizes are able to win in the marketplace. Over the past year, we

have consulted widely with Canadians about the need to dramatically increase our presence in markets that have emerged as the “growth poles” of the commerce universe. There is broad agreement that Canada must do more in markets such as China, India, Brazil, Russia and others poised for success in the global knowledge economy, if our performance as a global trader is going to continue to anchor our national well-being. We are pursuing this aggressively in practical and imaginative ways, like the free trade talks initiated with Korea, a key regional partner to both China and Japan. These talks hold great promise for extending Canadian economic growth potential in a part of the world where Canada needs to make significant strides to shore up its competitive position in trade, investment and technology terms.

It is with pride and pleasure that I present this report to Parliament on behalf of my department.



Robert Fonberg
Deputy Minister for International Trade

1.2 Deputy Minister's Management Representation Statement

I submit, for tabling in Parliament, the *2004-2005 Departmental Performance Report* (DPR) for the Department of Foreign Affairs and International Trade (*International Trade*).

This document has been prepared based on the reporting principles contained in the Treasury Board of Canada Secretariat's *Guide for the preparation of 2004-2005 Departmental Performance Reports*:

- It adheres to the specific reporting requirements.
- It uses an approved business line structure.
- It presents consistent, comprehensive, balanced and accurate information.
- It provides a basis of accountability for the results pursued or achieved with the resources and authorities entrusted to it.
- It reports finances based on approved numbers from the Estimates and the Public Accounts of Canada.

Robert Fonberg
Deputy Minister for International Trade

1.3 Summary Information

This report demonstrates the department's commitment to results-based management and sound financial administration. In preparing this report, the department paid close attention to the four principles for public performance reporting set by Treasury Board of Canada Secretariat. These principles require departments to:

- focus on the benefits for Canadians and explain the critical aspects of planning and performance, and set them in context;
- present credible, reliable and balanced information;
- associate performance with plans, priorities, and expected results; explain changes and apply lessons learned; and
- link resources to results.

Much of the department's work involves the provision of services to Canadian business, ranging from complex market access negotiations to facilitating export and investment transactions. More often than not, the final outcome of this work is not obvious until some time in the future, when the benefits are reaped by Canadian companies, and by extension, reflected in the Canadian economy. This renders the department's adherence to the principle of focusing on outcomes, rather than outputs, a significant challenge. Nonetheless, this report strives to respect this principle to the full extent possible. The development of more sophisticated performance measurement indicators and systems to capture this data is well under way in the department. This will enable progressively better reporting vis-à-vis outcomes, starting with next year's Departmental Performance Report (DPR).

This report's structure is as follows. It begins by briefly describing the purpose of the Department of Foreign Affairs and International Trade (*International Trade*), followed by a brief description of the working environment in 2004-2005, including principal risks and challenges. Then the report outlines the department's strategic outcomes and key results for the period, along with a brief discussion on performance monitoring and on fundamentals such as organization, governance and accountability.

For the purpose of properly aligning our accomplishments with our earlier priorities identified in the *2004-2005 Report on Plans and Priorities*, this DPR is using the 1996 Planning, Reporting and Accountability Structure (PRAS). The department has already developed a new Management, Resources, Results Structure (Program Activity Architecture) that will be the basis of reporting departmental accomplishments in its 2005-2006 DPR.

The business line sections of this report correspond to the strategic outcomes articulated in the 1996 PRAS that pertain to international trade and business development. Also included is the department's new work related to investment. Information in these sections is organized under the following headings:

- Strategic Outcome;
- Our Resources;
- How We Pursue Our Strategic Outcome;
- Our Working Environment; and
- Our Accomplishments and Performance.

At the end of the report, readers will find a brief discussion of management issues and pertinent government-wide initiatives, followed by financial tables.

1.3.1 Department's Raison d'être

The mandate of the Department of Foreign Affairs and International Trade (*International Trade*) is to enable and contribute to Canada's prosperity through global commerce. As such, the department centralizes the federal government's trade policy and trade and investment promotion strategies, as well as coordinating its international business development activities. It also puts a sharp focus on science and technology (S&T), particularly the facilitation of international joint research activities that lead to the creation, acquisition and diffusion of cutting-edge S&T throughout Canada's domestic research and development (R&D) network.

The department manages Canada's trade relationships and works to liberalize trade and capital flows around the world, based on clear and equitable rules. It pursues trade liberalization initiatives at the bilateral and multilateral levels, including the Doha Round of the World Trade Organization (WTO) and the talks to establish a Free Trade Area of the Americas (FTAA). The Department of Foreign Affairs and International Trade (*International Trade*) also plays the lead role in managing the Canada-U.S. trade relationship, while promoting cooperation on other issues related to North American economic integration.

The expansion of trade and investment and the opening of new markets for Canadian goods and services around the world generate employment and business opportunities for Canadians at home and abroad. Furthermore, trade liberalization is a significant contributor to the Government of Canada's innovation agenda. Opening new markets for Canadian firms stimulates investment that can raise productivity and generate new ideas, while foreign investment in this country helps to transfer technology and know-how to Canadians.

In carrying out its work, the department manages the trade and investment-related elements and the international business development functions of Canada's missions abroad. The department also supports the international economic objectives and activities of other federal departments and agencies as well as those of the provinces, territories and municipalities.

Approximately 1,800 people work for the department. They are located at headquarters, in the 12 Regional Offices across Canada and in 140 offices abroad. Their fields of expertise include trade and investment policy, business development, international marketing and strategic planning.

The Trade Commissioner Service, composed of approximately 500 trade commissioners and some 600 locally engaged staff, provides in-depth knowledge of local markets, legislation and business environments, identifies international business opportunities for Canadians and facilitates their participation in global markets. Trade commissioners maintain a wide network of contacts and have expertise in a range of subjects, including market access, business prospects, exporting procedures, licensing, joint ventures and technology transfer.

Throughout its operations, the department promotes innovative management, strategic planning and partnerships at all levels.

Our working environment: Risks, opportunities and challenges

Canada has benefited tremendously from its success in the international economy. However, we cannot and must not be lulled into behaviour based on an assumption that this record will automatically be sustained. There is a risk of complacency in assuming that Canada will remain a successful trading nation, just as there is a risk in assuming that the professional services that the department provides to its clients are creating value when they may no longer be fully aligned to the needs of the global economy. We must constantly mitigate these risks.

The department must take a proactive approach to enable improvement in international economic performance in areas where potential exists for stronger Canadian participation: reversing the declining market share in the U.S.; positioning Canadians to expand their business in emerging and other key markets; and increasing foreign direct investment (FDI) in Canada.

While the world is ripe with commercial opportunity, it is also fraught with challenges. Our location next door to our largest market is a valuable asset, but the shift in population and consequently economic and political power to the U.S. South and Southwest are diminishing the importance of the advantage we have traditionally enjoyed in the northern states. Economic powerhouses like China are carving out an increasingly significant place for themselves in what we have long considered to be "our" market. We must therefore be vigilant in ensuring that security, regulatory and economic concerns do not allow our border to become a barrier to trade.

Outside North America, Canada's integration into value chains is not proceeding as fast as that of some of our competitors. The policy and business development efforts of the various levels of government and the private sector may not yet be fully aligned with these new realities and opportunities.

The new environment imposes a premium on the capacity of the department to acquire and deploy

knowledge, to move at the speed of business, to be flexible in service delivery and policy development, and to harmonize Canada's efforts among all the contributors to a successful international commerce strategy—from targeted international business development, through the creation of supportive policy environments at home and predictable rules-based environments internationally, to the cultivation of extensive networks in science, technology and innovation.

Success in this environment will require that partnerships and networks be finely honed to extend right across the Government of Canada to other levels of government, to business and other key players. The instruments that we will use—from preparing first-time exporters to smoothing the way for investors in Canada, from negotiating direct air links to ensuring transparent rules and expanding market access through the Doha Round and other trade negotiations—do not involve our department alone. Providing leadership, guiding the networks and ensuring that there is a strong strategic focus to policies and programming will be the department's particular role. With our broad network of professional

resources located across Canada, around the globe and in our policy-rich nucleus in Ottawa, we will mobilize and lead the federal government's capacity, skills and resources to adapt to rapid changes in the international economy. In so doing, we will need to transform service delivery to ensure that we achieve our mandate and meet both the short-term and longer-term needs of business and of Canadians generally.

1.3.2 Financial and Human Resources

Summary Information

Total Financial Resources (\$ millions)

Planned	Authorities	Actual
\$168.4	\$234.6	\$208.8

Total Human Resources (FTEs)

Planned	Actual	Difference
1,259	1,316	57

1.3.3 Financial Resources in Relation to Strategic Outcomes (\$ millions)

Strategic Outcomes ¹	Planned	Actual
Trade Policy ² ; Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules	44.7	104.8
International Business Development ; Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows	92.4	85.9
Investment Promotion ; Attraction and retention of foreign investment and technology and promotion of investment abroad in order to create jobs and prosperity in Canada	5.7	7.5
Corporate Services ³ ; Delivery of cost-effective support services to enable achievement of departmental objectives	25.6	10.6
Total	168.4	208.8

1. The department has not costed planned and actual spending by Departmental Priorities or commitments as TBS guidelines did not require this level of detail in the previous Report on Plans & Priorities. However, the department has provided planned and actual figures that relate to its business lines/strategic outcomes in the above table.

2. For an explanation of the variance between Main Estimates and Total Authorities for the Trade Policy business line, readers are encouraged to consult Financial Table 1: Comparison of Planned Spending to Actual Spending.

3. For an explanation of the variance between planned and actual spending for the Corporate Services business line, readers are encouraged to consult Financial Table 1: Comparison of Planned Spending to Actual Spending.

1.3.4 Departmental Strategic Outcomes

Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules.

The Canadian economy continued to grow for the 13th consecutive year, in large part due to its trade performance in the United States. The department strengthened its efforts to improve access to Canada's main market, mounting major campaigns to bolster Canada's case on a number of files critical to economic well-being. Most noteworthy among these are bovine spongiform encephalopathy (BSE), softwood lumber, Internet pharmacies and outsourcing.

These efforts were assisted in large measure by the increase in Canadian government staff and offices across the U.S. These resources are vital in ensuring the effectiveness of our advocacy campaigns by engaging with Americans at local, state and regional levels in addition to our work in Washington.

We recognize that our challenges in the U.S. are not short term. They require persistence, sound intelligence and collaboration with partners at the provincial/territorial level as well as with key federal departments and the private sector. The Minister of International Trade's advocacy day on Capitol Hill in March 2005 provided a unique opportunity for parliamentarians, provincial partners and industry representatives to engage directly with U.S. legislators and key staff to highlight specific themes such as competitiveness, security issues and investment in addition to the trade disputes mentioned above.

The pursuit of liberalized trade rules continued unabated as we pushed forward with the Doha Round of trade negotiations, achieving a significant breakthrough on difficult agricultural issues. While we are not yet ready to celebrate victory on this historically arduous file, we have put forward excellent positions that are garnering support from key World Trade Organization (WTO) members. The coming months will determine the extent of the collective will and the ability to move the goalposts in this sector further than ever before.

Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows.

The Canadian economy continued on a positive trend in 2004, with real growth increasing 2.9 percent. This trend was also evident in Canada's international trade performance, where exports of both goods and services rose to within 1 percent of their previous peak, while imports reached record highs. The balances in goods and services trade and for transfers moved further into surplus, by \$7.2 billion and \$0.1 billion respectively, while the investment income deficit narrowed by \$3.1 billion.

As its contribution to the government's commercialization agenda, the department launched a thorough review of international practices on innovation and commercialization of new technologies. As well, it contributed to an interdepartmental commercialization inventory and proposed a discussion paper, research and subsequent deliberations on performance metrics. Government policy, programs and communications on commercialization were strengthened by an enhanced recognition of the international dimensions of S&T policy.

Attraction and retention of foreign investment, technology and promotion of investment abroad in order to create jobs and prosperity in Canada.

Investment and capital formation are essential for stimulating the innovation, competitiveness and economic growth that contribute to an improved standard of living. Foreign firms in Canada play a significant role in Canada's economic development. They engage heavily in R&D, raise Canada's productivity and capital investment levels, and improve the integration of international trade. FDI creates jobs and strengthens Canadian communities.

Global competition for foreign investment continued to be fierce in 2004. Nonetheless, the stock of FDI in Canada edged up 3.2 percent, or \$11.2 billion, to \$365.7 billion. At the same time, the stock of Canadian direct investment abroad was up 10.3 percent, or \$41.6 billion, to \$445.1 billion. This is a strong indication of the importance Canadian manufacturers attached to internationalizing their operations to take better advantage of global supply chain opportunities.

Delivery of cost-effective support services to enable achievement of departmental objectives.

The corporate services provided to the Department of Foreign Affairs and International Trade (*International Trade*) continued to effectively support its policy, planning and operations, both in Canada and abroad, in line with both Treasury Board guidelines and the overall strategic direction of the Clerk of the Privy Council. Despite the challenges imposed by the Expenditure Review Committee's budget reduction requirements, the department was able to harness its remaining resources to full effect in carrying out its mandate.

The Human Resources component of the department is a key player in delivering on the annual priorities of the Clerk of the Privy Council. The department demonstrated sustained leadership in enhancing the linguistic capacity of its people and advancing diversity with targeted recruitment campaigns. The department also continued to align the human resources planning process with the business planning process, as required under the Public Service Modernization Act. This will ensure that human resources planning is aligned with and fully incorporated into departmental plans and priorities.

1.3.5 Summary of Performance in Relation to Priorities/Commitments

Strategic Outcomes	Departmental Priorities/Commitments	Priority Type*	Expected Results/Status**
Trade Policy: Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules	Pursue assertively Canada's interests in trade and investment with the U.S. by securing and expanding Canadian access to this critical market, continuing to collaborate on a secure border that facilitates trade, and increasing trade and investment personnel at Canada's missions in that country	Ongoing	Continue effective management of trade relations including the development of cooperative strategies for border management that balance security with the smooth flow of goods and people, building on the success of the Smart Border process. Ongoing
Trade Policy: Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules	Advance WTO, FTAA and other ongoing negotiations to improve market access for Canadian goods and services, improve trade rules and better integrate developing countries into the trading system	Previously Committed	Work toward the conclusion of a comprehensive and balanced Doha Development Round, FTAA agreement, including investment rules, a regional dispute settlement mechanism, and parallel agreements on labour and the environment that are compatible with the WTO. Ongoing

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Strategic Outcomes	Departmental Priorities/Commitments	Priority Type*	Expected Results/Status**
Trade Policy: Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules	Advance Canada's rights and interests in trade disputes, while strongly advocating improvements in international dispute settlement provisions	Previously Committed	Actively participate in all WTO and NAFTA meetings and reviews to advance Canadian interests in institutional and results-based issues, including trade disputes and act as lead in improving WTO and NAFTA dispute settlement processes. Ongoing
Trade Policy: Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules	Support effective global export control regimes to increase the security of the international community, while ensuring that legitimate trade is not hampered	Previously Committed	Support effective international export control regimes that will increase the security of Canada and its allies. Ongoing
International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows	Identify opportunities for greater Canadian participation in world markets, strategically allocating departmental resources in accordance with stated priorities to deliver real benefits for Canadians	Ongoing	Identify financing opportunities for international procurement and outward investment, particularly in developing and emerging markets, and post the information on IFInet, Virtual Trade Commissioner, CanadExport and partner sites. Ongoing
International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows	Strengthen Canada's trade and investment relations with key multilateral organizations as well as with emerging economic powers, notably China, India and Brazil	New	Add value for clients by providing high-quality, seamless delivery of TCS services through public and private sector partnerships such as Team Canada Inc and international S&T and investment promotion networks. Ongoing

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Overview

Strategic Outcomes	Departmental Priorities/Commitments	Priority Type*	Expected Results/Status**
<p>International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows</p>	<p>Focus international business development efforts on areas of greatest potential for Canada, while becoming more active in cutting-edge sectors such as biotechnology</p>	New	<p>Add value for clients by providing high-quality, seamless delivery of TCS services through public and private sector partnerships such as Team Canada Inc and international S&T and investment promotion networks.</p> <p>Ongoing</p>
<p>International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows</p>	<p>Facilitate the commercialization of Canadian R&D, taking advantage of science and technology partnerships worldwide</p>	Ongoing	<p>Add value for clients by providing high-quality, seamless delivery of TCS services through public and private sector partnerships such as Team Canada Inc and international S&T and investment promotion networks.</p> <p>Ongoing</p>
<p>International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows</p>	<p>Continue to provide timely and targeted services and products to Canadian businesses that address their needs as participants in highly competitive world markets, using the latest information technology</p>	Ongoing	<p>Ensure that clients receive more integrated, consistent and timely information on market opportunities, support services and financing solutions from the business line and its partners in Canada and around the world, all working with an agreed set of priorities and directives.</p> <p>Ongoing</p>
<p>International Business Development: Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows</p>	<p>Create new strategic partnerships in Canada with business as well as with other levels of government across the country</p>	New	<p>Add value for clients by providing high-quality, seamless delivery of TCS services through public and private sector partnerships such as Team Canada Inc and international S&T and investment promotion networks.</p> <p>Fully Achieved</p>

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Strategic Outcomes	Departmental Priorities/Commitments	Priority Type*	Expected Results/Status**
Investment Promotion: Attraction and retention of foreign investment and technology and promotion of investment abroad in order to create jobs and prosperity in Canada	Increase two-way investment by removing barriers to investment in Canada, undertaking more targeted and dynamic promotion of this country as an attractive destination for foreign investment, while facilitating Canadian direct investment abroad	Previously Committed	Promote Canada as an attractive location for investment by supporting domestic investment retention and expansion, including the identification and development of strategies to address real and perceived issues impeding investment, including regulatory and legislative frameworks and security issues. Ongoing
Corporate Services: Delivery of cost-effective support services to enable achievement of departmental objectives	Undertake more direct and open engagement with Canadians in policy development and program delivery, including the department's clients and stakeholders, federal partners and the provinces and territories.	Previously Committed	Stakeholders will have a greater opportunity to provide input to the policy development process. Ongoing
Corporate Services: Delivery of cost-effective support services to enable achievement of departmental objectives	Lead development of a whole-of-government, whole-of-Canada approach to meet 21st century challenges related to international commerce by actively engaging and collaborating with a broad range of domestic partners on initiatives such as the International Policy Statement	Previously Committed	A whole-of-government approach will ensure the most effective use of all federal resources allocated to international commerce. Ongoing

* The priority types are "new," "ongoing," or "previously committed" (i.e. meaning it was reported in a previous RPP or DPR)

** It should be noted that "ongoing" should not be interpreted as being equivalent to the term "not met" as many of the department's priorities are ongoing and go beyond a one-year time horizon.

Performance Analysis: Business Lines and Strategic Outcomes



Section 2

2.1 Business Lines and Strategic Outcomes

2.1.1 Trade Policy

Strategic Outcome

Creation of jobs and prosperity in Canada by effectively managing Canada's trading relationship with the U.S. and liberalizing trade and capital flows around the world, based on clear and equitable rules.

Our Resources

Financial	\$ millions
Planned spending at beginning of fiscal year ⁴	44.7
Total spending authorities at end of fiscal year	108.8
Actual spending	104.8
Human Resources—full-time equivalents (FTEs)	355 FTEs

How We Pursue Our Strategic Outcome

The Department of Foreign Affairs and International Trade (*International Trade*) leads the Government of Canada's efforts to expand global markets for Canadian goods and services through:

- multilateral institutions such as the WTO;
- regional and bilateral initiatives such as the FTAA negotiations;
- free trade negotiations with the "Central America Four" (El Salvador, Guatemala, Honduras and Nicaragua), also known as the CA4, and Singapore;
- a Trade and Investment Enhancement Agreement with the European Union (EU); and
- negotiation of Foreign Investment Protection and Promotion Agreements (FIPAs).

The department also proactively pursues Canada's other trade and economic interests with major bilateral partners such as the United States and the EU through WTO channels. The department continues to pursue

4. For an explanation of the variance between Main Estimates and Total Authorities for the Trade Policy Business Line readers are encouraged to consult Financial Table 1: Comparison of Planned Spending to Actual Spending.

resolution of the softwood lumber, BSE and other disputes with the United States as well as the defence of the interests of other Canadian industries facing trade actions. Also, the department works to strengthen Canada's export control regimes and promote international cooperation on the safe and efficient flow of goods and services.

Our Working Environment

Global economic growth in 2004 was the best in more than a quarter of a century, powered by continued strength in the United States and China. The U.S. led the acceleration among the G7 nations, as its real gross domestic product (GDP) rose 4.4 percent. The United Kingdom was next with 3.2 percent growth, just slightly ahead of Canada's 2.9 percent rate, and followed by Japan. The remaining G7 nations, all situated in continental Europe, continued to lag with gains of less than 2 percent; nonetheless, this represented an improvement in growth over 2003 levels.

Global events continued to drive developments in the Canadian economy. The Canadian dollar continued to climb in value against the U.S. currency, registering the largest ever back-to-back annual gains in the exchange rate. This was a reflection of the continuing devaluation of the U.S. dollar against most major Organization for Economic Cooperation and Development (OECD) currencies. Commodity prices experienced their best consecutive annual increases since the early 1970s, partially reflecting the ongoing and rapid integration of China into the world economy.

Rising export demand accounted for all of the upturn in Canada's GDP growth from 2.0 percent in 2003 to 2.9 percent last year. Growth in final domestic demand remained unchanged at 3.8 percent. Business investment strengthened somewhat and inventory accumulation accelerated, mostly after manufacturing demand fell in the second half of the year. GDP growth faltered in the second half of 2004; this seems to have been mainly due to the strong surge in oil prices, which reached a peak of not quite twice their average 2003 level. In addition, the U.S. border remained closed to our cattle exports.

Canada's exports of goods and services jumped 6.8 percent in 2004, reversing three years of decline. The share of exports of goods and services in Canada's

GDP rose to 38.1 percent last year, up from 37.8 percent the year before. Imports of goods and services into Canada posted a 5.8 percent increase in 2004, while their share of GDP slipped to 33.9 percent from 34 percent in 2003. Overall, the current account surplus expanded by \$10.4 billion last year, from \$18.4 billion to \$28.8 billion, led by a \$7.2 billion increase in the trade surplus.

The appreciation of the dollar appears to have affected direct investment flows. The Canadian dollar's higher purchasing power abroad, especially in the U.S., has made it easier for Canadians to make foreign investments. Direct investment abroad rose to \$61.7 billion last year, close to the record levels set in the year 2000. This included the largest corporate takeover by a Canadian enterprise in history—the acquisition of U.S.-based John Hancock Financial Services by Manulife Financial Corporation. However, the higher exchange rate has made it more expensive for foreigners to invest in Canada. After averaging nearly \$50 billion from 1998 to 2002, when the dollar was falling, direct investment inflows have fallen to less than \$10 billion annually in the last two years, the lowest levels since 1993.

The outlook for the world economy is generally favourable. Global growth momentum has slowed since the middle of last year, and this year growth in the major economies is expected to be slightly lower. Growth in the U.S. seems likely to moderate somewhat, although it will still lead the major economies. Excluding Japan, growth in Asia, and particularly China, is expected to remain strong. With slower growth in Japan and continental Europe, global growth is becoming somewhat less balanced, which poses a risk to the strength of global expansion. Other significant risks that still hang over the international economy include oil prices, widening current account balances, and asset price inflation in the real estate sector of some economies.

International commerce is the lifeblood of the Canadian economy. Our quality of life and range of social choices hinge on Canada remaining prosperous in a rapidly changing and complex global environment. Canada is poised to take advantage of the tremendous opportunities abroad. In May 2005, the government released its International Policy Statement (IPS), setting out its strategies and actions being taken or planned in

response to the challenges and opportunities in the contemporary global economy. The department has set up a World Markets Branch and has developed an Emerging Markets Strategy to reinforce Canada's focus on dynamic new markets. FIPAs are being negotiated with both China and India, to help Canadian businesses protect their investments and seize opportunities in these economies. Free trade negotiations have been launched with South Korea, which, if successful, will provide a strategic gateway to the dynamic northeast Asian region. Canada completed the Enhanced Representation Initiative (ERI) in the fall of 2004, providing a coordinated and integrated approach to managing and advancing Canada's advocacy, trade, business development, S&T, and investment interests in the United States. Canada has established six new consulates and one new consulate general in the U.S., and has upgraded two existing consulates to the level of consulate general, bringing Canada's representation in the U.S. to 23 offices.

The following is a brief description of the department's priorities with respect to Trade Policy. More details are provided in the section on accomplishments and performance.

Canada-U.S. Trade Relations

- Canada will continue to engage Americans at the local, state and regional levels to promote trade, investment and technology as well as to advance the interests of partner departments, the provinces and territories and the Canadian private sector.
- Continue effective management of trade relations, including the development of cooperative strategies for border management that balance security with the smooth flow of goods and people, building on the success of the Smart Border process.
- Support for effective international export control regimes that will increase the security of Canada and its allies.
- Continue work to engender greater understanding and support in the U.S. for a long-term, policy-based resolution to the softwood lumber dispute and maintain efforts to resolve other bilateral trade disputes, including the one related to wheat.

World Trade Organization

- Work to develop a framework agreement at the WTO that will meet Canadian objectives and promote an ambitious outcome to the Doha Development Agenda.
- Seek greater engagement with developing countries in order to broaden Canada's commercial relations with them and seek a stronger, more predictable and more open rules-based multilateral trading system through the creation or clarification of various provisions in the WTO Doha Round.
- Actively participate in all WTO meetings and reviews to advance Canadian interests in institutional and results-based issues, including trade disputes, and act as lead in improving WTO dispute settlement processes.
- Raise awareness of government-wide priorities, including those related to sustainable development.
- Actively engage in the WTO accession negotiations of all applicant countries, with a particular emphasis on Russia, Saudi Arabia, Vietnam and Algeria, reflecting our commercial interests in those countries.

Free Trade Area of the Americas Negotiations

- Work toward the conclusion of a comprehensive and balanced FTAA agreement, including investment rules, a regional dispute settlement mechanism, and parallel agreements on labour and the environment that are compatible with the WTO.

Relations with Multilateral Organizations and Key Bilateral Partners

- Actively pursue the reduction of barriers to trade and investment on a regional and bilateral basis and work toward the maintenance of strong, clear and effective multilateral, regional and bilateral dispute settlement provisions in order to resolve trade disputes and prevent new ones.
- Actively promote Canadian positions at G8 and Asia Pacific Economic Cooperation forum (APEC) meetings, and organize a number of

capacity-building projects to assist APEC members in implementing their security commitments.

- Better engage and inform citizens and stakeholders on developments in trade policy and international environmental commitments.
- Release two significant documents on the country's trade performance.

Our Accomplishments and Performance

Canada-U.S. Trade Relations

Because the United States is Canada's most important trading partner, the department expended commensurate efforts and resources to not only maintain its market position in the U.S., but also to improve and in some cases, defend, its access to this highly prized and competitive marketplace. The following represents the most significant initiatives and activities undertaken to achieve the desired outcomes.

- The department led a concerted effort to manage the impact of key issues having implications for Canada-U.S. commercial relations. Major advocacy campaigns were conducted on the BSE, Internet pharmacy, outsourcing and softwood lumber issues.
- The Minister for International Trade led a trade advocacy day on Capitol Hill. This event provided an opportunity for parliamentarians, provincial partners and industry representatives to engage with U.S. legislators and key staff, to discuss the importance of the Canada-U.S. relationship, and to highlight specific themes such as North American competitiveness, security, investment in Canada, and the need to resolve trade disputes (softwood lumber, BSE, live swine).
- The department coordinated the Canadian position with regard to international meetings and regulatory cooperation, as well as key bilateral trade issues such as energy services, export controls and enforcement.
- The department's efforts minimized trade irritants in key sectors such as services and cultural industries as well as those related to investment, intellectual property and digital issues.
- Canada, the U.S. and Mexico reached agreement on modifications to the rules of origin on a broad range of goods. On January 1, 2005, Canada and the U.S. implemented these changes, while Mexico followed suit in June 2005. The three NAFTA partners also made good progress on a second package of rules of origin liberalization, which is scheduled to be implemented in January 2006.
- The department actively participated in developing the work plan of the Security and Prosperity Partnership Manufactured Goods and Sectoral and Regional Competitiveness Working Group. The initiative aims to improve cooperation among Canada, the U.S. and Mexico, and to achieve the highest possible levels of health, safety and environmental protection for North America.
- The department ensured the effective administration of trade controls in accordance with Canada's international trade commitments, including export quotas for agricultural products, tariff preference levels for textiles and apparel, and import tariff rate quotas involving the supply-managed sector (dairy and poultry).
- The department participated in meetings with the NAFTA Investment Expert Group in Washington to exchange information relating to Canada-U.S.-Mexico respective investor-state arbitrations. Proposals to clarify various provisions of NAFTA Chapter 11 (scope, expropriation and derivative claims) were tabled and are currently under consideration.
- The department continued to participate in a working group to ensure close cooperation between the NAFTA Commission and the North American Commission for Environmental Cooperation in defining and coordinating mutually supportive trade and environment work in North America.
- The department participated in bilateral discussions toward the establishment of a Canada-U.S. Electricity Reliability Organization to ensure dependability of supply in the two countries. Compatibility of standards is a key issue.

- The department worked directly with Canadian industry to facilitate the issuing of nearly 8,000 export permits in 2004. It planned and organized national outreach seminars to inform businesses on export controls and initiated the development of an Internet-based export permit application processing system.
- The department made important strides in enhancing the transparency of NAFTA by reaching agreement with the United States and Mexico to release the negotiating text of NAFTA Chapter 11 and agreeing to public hearings for NAFTA Chapter 20 disputes.
- To publicize the temporary entry provisions of NAFTA, the department developed a special brochure and an on-line diagnostic tool providing customized information and reports to Canadians seeking to work under NAFTA. Both the brochure and the on-line tool can be accessed at <http://www.dfait-maeci.gc.ca/nafta-alena/menu-en.asp>.
- The department contributed to a whole-of-government effort that made significant progress in the development of a UNESCO convention on cultural diversity, which will promote Canadian cultural interests in a manner consistent with trade agreements with various partners, including the U.S.
- Canada successfully opposed efforts by some U.S. stakeholders to list Canada on the U.S. Special 301 Watch List. (This is a list of countries, as identified by the U.S. Trade Representative, that deny adequate protection for intellectual property (IP) rights or that deny fair and equitable market access for Americans who rely on these rights.) New IP enforcement initiatives were undertaken in the context of the Security and Prosperity Partnership discussions.
- The department contributed to the undertaking to amend the Patent Act, and successfully negotiated with the U.S. a unique suspension of NAFTA provisions, ensuring that the new Patent Act regime can be implemented in a NAFTA-consistent manner.
- The department contributed to the defence of Canadian IP and market access interests in a precedent-setting U.S. patent case involving the company Research In Motion.
- In December 2004, a Joint U.S.-Canada Framework for Land Preclearance was announced. Canada and the U.S. committed to moving forward with a land preclearance facility at the Buffalo-Fort Erie bridge crossing. Terms that will lead to a final agreement are currently being negotiated.
- The department continued to work at improving the functioning of dispute settlement procedures under NAFTA Chapter 19 by proposing significant procedural changes.
- The department continued to revise the Federal Regulatory Policy in order to strengthen the trade and investment component of the federal regulatory system, and to draft a framework for international regulatory cooperation.
- The department continued to advance border-related initiatives as part of the Security and Prosperity Partnership. Initiatives include enhancement of Smart Border information technology and development of mechanisms for enhanced road infrastructure planning (including an inventory of border transportation infrastructure in major corridors and public-private financing instruments for border projects).
- The department participated in a number of international meetings concerning export control regimes, demonstrating that Canada's export control system increases the security of Canada and its allies, and contributes to improved world stability and security.
- The department initiated the development of an Internet-based export permit application processing system.
- The department continued to seek a durable resolution to the softwood lumber dispute through high-level negotiations with U.S. officials; challenges against U.S. trade actions in the WTO and NAFTA, where Canada continues to achieve

significant victories; and advocacy efforts targeting U.S. decision makers. The department continued to consult closely with the provinces and industry in pursuing a resolution of the dispute that is in the best interests of Canada.

- Following public consultations in May 2005, Canada applied a 15 percent surtax against various U.S. goods in response to U.S. failure to repeal the WTO-inconsistent Byrd Amendment. The department continued to seek the repeal of the Byrd Amendment through advocacy efforts targeting U.S. decision makers. In addition, the Government of Canada, in concert with the Canadian softwood lumber industry, the Canadian Wheat Board and magnesium producer Norsk Hydro, launched a challenge to the Byrd Amendment in the U.S. Court of International Trade. It is Canada's position that the application of Byrd to Canada is inconsistent with the U.S. law implementing NAFTA. Further information can be found at <http://www.dfait-maeci.gc.ca/tna-nac/disp/byrd-main-en.asp>.
- The department continued to defend Canadian interests, coordinating efforts with the Canadian Wheat Board and affected provinces in the hard red spring wheat case. In March 2005, a NAFTA panel found flaws with the U.S. countervail finding, and remanded the issue to the U.S. Department of Commerce. Canada has also challenged the International Trade Commission injury finding before a NAFTA panel.
- The department continued to make high-level representations to U.S. authorities to restore full market access for Canadian beef. The result is that live cattle under 30 months may now be exported to the U.S. market.
- The department coordinated with various stakeholders and the provinces in successful NAFTA challenges of the U.S. subsidy and injury findings on live swine. As a result of these NAFTA panel decisions, U.S. trade remedy actions against Canadian live swine exports have ended.

World Trade Organization

- The department continued to pursue an active domestic consultation strategy with Cabinet,

members of Parliament, the provinces and territories and the domestic stakeholder community.

- The department continued to advocate for careful technical management and ongoing strong political leadership in the year ahead to meet Canada's overall objectives for the Doha Round of negotiations and to ensure a successful Sixth Ministerial Conference in December 2005. While there are significant gains to be had from an ambitious conclusion to the Doha Development Agenda, difficult choices will have to be made.
- The department continued to move forward with the second phase of the environmental assessment of the Doha Round, which will involve a more detailed examination of the likely environmental effects of these trade negotiations, which are expected to be significant.
- The department continued to play a leadership role in the trade in services negotiations to advance prospects for market access gains and improvements in the development of rules. Many of Canada's proposals—including on small and medium-sized enterprises (SMEs) and on domestic regulatory transparency—generated interest and support from a broad cross-section of the WTO membership.
- Canada was actively engaged in the negotiations in 2004 for a July Framework Agreement that would outline the state of the negotiations in the absence of a Ministerial text from the Fifth Ministerial Conference. Many of Canada's ideas and proposals were subsequently adopted in the Framework Agreement, including in the Agriculture Framework. Through a number of activities, ranging from small group meetings and informal proposals to meetings with the Chairs of the negotiating groups, Senior Officials meetings and ongoing technical work, the department was able to meet its goals of contributing to the July 2004 Framework Agreement. While this Framework was instrumental in moving negotiations forward, it is only one step in a process toward reaching a successful outcome to the Doha negotiations.

- Canada continued to participate actively in the review of developing countries' trade policies and practices under the WTO Trade Policy Review Mechanism. There were 13 reviews in 2004-2005. The process contributes to improved adherence to rules, disciplines and commitments made under the multilateral trading system by allowing information exchange and feedback on trade policies and practices. The process takes place against the background of developing countries' wider economic and development needs and objectives in the multilateral trading system and, as such, provides developing countries with the opportunity to identify specific needs, such as trade-related technical assistance and capacity building.
- Canada continued to monitor and participate in discussions pertaining to various new and ongoing trade-related technical assistance and capacity-building initiatives in the WTO and other forums. The department worked to maximize the benefits to developing countries—helping them participate in WTO trade negotiations, implement their obligations and incorporate trade into their national development and poverty reduction plans—by promoting coherence and coordination between national and donor agencies as well as among multilateral, regional and bilateral institutions.
- The department contributed \$156,000 to the WTO Doha Development Agenda Global Trust Fund to fund a Caribbean Regional Trade Policy Course. This training course enabled officials from developing countries in the Caribbean region to better understand the WTO agreements and to take a more active part in the negotiation of new market access commitments.
- Canada continued to support the principle of “special and differential treatment” (S&DT), which recognizes that developing countries have varied needs and capacities, and that levels of commitments and obligations should be adjusted accordingly. Canada continued to examine S&DT proposals raised in the WTO Committee on Trade and Development in Special Session, as well as in the current negotiating groups. The aim is to address the underlying issues in order to ensure that S&DT measures are geared to the problems they seek to address and that they will make a constructive contribution to integrating developing countries into the multilateral trading system (MTS).
- Canada continued to participate in discussions with small, vulnerable economies in the Dedicated Session of the Committee on Trade and Development. Here the aim is to frame responses on specific trade-related proposals put forward by such members for their fuller integration into the MTS, without creating a sub-category of members. Canada continued to promote the view that widening and deepening the scope of regional cooperation is an effective way for small, vulnerable economies to enhance their ability to have their national interests reflected in international trade agreements and to meet their obligations under these agreements. Canada also participated in discussions with least-developed countries to improve their market access and their effective participation in the MTS.
- Canada continued to be engaged with developing countries formally and informally in the WTO and in other multilateral forums, such as the OECD, to obtain a better understanding of their specific trade-related concerns and to help them address these concerns and bridge differences, so as to ensure progress in trade negotiations and encourage the integration of developing countries into the MTS.
- The department actively participated in the WTO Doha Round of negotiations on rules. Canada is seeking clearer rules to enhance predictability in trade remedy measures and improved subsidy disciplines to ensure fairer competition for Canadian exporters in foreign markets. Canada has been one of the most active participants, putting forward proposals on calculation of subsidy, on the identification of products examined in investigations and on compliance with rulings by the Dispute Settlement Body.
- Canada continued to actively promote improved transparency at the WTO. Canada believes that a more inclusive process and improved communications with the public will foster a better understanding of the benefits of liberalized trade and of the clear and equitable rules that serve as the foundation of the international trading system.

- As Chair of the Trade Policy Review Body, Canadian Ambassador Don Stephenson assisted the Chair of the General Council, Ambassador Amina Chawahir Mohamed, in the selection process for the next Director-General of the WTO. This involved successive rounds of consultations with WTO members in order to assess their preferences and the breadth of support for each candidate. Members selected Pascal Lamy of France as the next Director-General.
- Canada continued to participate in WTO Trade Policy Reviews for 22 countries in 2004-2005, a peer review exercise designed to provide a collective appreciation and understanding of the full range of individual members' trade policies and practices and their impact on the multilateral trading system. Canada submitted written questions on the trade policy and practices of the member under review and participated in meetings.
- Canada continued to be an active participant in WTO dispute settlement proceedings:
- Canada was a complainant in five disputes—one dispute with the U.S. (Continuing Dumping and Subsidy Offset Act of 2000, or the Byrd Amendment), one dispute with the European Commission (Measures Affecting the Approval and Marketing of Biotech Products), and three challenges to U.S. trade remedy actions against Canadian softwood lumber.
- Canada was a defendant in two disputes (Measures Relating to Exports of Wheat and Treatment of Imported Grain and Wheat, and Continued Suspension of Obligations in the EC Hormones Dispute).

Of the five cases that were decided in the period in question (all but the Biotech and Hormones disputes), Canada achieved notable successes in all of them. Canada was also active as a third party in a number of important disputes, including two with the U.S. (Cross-Border Supply of Gambling and Betting Services, and Subsidies on Upland Cotton) and one with the European Commission (Export Subsidies on Sugar).

- Canada continued to contribute to the whole-of-government undertaking to amend the Patent Act,

which saw Canada become the first country to implement the historic WTO Agreement on Access to Medicines.

- Canada continued to build broader understanding of the prospects and potential gains to be realized in the Doha Development Agenda, through its technical assistance and capacity-building commitments and through direct engagement with developing countries to address outstanding special and differential treatment issues.
- Canada remained at the forefront of negotiations to improve the WTO Dispute Settlement Understanding. When the negotiations appeared to stagnate, Canada led the creation of a coalition that advanced proposals for improvements in a number of areas, including the sequencing of compliance and retaliation proceedings, the remand of issues from the Appellate Body to the original panel, rules to govern the lifting of previously authorized retaliation, and third-party rights. These efforts have brought greater direction to the negotiations and have encouraged the renewed involvement of other members.
- Canada continued to play an active role in the WTO accession process in order to secure more open, non-discriminatory and predictable market access for Canadian exports of goods and services; and to achieve transparent and rules-based trade regimes in new markets, thus contributing to global economic stability and prosperity.
- Canada continued to fulfill its commitment to engage in the WTO accession negotiations by actively participating in Working Party meetings for acceding countries. Over the past year, Canada held bilateral negotiations and/or contributed to Working Party meetings with Algeria, Belarus, Bhutan, Kazakhstan, Russia, Saudi Arabia, Sudan, Tajikistan, Ukraine, Uzbekistan, Vietnam and Yemen. Working parties were established over the past year for Afghanistan, Iraq, Libya and Serbia and Montenegro.
- Canada concluded its bilateral agreements with Ukraine in February 2002 and with Saudi Arabia in February 2004, and continued to participate in Working Party meetings for these two countries.

- Canada has made considerable progress toward concluding its bilateral negotiations with Vietnam, and is optimistic that a bilateral agreement will be reached in 2005.
- With respect to Algeria, Kazakhstan and Russia, some progress has been achieved at the multilateral and bilateral levels. The ongoing status of negotiations reflects the need, not just for Canada, but for other negotiating WTO members, to balance support for accession with the securing of market access commitments that advance their commercial interests and the securing of compliance with broader WTO rules and obligations.
- Cambodia and Nepal were admitted into the WTO in 2004. Both are least-developed countries, and their accession reflects the support that Canada and other WTO members provide to help developing countries reap the benefits of WTO membership.

Free Trade Area of the Americas Negotiations

- During the 2004-2005 period, there was a pause in the FTAA negotiations as the Co-Chairs (the U.S. and Brazil) continued their efforts to facilitate agreement on how to implement the new negotiating framework that had been agreed at the November 2003 FTAA Ministerial Meeting. Thus, as no formal FTAA negotiations were convened during this period, the January 2005 deadline for concluding the talks was missed, and it is unclear when negotiations will resume. Nevertheless, Canada remained in informal contact with the Co-Chairs and other FTAA participants to support efforts to restart the negotiations and to communicate Canada's ongoing commitment to the FTAA.
- In November 2004, Prime Minister Martin and President "Lula" da Silva of Brazil announced that Canada and Mercosur (Argentina, Brazil, Paraguay and Uruguay) would negotiate enhanced market access in the areas of goods, services and investment in the context of the creation of the FTAA. This initiative provided an opportunity to advance work toward regional economic integration, while enhancing commercial relations with these key markets. Canada and Mercosur held the initial meeting pursuant to this commitment in February 2005 in Ottawa.
- The department continued to promote mutually supportive trade, environment and labour policies in the FTAA negotiations by including appropriate environmental provisions in the text of the trade agreement, and by seeking to negotiate environmental and labour cooperation agreements.

Relations with Multilateral Organizations and Key Bilateral Partners

- The department conducted a comprehensive review of Canada's bilateral and regional trade and investment agenda, resulting in the following initiatives for negotiations and exploratory discussions:
 - Continued efforts to work with domestic stakeholders and negotiating partners as appropriate to bridge remaining differences in free trade negotiations with the European Free Trade Association, Singapore and the Central America Four (El Salvador, Guatemala, Honduras and Nicaragua).
 - Launched the development of a Canada-Japan economic framework that includes an initial set of priority cooperation areas and a joint study of the bilateral economic relationship.
 - Initiated comprehensive domestic consultations and exploratory talks with the Republic of Korea on the possibility of a bilateral free trade agreement.
 - Continued exploratory talks with the Caribbean Community (CARICOM) on the possibility of a free trade agreement.
 - Re-engaged in negotiations toward a FIPA with China, India and Peru.
 - Engaged in negotiations with six new and acceding European Union member states with a view to updating Canada's existing FIPAs with these countries and promoting sustainable development principles to ensure that governments will not lower health, safety or environmental measures to attract investment.
- The department actively pursued science-based conditions for resumption of trade in Canadian cattle and beef in all export markets, and resolution

of specific Sanitary and Phytosanitary (SPS) and technical market access barriers. Full or partial resumption of trade in beef was achieved with the U.S., Mexico, several Caribbean countries, including Cuba, Honduras, Lebanon, the Philippines, Hong Kong, Macao and Vietnam. Resumption of trade in live animals was achieved with Cuba, Tunisia and Lebanon.

- The department pursued Canada's WTO dispute settlement case against the EU moratorium on genetically modified organisms.
- The department coordinated government-wide trade policy efforts with China, for example through ministerial visits and participation in a Strategic Working Group.
- The department actively pursued work with Brazil toward a Memorandum of Understanding (MOU) on export financing for sales of regional jet aircraft and succeeded in maintaining the process through significant turbulence in the marketplace.
- The department continued to promote mutually supportive trade, environment and labour policies by including appropriate environmental provisions in the text of new trade agreements, and by negotiating environmental and labour cooperation agreements, as appropriate.
- The department engaged with India, China and South Africa on negotiations for bilateral air agreements and contributed to the preparation of a consultation paper on the new round of air negotiations with the U.S.
- The department concluded negotiations on bilateral air agreements with Japan and Guyana. Agreements with Aruba and the Czech Republic successfully entered into force as treaties. The department's efforts also led to a resolution of a dispute with Aero ports de Paris with respect to Charles de Gaulle Terminal 2, and air transport access to Colombia was achieved.
- The department successfully negotiated "extra-bilateral rights" with Argentina and Brazil to permit Air Canada daily service.
- The department concluded exploratory talks and obtained a negotiating mandate for a bilateral trade and investment enhancement agreement with the EU.
- The department continued efforts toward the reduction of barriers to trade and investment, and implemented in December 2004, the Canada-European Commission Framework on Regulatory Cooperation.
- In 2005, Canada continued to help build consensus on the strong June 2004 trade ministers' statement in support of the Doha Development Agenda. As the members of the APEC forum are responsible for 50 percent of world trade, the political agreement within APEC helped boost support for the WTO negotiations after their setback in Cancun.
- The department continued to make good progress in the development and strengthening of dispute settlement provisions under a number of multi-lateral, regional and bilateral trade agreements. In all of these contexts, Canada has been able to use its experience with trade disputes to promote the importance of strong and predictable rules and advance the Canadian policy of open and transparent dispute settlement under trade agreements.
- Specifically, negotiations on rules of procedures for a strong and transparent state-to-state process under the Canada-Costa Rica Free Trade Agreement are virtually complete. The main elements of both state-to-state and investor-state dispute settlements were explored in preliminary discussions with Korea. In addition, Canada has participated in discussions and contributed to studies under the auspices of the OECD and the International Centre for Settlement of Investment Disputes aimed at refining rules for investor-state disputes. In FIPA discussions with China and India, Canada has advanced the discussion on the need for a clear, predictable and transparent process. (With respect to the WTO, please refer to the preceding section.)
- The department continued to engage with Canadian stakeholders through ministerial roundtables, partnership activities (such as International

Trade Day), outreach activities with senior officials and via the departmental Web site <http://www.international.gc.ca/tna-nac/menu-en.asp>.

- The department remained actively involved with other levels of government and parliamentarians on a range of trade policy issues. The federal-provincial-territorial C-Trade network provided the means for timely consultation with the provinces and territories through quarterly meetings, teleconferences, and a restricted Web site. The Minister and Deputy Minister met separately with their provincial and territorial counterparts to discuss Canada's trade priorities. In addition, support was provided to Canadian parliamentarians in the context of the WTO (Inter-Parliamentary Union) and FTAA (Inter-Parliamentary Forum of the Americas), and a guide on trade agreements for municipalities was drafted in collaboration with the Federation of Canadian Municipalities.
- The department participated in workshops with foreign governments to exchange strategies on the role of consultation and outreach in the area of trade policy. The department also continued to pursue opportunities with Canada's trading partners with a view to strengthening public engagement at home and increasing civil society participation in intergovernmental forums, including the Summit of the Americas and FTAA processes.
- The department continued to participate in discussions on environmental assessments of trade in international forums such as the WTO, the North American Commission for Environmental Cooperation and the International Association for Impact Assessment. The department co-organized a training workshop on the environmental assessment of trade for APEC members in July 2004 in Chinese Taipei. The department has commenced work on the environmental assessment of the likely impacts of current FIPA negotiations. To date, work has progressed on the proposed Canada-Peru FIPA. Environmental assessments began during the summer of 2005 on other active FIPA negotiations, with China and India.
- The department continued to increase public awareness of its priorities, policies, programs, services and initiatives. Communications messages

also enhanced public and private sector confidence that the department is fulfilling its mandate in an effective and transparent manner and is representing and defending the interests of Canadians.

- The Office of the Inspector General of the department conducted an assessment of the effectiveness and adequacy of current consultations and outreach mechanisms. The final report included recommendations for a forward-looking and flexible framework for consultations and engagement.
- The department released two annual reports on the country's trade performance. Documents are available on-line at <http://www.dfait-maeci.gc.ca/tna-nac/cimap-en.asp> and <http://www.dfait-maeci.gc.ca/eet/pdf/SOT-2005-English.pdf>.

2.1.2 International Business Development

Strategic Outcome

Creation of jobs and prosperity in Canada by encouraging Canadian firms to take full advantage of international business opportunities and by facilitating investment and technology flows.

Our Resources

Financial	\$ millions
Planned spending at beginning of fiscal year	92.4
Total spending authorities at end of fiscal year	91.9
Actual spending	85.9
Human Resources— full-time equivalents (FTEs)	401 FTEs

How We Pursue Our Strategic Outcome

The Trade Commissioner Service (TCS) is a network of more than 1,050 trade professionals located in over 140 trade missions abroad, in 12 Regional Offices across Canada and at departmental headquarters in Ottawa. Trade commissioners have expertise on in-market conditions and maintain extensive networks of foreign business contacts; thus they are in a position to provide high-level market intelligence as well as practical market assistance to Canadian companies. The TCS Web site (<http://www.infoexport.gc.ca>) provides access to strategic sectoral market studies and country-specific reports to help Canadian companies identify international business opportunities and learn more about their target markets around the globe.

Trade commissioners abroad serve as an integrative force, serving the broad economic interests of Canadians. While the focus of the TCS remains on the promotion of Canadian exports, it also includes the attraction of foreign investment, facilitation of outward Canadian investment and partnering in S&T, which is critical to building competitiveness. Evolving business models and global value chains have highlighted the critical importance of accessing the most competitive sources of inputs and services, whether from within Canada or from foreign suppliers.

The department is also responsible for leading the whole-of-government international commerce development function through Team Canada Inc (TCI), a partnership of 15 federal departments and agencies that offer specialized products and services to support Canadian companies. TCI provides an integrated domestic support network to assist Canadian firms in expanding their business in international markets. TCI's Web site (<http://exportsource.gc.ca>) is Canada's most comprehensive on-line source for government export information.

Given the dynamic and competitive nature of international commerce, the services of trade commissioners remain vital to Canadian businesses, particularly SMEs, which rely on timely market intelligence and market access support to take maximum advantage of business opportunities in increasingly challenging markets.

Our Working Environment

The Canadian economy continued on a positive trend in 2004, with real growth increasing 2.9 per cent. It was the 13th consecutive year of uninterrupted growth. This trend was also evident in Canada's international trade performance, where exports of both goods and services rose to within 1 percent of their previous peak, while imports reached record highs. The balances in goods and services trade and for transfers moved further into surplus, by \$7.2 billion and \$0.1 billion respectively, while the investment income deficit narrowed by \$3.1 billion.

Proactive business development in the U.S. remained the department's first business development priority in 2004-2005. As a founding member of the ERI, the department worked in close collaboration with its ERI partners and other departments to deliver a whole-of-government approach to Canada's commercial relations with the U.S. The increase in staff and in the number of points of service in the U.S. greatly enhanced the level of engagement with Americans at the local, state and regional levels. This enabled the department to promote Canadian interests across the full spectrum of trade, investment and technology, as well to advance the sectoral interests of partner departments, the provinces and territories, and the Canadian business community.

Through increased advocacy initiatives, the department continued to play the lead role in the overall management and coordination of the International Business Development (IBD) program in the U.S., which successfully integrates the core elements of trade, investment and S&T partnering. These are all vital elements that support the world's largest bilateral relationship. In the aerospace sector, for example, a joint government-industry coalition succeeded in winning 35 contracts, worth over \$100 million, for Canadian firms under the U.S. Joint Strike Fighter program.

The department developed multi-stakeholder strategies in priority sectors in the U.S. and reinforced consistent messages to an ever-expanding network of potential U.S. business partners. The biosciences marketing strategy, for example, was particularly successful in highlighting unique Canadian capabilities in conducting

clinical trials. Targeted calls by our missions to key U.S. corporations and institutes generated a wave of interest in doing business with Canada. Prominent prospects took part in major events in sectors such as environment (Globe), alternative energy (Fuel Cells Canada) and homeland security (Procurement Conference of the Americas). These events provide opportunities for Canadian firms to benefit from exposure to top U.S. decision makers, leading to increased business opportunities.

On the technology front, the department developed a robust framework for the Technology Partnering Initiative, which is now fully operational. Six partnering missions in priority sectors were conducted, introducing more than 100 Canadian firms to potential U.S. partners. The highly successful Export USA program celebrated its 20th anniversary in 2004, providing new Canadian exporters with first-hand exposure to the practicalities of doing business in the U.S. in addition to valuable information on market prospects for their products and services. Since its launch, more than 21,000 companies have participated in this program, vastly improving their ability to penetrate what is likely the world's most competitive marketplace.

As part of the Smart Border Action Plan, Canada continued to work at securing and facilitating the flow of goods and people across the Canada-U.S. border by implementing and expanding the Free and Secure Trade (FAST) and NEXUS programs. These programs are highly valued by all segments of Canadian business.

Although the U.S. is, and will remain, our largest market by a wide margin, the department has pursued the development of a comprehensive strategy to help position Canadian companies in other growth regions, including China, India, Brazil and others. The Canada Trade Missions to China and Brazil, led by Minister Peterson, enhanced bilateral relationships in core areas such as trade, S&T cooperation, and investment. Initial work on the Emerging Markets Strategy has included extensive domestic consultations with a cross-section of stakeholders, including roundtables hosted by Minister Peterson and Parliamentary Secretary Mark Eyking. Also, a dedicated Web page was created to solicit views and suggestions from business, non-governmental organizations, academia and other experts.

Stakeholder input will be instrumental in guiding the refinement of the strategy to ensure that its implementation is fully in line with the needs and expectations of Canadian business.

Our Accomplishments and Performance

Building on the previous year's Report on Plans and Priorities, the IBD program retained the following four priorities for 2004-2005: people, partners, programs and policies, and promotion. Accomplishments related to these priorities are highlighted below.

People: to continue to improve the skills, knowledge and job satisfaction of International Business Development professionals

- In order to perpetually increase its professional capacity to serve Canadian international business interests, the Trade Commissioner Service continued to implement a progressive learning strategy, which is focused on improving service delivery and gathering market intelligence. During the year, it delivered a comprehensive training initiative known as the Global Learning Initiative to over 100 trade program managers and 25 staff at Regional Offices across Canada. A course evaluation undertaken six months later showed that the results far exceeded expectations.
- During 2004-2005, the TCS delivered technical training sessions to staff (at headquarters and overseas) to strengthen their knowledge and skills in several key areas of service delivery. Highlights are provided below.
- A three-day intensive training course was offered in conjunction with Export Development Canada (EDC) to trade program managers going on a foreign posting. EDC presented a half-day training course to 32 trade commissioners going on posting. In addition, 12 officers working in the CARICOM region received on-the-ground training on pursuing procurement opportunities through international financial institutions. A one-day course on international trade finance was given to 43 participants, and 50 participants attended a four-day course on projects financed by UN organizations and international financial institutions.

- Through the Continuous Learning Program, training focused on specific industrial sectors was provided at 15 international events: 11 in Canada and the rest abroad. These sessions were attended by over 290 officers from nearly 110 different posts as well as 116 officers from headquarters and partner departments.
- More than 165 training sessions on WinExports, InfoExport, the Virtual Trade Commissioner (VTC) and the InfoExport International Content Management System were delivered to more than 210 staff. In addition, 257 employees participated in the two-day "TCS Serving our Clients" course, delivered 12 times. This course has evolved to include discussions on the role of the Regional Offices in preparing clients to work with Canada's missions abroad.
- Finally, 150 trade commissioners participated in S&T training to enhance their capacity to deliver the departmental S&T program. S&T was also integrated into the new Global Learning Initiative course and the preparation course for new heads of mission.
- The TCS also developed several new training tools to provide a more systematic approach to the training of employees of partner departments taking assignments abroad with International Trade. As a result of closer consultations with three Team Canada Inc partners, preparations were made for a new pilot course to be offered by Natural Resources Canada as well as a set of comprehensive briefings to outgoing officers by Agriculture and Agri-Food Canada.
- The TCS implemented a major initiative to promote its Vision, Purpose and Core Values. Following a comprehensive set of consultations undertaken during the previous year and a half, it developed an innovative learning tool that was distributed throughout the department for use by program managers to inculcate the core values within their teams. As part of their annual Performance Management Agreement, program managers were asked to lead a session with their staff using the tool prior to March 31, 2005. Feedback from over 50 managers indicated that this was successfully implemented.
- A workshop on Leadership Excellence led by the National Quality Institute was attended by a group of senior managers. The workshop focused on the leaders' role in advancing excellence across the TCS and in recognizing what is needed to develop and implement a progressive and strategic approach to achieving quality goals and organizational excellence. Participants rated the workshop at 8.5 out of 10 in terms of its value and applicability.
- The "Leadership Guide to Quality Management" was validated and finalized. It was distributed to all trade program managers at missions abroad, at headquarters and in the Regional Offices. The guide is a self-help kit containing six practical and interactive modules that support managers in implementing a quality management approach to daily operations with their teams. Those missions that pilot-tested the kit were able to obtain first-level certification under the National Quality Institute's Progressive Excellence Program.
- As part of efforts to continuously improve service delivery, TCS managers and senior staff participated in the audit and evaluation of 13 IBD programs in 2004-2005.
- As part of ongoing efforts to improve the morale and job satisfaction of employees, a detailed Action Plan and Management Response was prepared to address each of the seven major issues and 38 specific items flowing from the 2003 Employee Survey. In addition, informal meetings continued to be held with employees visiting headquarters from abroad to identify their views on what is satisfying about their work and what is not. Since 2001, more than 300 employees at missions abroad have had an opportunity to provide confidential feedback through informal consultations.
- An average of 900 users per month visited the Horizons intranet site, which provides a wide range of electronic tools to help trade commissioners to perform their work more efficiently and address client service issues. An extensive site review confirmed that the content corresponds to user needs.

Partners: to add value for clients by providing high-quality, seamless delivery of TCS services through public and private sector partnerships such as Team Canada Inc and international S&T and investment promotion networks

- The transfer of the Team Canada Inc directorate from Industry Canada will strengthen the department's strategic leadership role in international business development among partner departments.
- More than 300 new service delivery partners across Canada were contacted to participate in the TCI network. Most new service delivery partners were trade and industry associations. Additional steps were taken to renew TCI's role in facilitating policy dialogue and to establish the overall strategic direction of the partnership.
- TCI member organizations were encouraged to participate in deliberations on a number of strategic issues, including the renewal of the Brand Canada initiative and the provision of more integrated services in priority areas. One example was the formation of a Working Group on Emerging Markets and the subsequent development of a "Canada-India portal" that provides access to a broad spectrum of government services and programs to Canadian and Indian businesses.
- The department continues to work with various partners to promote and deliver Canada's trade, investment and S&T services through the ongoing organization of trade missions, ministerial outreach, Canada's participation in the annual World Economic Forum (WEF), as well as the Junior Team Canada and Canada Export Award programs.
- The Minister for International Trade's SME Advisory Board met twice during the year to discuss the orientations of various trade programs. For instance, the Advisory Board examined the Program for Export Market Development (PEMD) and the Virtual Trade Commissioner in relation to the needs of SMEs as well as new opportunities such as emerging markets. The Advisory Board has proven to be a highly effective consultative mechanism for the department.
- Departmental officials advocated on behalf of SMEs to partner departments in order to ensure that their needs are reflected in economic policies, practices, programs and services. The needs and priorities of SME exporters were further reflected in the development of such initiatives as Canada's input into the Canada-EU Trade and Investment Enhancement Agreement.
- To help reorient business strategies to new international models, departmental officials led initiatives such as the agri-food value chain roundtable process, the national education marketing roundtables, and a roundtable on challenges and opportunities in emerging markets such as China, India and Brazil to ensure continued cooperation and coherence among federal, provincial and industry stakeholders. In addition, roundtable meetings hosted by the Minister for International Trade during trade missions to Brazil and China also contributed to a better understanding of the challenges faced by Canadian business in these key markets.
- The department participated in the Trade Team Canada sector process, which led to the drafting and implementation of several sectoral international trade strategies and action plans, including the Trade Team Canada—Cultural Goods and Services working groups organized by the Department of Canadian Heritage.
- As a means of integrating the challenges of building competitive financial services with those of professional development, the department levered the support of several external partners to deliver training courses, outreach activities, missions and other events related to international trade financing. Partners included EDC, Ontario Exports, Canadian Manufacturers & Exporters, the Canadian International Development Agency (CIDA) and international financial institutions such as the World Bank and regional banks.
- The TCS undertook cross-Canada consultations with staff at all Regional Offices and with key Regional Trade Network partners to identify service gaps and areas where partnerships could be strengthened. Based on the findings, a number of initiatives were launched and the Regional Office Support Unit was established. The Regional Trade

Networks are co-chaired by the senior trade commissioners in the Regional Offices.

- Reflecting the importance of innovation in building a knowledge-based economy, the department plays a strategic leadership role in the Canadian S&T community by advocating a whole-of-government approach on the international front. In addition to avoiding duplication of effort, this approach maximizes the resources put forward. For example, the department led Canada's participation to BioVision-France, where a well-organized and holistic approach made a significant impact and positioned Canada among the top world players in biotechnology.
- The Interdepartmental Network on International Science and Technology, chaired by the department, has been revitalized and is bringing a better alignment of the Government of Canada's international priorities, including Canada's position on bilateral S&T umbrella agreements. Recommendations formulated by Network members were used to reallocate S&T positions abroad over the summer of 2004, and the department led the coordination of the international projects of the Canadian Biotechnology Strategy.
- The department contributed to the technology commercialization agenda of the Government of Canada through a review of international practices on innovation and commercialization, and contributions to an interdepartmental commercialization inventory. It also initiated research and deliberations on performance metrics. As a result, government policy, programs and communications on commercialization were strengthened due to enhanced recognition of the international dimensions of S&T policy.
- Over the last year, the department brought together Canadian S&T partners, primarily from the federal S&T community, to present two major projects financed through the EU's Framework Programme 6, including the establishment of an office in Ottawa dedicated to serving Canadian and European researchers from academia, industry and the public sector. The mandate of the office is to build greater R&D collaboration over the next three years by creating awareness of opportunities (e.g. for collaborative research, researcher mobility, peer review engagement, technology transfer, dialogue on systems and outcomes); brokering partnerships; providing information (e.g. on research funding and scholarship programs); offering practical assistance (e.g. with applications, contracts, intellectual property issues); delivering on-line information and services; and organizing events.
- The Canada Trade Mission to Brazil led by Minister Peterson substantially increased awareness of potential S&T partnerships between Canada and Brazil. In addition, outreach meetings with chief executives from S&T clusters in British Columbia conveyed the value of TCS services, communicating how the department can facilitate their and international business objectives.
- With the support of trade commissioners abroad, the department coordinated the participation of more than 30 foreign science journalists at the World Conference of Scientific Journalists in October 2004 in Montreal. This event was an excellent opportunity to position Canada as a key international player in innovation.
- With respect to the Government of Canada Web site for foreign visitors, the department initiated new partnership agreements to streamline content from partner sites into the Doing Business with Canada site. It also developed an enhanced source of information for foreign business visitors through a joint initiative with Citizenship and Immigration Canada and launched a user feedback method for visitors to evaluate their potential to pursue business opportunities.
- Content about the products and services of Agriculture and Agri-Food Canada, the Canadian Commercial Corporation, Export Development Canada and the Department of Canadian Heritage has been integrated into the Virtual Trade Commissioner (VTC) electronic service platform.
- The department created new and updated Web pages for Aboriginal and women exporters and participated in the development of the Live, Learn and Succeed foreign student portal to facilitate and encourage study in Canada.

- As part of efforts to strengthen the Regional Trade Networks, the Canada-Atlantic International Business Development Agreement was renewed for another four years, with \$10 million in program funding provided by the Atlantic Canada Opportunities Agency and the four Atlantic provinces. Negotiations were also undertaken with Alberta, Saskatchewan, Manitoba, Nunavut and the Northwest Territories resulting in the renewal of their individual memorandums of understanding on international business development. These agreements provide the framework for enhanced coordination and leveraging of resources among Regional Trade Networks.
- The Chief Trade Commissioner met with the senior executives of 31 companies and organizations across Canada under the Strategic Business Relationship Initiative. This initiative aims to build a closer relationship with a number of high-potential clients to ensure that the Trade Commissioner Service is equipped to satisfy their needs. It is designed to develop a better understanding of clients' market strategies and intentions.

Programs and Policies: to allocate program resources and determine policy according to priorities, and coordinate the department's programs and services with those offered by partners

- The department's international business promotion programs and services are enabled by the policies developed to establish and reinforce access to foreign markets for Canadian goods and services. The Canada Trade Missions to Brazil and China, led by the Minister of International Trade, are prime examples of the strategic use of departmental resources. The missions aim to enhance bilateral relationships in key areas including trade, S&T cooperation and investment. During these major events, Canadian companies interested in other South American and Asian markets met one-on-one with trade commissioners resident in those regions to discuss market access issues and new business opportunities. In markets where governments play a central or influential role in major industrial projects, in addition to their expected role in shaping economic policy, the benefits of such high-level missions cannot be overstated. Complementary initiatives in many other corners

of the world promoted Canada as a sound and attractive business partner in all aspects of commercial enterprise. Supported by the "Brand Canada" promotion program, Canadian business had an enhanced presence at 27 major international fairs. This interactive approach maximized the often modest, yet valuable resources of companies dedicated to market research and business travel, and enabled departmental staff to identify and pass on new business leads to qualified Canadian suppliers.

- The department's International Business Opportunities Centre actioned over 6,000 business leads received from trade commissioners abroad. These leads were communicated directly to Canadian companies—75 percent of which are SMEs. Out of all the leads actioned, 1,500 were selected for on-line dissemination via the Virtual Trade Commissioner (VTC), ensuring that Canadian companies can follow up on them in the most efficient manner possible.
- The department's Market Research Centre sent approximately 1,000 e-Bulletins to Canadian missions abroad to alert them to news articles from numerous electronic information sources highlighting international business opportunities for Canadian companies.
- To foster increased participation in projects funded through international financial institutions, the department began to develop tailored fact sheets that provide Canadian companies with an insight into the sources of funding for development procurement in key countries: 13 in Africa, 12 in Latin America, 5 in East Asia, 5 in Central Europe, and 5 in the Middle East. To encourage interest in such projects, the department published 14 success stories on its subscription-based IFInet Web site. The on-line publication of the market report "Profiting from the Global Infrastructure Market" proved to be particularly well received, with over 19,972 hits during the fiscal year.
- Also, the department developed a Web portal for private sector inquiries focusing on Canada's response to the Indian Ocean tsunami. The site provided information to Canadian companies on reconstruction programs planned in the stricken

countries by multilateral development agencies and major non-governmental organizations. During the first four months of operation, the site generated over 5,500 hits.

- As of March 2005, Inter-American Development Bank and World Bank project-financing information is being provided every trimester to Caribbean and Latin American missions. This best practice will be replicated for other regions of the world in upcoming months. In partnership with Team Canada Inc and CIDA, a new Guide to International Project Bidding was lodged on the Exportsource site and linked to IFInet.
- Two amendments to the OECD's Arrangement on Guidelines for Officially Supported Export Credits were agreed to at the end of 2004. The OECD Arrangement regulates the terms under which the members of the OECD provide export financing support to their national exporters. As a result, the cost to taxpayers of providing such support is kept under control and a level playing field is established between the exporters of member nations.
- The Aircraft Sector Understanding, which establishes special terms for aircraft sales financing, is currently undergoing a negotiated revision. Though Brazil is not an OECD member, as a leading aerospace nation it is participating in the negotiations, reducing the potential for future disputes.
- In 2004-2005, numerous client service policies were reviewed or updated. Topics included the issue of trade staff being tasked with onerous non-trade-related activities and the integration of Corporate Social Responsibility into officers' service delivery. Various policy-related cases were also submitted by missions and resolved, often after consultation among different divisions of the department. New policies are disseminated through various means, including the Horizons intranet site and training courses. The Post Support Unit, which is charged with resolving difficult issues related to unprepared or ill-informed companies on behalf of posts abroad, dealt with nearly 1,700 cases.
- A key role of the department is to work with its portfolio partners, Export Development Canada (EDC) and the Canadian Commercial Corporation (CCC), to encourage the development of products to meet the emerging needs of clients. One important result was the launch by EDC of an updated Bank Guarantee Program. The program will provide exporters with access to loan guarantees similar to what is available to their foreign competitors when pursuing business opportunities in developing markets. These improvements are a direct response to the recommendations made by the Standing Committee on Foreign Affairs and International Trade and the Senate Committee on Banking, Trade and Commerce during the last legislative review of the Export Development Act (see the pertinent press release at http://www.edc.ca/docs/news/2005/2005_news_e_7277.htm).
- Following an international bidding process managed by the CCC, a fund manager was selected in May 2004 for the \$500 million Canada Investment Fund for Africa, which was established as part of the New Partnership for Africa's Development (NEPAD) initiated at the G8 Summit in Kananaskis in June 2002. After detailed negotiations, the fund was launched in April 2005.
- The department led the policy work and drafting of the Commerce section of the government's International Policy Statement. It emphasized the importance of delivering integrated solutions with respect to trade promotion, investment attraction, and cooperation in S&T. Also, policies were developed to better recognize the economic benefits of Canadian direct investment abroad as a significant driver of exports, S&T and innovation. The language adopted in the Commerce section of the International Policy Statement clearly reflected this strategic orientation.
- The department initiated the development of guidelines for trade commissioners to ensure the delivery of consistent, value-added services to Canadian businesses exploring competitive foreign supply alternatives. Since sourcing strategies often involve direct investment in assets abroad, these guidelines will be carefully aligned with outward investment policy development that is under way in cooperation with other federal departments.

- The department established an interdepartmental working group to act as a point of contact for the close to 200 Canadian companies interested in the relief and rebuilding effort after the Indian Ocean tsunami. The department coordinated a whole-of-government approach to positioning the private sector for the rebuilding effort, including the planning of joint initiatives in Canada and in the affected region.
- As part of its efforts to ensure that the department's resources abroad are used to maximum effectiveness, a detailed review of trade positions abroad was undertaken by an internal working group. As a result, 10 overseas trade commissioner positions were redeployed to other countries or regions to more closely reflect client demand and departmental priorities. The redeployment process will continue to be honed to ensure these valuable resources generate the greatest return on investment in support of Canadian business around the globe.

Promotion: to market the global services of the Canadian Trade Commissioner Service more proactively

- In 2004-2005, the department continued to promote the Trade Commissioner Service to Canadian business, particularly SMEs, women entrepreneurs and Aboriginal exporters. Special emphasis was put on building the client base of the VTC a Web-based application that offers customized services to Canadian companies. Through promotion efforts such as outreach, trade fairs, publications, articles and other means, the number of clients registered with the VTC grew from 9,812 to 15,230 (a 55 percent increase). Half of these were new clients who had not previously accessed the services of the department. This channel is expected to continue to gain in relevance, boosting the effectiveness and efficiency of service delivery over the next few years.
- Outreach programs are an important component of promoting the services of the TCS. In 2004-2005, some 210 trade commissioners from missions abroad met with more than 2,100 Canadian firms, 43 percent of which were "new to market." The programs targeted SMEs with export potential at 95 events in 32 locations in Canada and abroad, exposing over 4,000 actual and potential exporters to the services of the TCS. Success stories are regularly highlighted in the department's flagship publication, *CanadaExport*, which is published twice a month, in its Women Entrepreneurs supplement, as well as on the official departmental Web site.
- Client surveys continuously indicate the importance of market research products. In 2004-2005, the department's Market Research Centre produced 97 market reports, market briefs and market insights, as well as 110 country sector profiles. In addition, the Centre collaborated with missions in the production of 76 market information products initiated by missions abroad. Over 280 market information documents were posted on-line for Canadian clients. These publications registered close to 56,000 downloads during the year, confirming continued strong client demand.
- Through the IFInet Web site, over 4,000 subscribers receive specialized information, announcements and events surrounding international financial institutions and other development business opportunities every week. IFInet continues to be a very successful tool for the dissemination of information on the development business market. It currently hosts 48 institutional fact sheets and 96 country-specific "sources of financing" fact sheets, which have been fully integrated into the VTC. With an average of 1,368 hits a day, this site generated approximately 500,000 hits over the last year.
- The department regularly organizes Canada's participation in the annual meeting of the WEF in Davos, Switzerland, attended by approximately 2,000 of the world's most prominent business and political leaders. The Minister for International Trade led the Canadian contingent in 2005. His participation helped highlight Canada as a 21st-century, knowledge-based economy, clearly identifying Canada as an attractive and competitive investment location with a number of pre-identified corporate investment prospects.
- Promotion of TCS services relies on a variety of tools. Among the most valuable tools are the high-profile Canada Trade Missions led by the Minister

for International Trade. As a result of departmental efforts to raise the awareness of overseas opportunities and recruit interested Canadian parties, a total of 46 companies (including 22 SMEs) participated in the Canada Trade Mission to Brazil, and 372 companies (including 213 SMEs) participated in the Canada Trade Mission to China. In addition, the department organized the Central American Circuit business development mission in Guatemala, El Salvador, Costa Rica and Panama. All of these events paid great dividends in promoting the image of the TCS and the value of its services to Canadian companies.

Performance Management Initiatives

The biennial TCS Client Survey, last undertaken in 2004, validated the service offerings of the TCS with business clients and partners, identified areas for improvement and allowed the department to better understand the evolving needs and expectations of clients. Mission-level reporting was replaced with higher-level, regional analysis in the latest survey. Overall, the survey reaffirmed that the TCS is providing high-quality services to clients in all regions of the world. Detailed survey results can be viewed at <http://www.infoexport.gc.ca>.

In the context of the Canada Trade Missions led by the Minister for International Trade, surveys are sent to participants to evaluate departmental services and the quality of the programs delivered during these missions. The department also compiles statistics on the number of participating SMEs; export-ready and new to market firms; and women, Aboriginal and young entrepreneurs.

The Market Research Centre continued to implement an on-line client survey as a means of generating a comprehensive quantitative assessment of clients' satisfaction with its core market information products. The overall satisfaction ratings show that the Centre has been successful in continuously improving its offerings and addressing the needs of clients. The information that clients access from the Centre is used in identifying potential markets (52 percent) and obtaining background information on targeted markets (49 percent). Moreover, the vast majority of clients used the information provided, and 84 percent took specific actions based on that information.

To complement the previous assessment, the Centre conducted a series of focus group tests across Canada to obtain critical qualitative feedback from Canadian industry clients on the core market information products. Overall, the current suite of products was found to meet or exceed client expectations.

In a further attempt to gather qualitative information to improve client service, the TCS organized debriefing sessions with trade program managers who had returned from postings overseas. The managers were asked to identify the challenges they had faced in managing trade programs abroad. A report on their comments was prepared and presented to management along with the group's unanimous recommendation that the activity become an annual event. In addition, a survey of trade commissioner interns was conducted in the fall of 2004. Responses to questions on their recruitment experiences will be used to develop a long-term recruitment strategy.

The TCI Internet portal (<http://www.exportsource.ca>) continues to be highly valued by the exporter community. In 2004-2005, visits to the site increased 9 percent, reaching a total of some 370,000 visits. As part of a client satisfaction survey undertaken in 2005, a majority of respondents (77 percent) gave ExportSource a high rating, with 80 percent indicating they would use the site again.

TCI's other primary service point is a toll-free export information service. While the telephone service is still well used, with 10,456 calls received in 2004, this represents a 6 percent decrease from the previous year. This reduction is likely a direct result of increased Web site usage. Service standards with respect to the timeliness of responses continue to be met or exceeded. A 2004 client satisfaction evaluation indicated an 85 percent overall client satisfaction rating (higher than the industry standard for similar services).

The department's 12 Regional Offices located across Canada supported 454 trade and investment events and missions reaching nearly 20,000 clients. To get a clearer picture of client needs and reactions, the Regional Offices surveyed over 10 percent of these events. Surveyed events achieved an overall satisfaction rate of 88 percent, with 59 percent of respondents saying they would pursue the market, 72 percent saying they would obtain more information, and 53 percent

saying they would use the information to change the way they manage their export efforts. In terms of client impact, it is evident that the events resulted in revised business decisions. The Regional Offices recorded 6,800 clients counselled during the year, with several offices establishing quarterly targets per officer. Also, the Regional Offices followed up with over 80 percent of new VTC client registrants to determine what service and program offerings would be of greatest benefit to them.

The Program for Export Market Development for Associations (PEMD-Associations) is a non-repayable contribution program available to national trade associations. In their application, associations are asked to identify performance indicators for each of the activities they are proposing and to set the overall objectives of the PEMD contribution they are seeking. Associations approved for funding have to report against these indicators and objectives at the claiming stage. Applications are assessed according to published criteria, namely the export strategy, the incrementally of the proposed activities, the benefits to the membership and the client's performance over the past two years. An evaluation board comprising three directors from the department evaluates and approves applications in an annual competition for funding.

PEMD-Associations had 54 clients and expended over \$2 million last year. Participating associations reported increased sales of \$8 million and prospects on future sales worth \$163 million. Some associations reported increased sales in terms of volume or percentage, and therefore are not included in these figures. Moreover, companies do not always report results to their associations, so PEMD-Associations results are likely higher than those reported. One association linked its PEMD-supported activities in the U.S. to an export increase of \$509 million in 2004.

Other results include an association that certified a Canadian manufacturing process in the U.S. and obtained the public endorsement of the U.S. Department of Energy and of two American associations, thereby opening doors to Canadian products and services; the recruitment of a U.S. knowledge and service provider who created a \$10,000 bursary to encourage Canadian academic participants to attend "BioPartnering North America"; potential partnerships worth up to \$26 million; financing

agreements; the initiation of licensing negotiations; coverage of two Canadian industry sectors in specialized foreign magazines; MOUs; recruitment of new members interested in exporting; and exposure of new exporters to foreign markets.

The long-standing Program for Export Market Development for Industry (PEMD-Industry) offers conditionally repayable contributions to eligible companies, sharing the risk of market development costs. Repayments are based on the level of increased sales achieved as a result of PEMD-funded activities.

In response to changing industry needs, plans are under way to launch a new, wider-ranging successor to this highly successful business support program. Consequently, no new agreements were signed after March 30, 2004. Agreements signed prior to that date are being honoured, with expenditures reaching over \$5 million in 2004-2005, while repayments from program beneficiaries totalled some \$2.2 million.

The Client Service Fund is an internal fund that provides seed money to missions abroad to support business clients in priority sectors. The fund was evaluated at the end of the fiscal year and an action plan is currently being prepared to address the recommendations flowing from the evaluation. The overall findings of the evaluation were favourable, showing that the fund is relevant, cost-effective and responsive to client needs.

Results-based management principles were incorporated into the operations of missions around the world through the introduction of an on-line planning and reporting system for IBD. Results-based management efforts within the department are focused in large part on meeting the needs of business clients in their pursuit of foreign business opportunities.

The department continued the development and implementation of its Client Relationship Management System, called TRIO, throughout 2004-2005. TRIO provides integrated solutions to trade officers in order to improve the processing, delivery and tracking of interactions with clients. The system generates performance indicators such as average turnaround time on service requests, volume of services delivered, and number of business leads generated. Modules are being developed to track

client satisfaction ratings at the transaction level and to capture information on business outcomes from clients receiving TCS services.

A full evaluation of the IBD program in China was undertaken in 2004. Although the final report is not yet completed, preliminary results suggest that missions in China are delivering services to clients and partners in an efficient and effective manner. However, significant adjustments are required with respect to the allocation of resources within and among our missions in China in order to better respond to client needs. This is a reflection of the increasing complexity of doing business in a world dominated by evolving business models such as global value chains and, of course, the sheer volume of inquiries received as more Canadian firms engage in the Chinese market.

According to Statistics Canada, Canada exported more than \$6.6 billion in merchandise to China in 2004 (a 38.8 percent increase, over the previous year), while imports from China rose 29.7 percent to nearly \$24 billion. Interestingly, Canada was one of the few nations whose growth in exports to China last year surpassed the growth in imports. The recommendations from the above evaluation will feed into the development of a broader departmental strategy to respond to opportunities and threats in other key emerging markets such as India, Brazil and Russia.

Extensive work was undertaken in 2004 to develop more measures to assess the performance of the department and evaluate the use of resources. The design parameters of the tool selected, “IBD Dashboard,” were validated with senior management in December 2004. Development work undertaken throughout the year involved significant programming, data transfer, loading and user functionality testing. This integrated information system links operational data (on transactions with clients by location, type, frequency, etc.) to other key business intelligence dimensions such as financial and human resources, internal processes as well as bilateral trade statistics and other market-specific macroeconomic data.

Once it is fully functional, in late 2005, Dashboard is expected to enhance the department’s capacity to analyze the cost-effectiveness of IBD operations in overseas markets, thereby supporting decisions with

respect to the deployment of human and financial resources. The system will facilitate ongoing performance measurement and reporting (eventually against established benchmarks) and will support the formulation of IBD policies and strategies. This will allow more in-depth reporting in next year’s Departmental Performance Report.

2.1.3 Investment Promotion

Strategic Outcome

Attraction and retention of foreign investment and technology and promotion of investment abroad in order to create jobs and prosperity in Canada.

Our Resources

Financial	\$ millions
Planned spending at beginning of fiscal year	5.7
Total spending authorities at end of fiscal year	6.1
Actual spending	7.5
Human Resources— full-time equivalents (FTEs)	68 FTEs

How We Pursue Our Strategic Outcome

Investment and capital formation are essential for stimulating the innovation, competitiveness and economic growth that contribute to an improved standard of living for Canadians. Foreign firms with direct investment in Canada play a significant role in Canada’s economic development. It is therefore imperative that every effort be made to continue to attract such investment and to encourage existing investors to enhance their current operations in Canada. It has become increasingly important for Canadian firms to consider investments outside Canada to maximize their opportunities for involvement in global value chains.

Two-way investment and technology flows between Canada and the international business community are pursued by showcasing Canada as an attractive location for investment and technology development; working in partnership with other departments and governments in Canada to develop and implement effective strategies to attract foreign investment and technology to Canada; helping Canadian companies increase competitiveness by facilitating investment in growth markets and the acquisition of new technologies, and developing strategies to address real and perceived issues impeding investment in Canada.

Our Working Environment

International commerce—two-way trade and investment—is the lifeblood of the Canadian economy and the key to our prosperity and living standards. Globalization, brought on by trade and investment liberalization and rapid advances in communications and transportation technologies, has opened world markets to Canadian goods and services, but has also created intense price competition, especially from the rapidly industrializing emerging markets. Competition is driving production to become increasingly regional or global, not national or local. Multinational investors are moving from branch-plant and world product mandate models to a business model based on global value chains: locating research, product development, design, manufacturing, financing and other services wherever it makes business sense.

In an increasingly integrated global economy, two-way investment is essential to economic success. Strategic FDI that utilizes Canadian skills combined with foreign technologies, resources and innovation, helps link Canadian industry to global value chains and international markets. In 2004, the stock of Canadian direct investment abroad (CDIA) was up 10.3 percent, or \$41.6 billion, to \$445.1 billion. By the same token, CDIA gives our firms direct access to high-growth foreign markets and to strategic foreign technologies and natural resources, as well as access to cost-competitive production facilities. CDIA has become an essential corporate strategy, complementing trade and other strategic international alliances as a means to generate growth and competitiveness. In 2004, the stock of FDI in Canada edged up 3.2 percent, or \$11.2 billion, to \$365.7 billion.

Challenges and Risks

Governments throughout the world are increasingly focused on capturing the benefits of FDI. This has created intense competition for FDI, especially from the emerging markets in Asia, Central Europe and Latin America. Canada's 3.1 percent share of world FDI is still above our 2.3 percent share of world gross domestic product, but it is significantly lower than the 6.1 percent share registered in 1987. However, given the realities of the dynamic investment environment today, the most important challenge for Canada is to attract the strategic investments that develop and produce innovative and high value-added goods and services. As emerging economies use imported technologies and low-cost labour to cost-effectively produce standardized goods and services for global markets, developed economies, such as Canada, have responded by moving up the value chain in terms of production of innovative goods and services. In short, the attraction of strategic, knowledge-based FDI is key to accelerating productivity growth and enhancing our prosperity.

However, success in attracting strategic, knowledge-intensive FDI will increasingly depend on our ability to create a more competitive investment climate than our key competitors, the United States and the European Union. Creating a competitive investment climate is a complex, demanding process. It encompasses the development of skilled human capital (education, workforce training and immigration policies), access to large and dynamic markets (liberalization of trade and investment policies and physical infrastructure renewal policies) and implementation of sophisticated framework policies that facilitate the efficient allocation of labour and capital resources. Our competitors are aggressively modernizing their policies to attract knowledge-intensive investment. Our challenge is to move quickly to get our domestic environment right. In the absence of a superior investment climate, the best-designed and best-resourced marketing and promotional programs will not be effective.

The following is a brief description of the department's priorities with respect to investment promotion. More details are provided in the section on accomplishments and performance.

- Strengthen partnerships and foster a coordinated approach to investment promotion among federal, provincial and territorial partners
- Support targeted business development programs that contribute to economic growth in communities
- Enhance the understanding of Canada's investment interests and improve the domestic investment climate
- Promote Canada as an attractive destination for foreign investment
- Increase attraction and retention of foreign investments in Canada

Our Accomplishments and Performance

Strengthen partnerships and foster a coordinated approach to investment promotion among federal, provincial and territorial partners

- The mandate of the department is to act as a focal point for investment promotion, attraction and retention in the Government of Canada. This involves working closely with other federal departments that play a role in investment attraction, and coordinating the related efforts of all levels of government—municipal, provincial/territorial and federal. The department continues to cultivate partnerships to ensure the delivery of a seamless, consistent and fully coordinated approach that will appeal to foreign investors and lead to investment decisions that are favourable to Canada.
- Over the past several years, the department has built a strong working relationship with provincial partner-clients through one-on-one meetings and two federal-provincial-territorial meetings on investment promotion. These efforts have led to shared geographic and sectoral action plans, joint action on signature events and increased information sharing, resulting in an increasingly seamless investment attraction and retention program. Partners have clearly indicated that there is now greater coherence in the investment promotion process, and that federal partners are engaging the provinces more regularly in their attraction activities, such as lead generation, back-to-back foreign and domestic calls, investment aftercare and retention, and sharing of best practices.
- The department also took the lead in working with partners to develop a China Investment Strategy, resulting in the creation of a federal-provincial subcommittee to further develop a whole-of-government approach to investment promotion efforts for China.
- The department has developed an investment training program to increase the knowledge and skills of investment officers not only within the department but also with its provincial, territorial and municipal partners. In 2004-2005, the department delivered six training sessions to 137 participants, for a total of close to 400 training days. Sessions usually attract a mix of investment officers from different levels of government. This unique training program receives consistently high ratings from participants, who remark on the quality of the courses and the excellent networking opportunity provided. While the initiation course will still be offered during the current fiscal year, work is under way to meet participant demands for a more advanced course to address the needs of experienced officers.
- Investment promotion is a lengthy and complex process involving investment officers within the department, other government departments and regional agencies, as well as provinces, territories and major municipalities across Canada. The department took a lead role in developing and launching the Partnership Forum Web site to facilitate knowledge management and information sharing within the partnership. The site has enabled all investment promotion partners to share information and innovative approaches to investment attraction. More than 1,300 documents are posted on the site. A key to the success of this project has been the creation of working groups, around which information and innovative practices are shared. In a feedback exercise, provincial partners endorsed the site as an excellent resource with valuable information. However, the department is responding to client requests for technical improvements to make it easier to navigate the site.

Support targeted business development programs that contribute to economic growth in communities

- The department manages the Community Investment Support Program (CISP), which provides seed dollars in support of municipal efforts to develop and execute comprehensive investment attraction and retention strategies (see <http://www.CISP.gc.ca>). Launched in April 2004 as a successor to the seven-year-old PEMD-I program, this \$5 million per year program is a concrete example of the government's commitment to support municipalities' economic development efforts. Headquarters and regional staff deliver the program in full collaboration with provincial investment attraction partners through an adjudication process.
- Many current CISP projects are supporting multi-year investment strategies. In this reporting period, the program supported 130 communities in their investment attraction work. Building on lessons learned from previous initiatives, communities become increasingly professional and strategic in their approach, ensuring that initiatives are clearly targeted to specific sectors and markets, and that plans are more likely to lead to investments.
- For example, Brantford-Brant used \$22,500.00 in CISP funding in fiscal 2003-2004 to research the community's sectoral strengths, confirm existing sectoral strategies, and develop marketing strategies. Using the research results, the community was able to re-orient their investment attraction priorities, placing the food sector among their top sectors. At the time that the community was conducting CISP supported research; a significant investment opportunity was presented in the food sector (The Ferrero Group). The CISP funded research enabled the community to better respond to the inquiry which ultimately resulted in Brantford being chosen by the Ferrero Group as the location of its new North American production facility. This greenfield investment is valued at approximately \$150 million. The facility is 750,000 square feet in size and will initially employ over 600 people when production begins in the fall of 2006.
- In addition to the CISP successes that are already being reported by municipalities, the collaborative

delivery model ensures improved integration of the investment promotion effort across all levels of government.

Enhance the understanding of Canada's investment interests and improve the domestic investment climate

- The Commerce section of the IPS recognizes that our performance at home and our success abroad are linked. Foreign and domestic investors alike increasingly choose the most competitive locations for strategic investments. "Getting the domestic environment right" was identified as a necessary step to attracting, retaining and expanding strategic domestic and foreign investments that can improve Canada's international competitiveness and the prosperity of all Canadians.
- The External Advisory Committee on Smart Regulation report of September 2004 supported many of the submissions put forward by the department to modify regulatory policies and processes to accommodate the development of a more innovative and internationally competitive economy. The department worked closely with the Privy Council Office and other government departments to develop an implementation strategy, which was announced in March 2005 with the publication of Smart Regulation: Report on Actions and Plans. The November 2004 joint statement by Canada and the United States also identified the objectives of expanding economic opportunities and increasing the competitiveness of North American businesses through partnerships, consensus standards and "smarter" regulations that result in greater efficiency while enhancing the health and safety of citizens.
- Impediments reported by investors that could affect future expansions in Canada were brought to the attention of policy partners for consideration in broad-based policy reviews under way in the Government of Canada, in areas such as regulations and taxation levels. In several cases, impediments were resolved, allowing large investments to proceed.
- Over the past year, the department carried out a literature review of the importance of CDIA to the economy. The review analyzed recent trends

in CDIA and examined opportunities. The paper also reviewed public perceptions of investment abroad, companies' needs in this regard, and the current role and activities of federal institutions in support of CDIA. The paper presented five case studies of investments abroad carried out by Canadian-based multinational enterprises. This work helped raise the level of understanding and awareness about CDIA within the federal government and about the role that CDIA can play in increasing the competitive strengths of Canadian firms in global value chains. It also promoted greater collaboration between federal institutions on international commerce.

Promote Canada as an attractive destination for investment

- The department uses a research-intensive and consultative approach in delivering a marketing program intended to raise awareness of Canada as an investment location of choice in the global marketplace. Using findings from its previous research on what information investors most value, the department continues to provide investors with sector-focused information. Investors have also indicated that they want information conveyed to them by their peers rather than by public officials. In response, the department delivers its Business Leaders Program, harnessing the expertise of senior Canadian business people to increase the credibility of promotion efforts. Investment marketing products also target specific audience segments, using sector-specific publications (e.g. KPMG sector brochures) and events (e.g. BIO 2004).
- The department's research also clearly demonstrated the importance of a consistent, targeted and global message, delivered coherently by partners across all levels of government involved in investment attraction and retention. Building on solid partnership arrangements and a number of successful joint projects, the department has gained support from all partners to deliver a consistent national message for investment promotion. The fruits of this agreement should become more apparent in opinion research to be undertaken in 2006.

- Following a number of studies and an extensive feedback exercise with front-line investment officers, the department crystallized the investment message and developed market-based communications products. For example, communications messages aimed at U.S. investors address border and regulatory issues.
- The department's global e-marketing initiatives helped boost the number of visitors to the Invest in Canada Web site (www.investincanada.gc.ca) to over 200,000 in 2004-2005. At the same time, research on the subjects of greatest interest to visitors has led to significant improvements to the site. A revamped version of the site will be launched in the summer of 2005.

Increase attraction and retention of foreign investments in Canada

- The department responded to close to 1,400 inquiries from potential investors with specific questions about Canada as an investment location. As many as 30 percent of all inquiries involved either the information and communications or the life sciences sector. Responses were provided within the five-day service standard 95 percent of the time. The department participated in an international benchmarking study that rated the investment inquiry services of 122 national investment promotion agencies from around the world. Canada was awarded a "world leading" rating in the handling of investment project inquiries, and came in third overall. Evaluators commented on the quality of the response to the inquiry, pointing to the good format and strong customization of the response, the relevance of the sector information included, and the personalized service provided.
- The Quick Response Mechanism is an interdepartmental protocol to develop information that rapidly responds to the concerns of potential investors. The mechanism connects trade officers at missions abroad and account executives at headquarters to a network of contacts in 19 policy and regulatory departments. These contacts help the department address concerns impeding the realization of an investment under active consideration. In 2004-2005, 18 situations were

addressed, touching on such issues as the processing of foreign staff transferring to Canada and the application of the Investment Tax Credit or the Scientific Research and Experimental Development Tax Credit program. Discussions are ongoing with the department's provincial partners to further develop intelligence on impediments, to identify provincial policies that impede investment, and to identify appropriate contacts at the provincial level to address detailed investment questions.

- The department promoted the development of value-added industries in priority sectors in Canada by organizing and contributing to a number of signature events in sectors such as information and communications technology and life sciences, two sectors that are critical to our most important investment market, the U.S. In the area of renewable energy, the department worked with several foreign firms looking to invest in wind energy, and supported a wind energy conference in Alberta. Other sectors identified as key to Canada's economic development where investment attraction activities were undertaken included the automotive, agri-food and aerospace industries. Signature events reached over 20,000 participants and over 10,000 firms.
- The department has developed a diagnostic tool that uses the latest financial reports to identify those corporations that are most likely to make a capital investment within the near term. The department's investment prospecting initiatives include generating ranked lists of publicly traded companies that demonstrate a high propensity to invest. As an additional service, the department also develops strategic company investment assessments, which are undertaken for a select few firms that pass stringent screening criteria. The department has an information system in place to track investment activities. Since the start of this initiative, in April 2003, the department has provided ranked company lists to 48 missions abroad, to divisions of Industry Canada and to several provinces to assist them in targeting their investment attraction activities. In a recent feedback exercise, provinces indicated that these ranked lists were valuable tools that facilitated market campaigns and provided investment officers with a great starting point for attracting prospective investors.
- Around 70 percent of FDI is derived from subsidiaries of foreign companies already resident in Canada. The department is working with partners to develop and implement a comprehensive approach involving personal visits by senior officials to these foreign subsidiaries to promote their expansion in Canada and to minimize the risk of disinvestment. As part of this approach, and in collaboration with missions abroad, the department and appropriate domestic partners visited over 100 subsidiaries in Canada to gain intelligence on their plans and to hear about the impediments to reinvestment they faced. In many cases, these visits formed the basis for tandem calls made by trade commissioners overseas to the parent company to encourage expansion of existing operations in Canada through plant modernization, new product mandates, and new facilities or increased R&D.
- In 2004-2005, the department coordinated roundtables between partners to discuss specific investment projects, participated in the organization of close to 20 incoming missions from firms exploring potential investment opportunities, and worked with other departments to prepare for investment missions and meetings undertaken by ministers, deputy ministers and other senior government officials in target markets.
- The department was actively engaged in offering strategic analysis and direction to potential investors identified as leads or prospects. Competitive intelligence and detailed pre-call briefs were provided in preparation for close to 200 calls on senior corporate officials identified as decision makers.
- Investment officers and senior officials of the department met with more than 500 potential investors around the world, providing data on Canada's industry clusters, sound business cases, and demonstrations of Canada's cost advantages using the KPMG Cost Competitiveness Study. In addition, the department facilitated contacts between provincial or municipal investment officers and many of the 300 companies that were identified as strong investment prospects.
- Working in partnership with other federal departments as well as provincial/territorial partners,

the department contributed to the attraction of 140 investments to Canada in 2004-2005. Partial information available on these successes indicates that for 50 of these investments, an average of \$55 million was invested, and that for 68 of them, an average of 109 jobs each were created.

2.1.4 Corporate Services

Strategic Outcome

Delivery of cost-effective support services to enable achievement of departmental objectives.

Our Resources

Financial	
Financial	\$ millions
Planned spending at beginning of fiscal year ⁵	25.6
Total spending authorities at end of fiscal year	27.8
Actual spending	10.6
Human Resources—full-time equivalents (FTEs)	
	492 FTEs

How We Pursue Our Long-Term Outcome

Corporate services are essential to the department's operations and include human resources management and training, corporate finance and strategic planning, information management and technology, property and materiel management, legal services, the Office of Protocol (the government's first point of contact with the foreign diplomatic community in Canada), security, and audit and evaluation. Without these essential services, the department could not function.

As most corporate services for International Trade are shared with Foreign Affairs, the priorities and accomplishments described here apply to both components of the department unless otherwise indicated.

Our Working Environment

In 2004-2005, the delivery of corporate services, including human resources, was influenced by the following developments:

- The rising number of interdepartmental—or horizontal—files handled by both components of the Department of Foreign Affairs and International Trade has increased the demand for corporate services. Horizontal files not only call for careful coordination and planning; they can also require strategic departmental resources from other activities.
- There continues to be growth in the number of federal government employees at missions abroad, many of them from other departments and agencies. This has led to additional requirements for physical space, communications capacity and other fundamental corporate services at missions abroad. At the same time, the department is handling more requests for services from the growing diplomatic community in Canada.
- Human resources management is being affected by broad societal trends in Canada, notably the demographic challenge of an aging workforce and the increased focus on balancing work and personal life, including managing two-career families.

The department remains committed to building a bilingual, culturally diverse and innovative workforce that more fully reflects Canadian society as a whole. At the same time, the department is working to create more productive and innovative relations with employee unions and associations.

Following is a brief description of the department's priorities with respect to corporate services. More details are provided in the section on accomplishments and performance.

Managing the transformation of the department as smoothly and effectively as possible

- The department has embarked on a fundamental transformation agenda that will enable it to follow

5. For an explanation of the variance between planned and actual spending for the Corporate Services business line readers are encouraged to consult Financial Table 1: Comparison of Planned Spending to Actual Spending.

through with the government's vision for a 21st-century commerce department, fully able to coherently implement the Commerce Strategy embedded in the IPS.

- Corporate services were a focal point for the transformation, encompassing the development of a new organizational structure, policy planning and development, business planning, internal and external communications, and consultations.

Ensuring a stable financial foundation

- The department is refining and improving activity-based costing models.

Measurable progress of leadership and human resources action plans

- The department created and implemented a Web-based Manager's Corner, which provides tools that enable managers to do their jobs more effectively.
- The department designed, developed and implemented a new Performance Management Program (PMP) for all employees below the executive level.
- The department continued to align the human resources planning process with the business planning process, as required under the Public Service Modernization Act.
- The department began the conversion process to the new Foreign Service (FS) classification standard and four-level pay structure, with an effective date of July 1, 2005.
- The department implemented government-wide objectives related to human resources modernization, workforce diversity, official languages and learning. Moreover, the new departmental recruitment strategy contains provisions to address employment equity for designated groups through accelerated internal promotions.

Continuing the Implementation of a Modern Management Action Plan

- A prototype performance management tool known as "IBD Dashboard" was developed to marry financial and non-financial information.

Modernization of human resources management

- The department has begun to create a focal point for integrating the strategic policy, business planning, communications and consultations functions into a cohesive unit to reflect the continuum on which these functions reside in planning direction for the department.
- There was continued implementation of the Enhanced Support Model Abroad, which improves information management and technology support at missions.
- The department intensified collaboration with federal partners and ensured that the government's international activities were more integrated and strategic.

Our Accomplishments and Performance

Managing the transformation of the department as smoothly and effectively as possible

- The transformation necessitated a new organizational structure, policy planning and development, business planning, and internal and external communications and consultations. The transformation is significant, given the complexity of a department with operations in some 150 locations around the world. Work on the transformation will continue well into 2005-2006.
- A review of the department's resource base identified activities that could be reduced or eliminated to meet the Expenditure Review Committee targets set by Treasury Board. Consequently, the department's contributions to the WTO's Trade-Related Technical Assistance program were reduced by \$500,000. In addition, the Program for Export Market Development-Industry was eliminated, a \$4.5 million saving in 2004-2005 with additional savings of \$2.5 million to follow in 2005-2006 and 2005-2007 once

existing commitments have been terminated. Combined, these two reductions allowed the department to meet its target.

- The new organizational structure will allow the department to effectively carry out its revised mandate in accordance with the International Policy Statement. A new World Markets Branch (which awaits Treasury Board's final approval), will integrate all departmental activities undertaken at missions abroad. In addition, the Investment Promotion Branch was expanded to take in the S&T function. This reflects the impact that innovation arising from S&T can have on investment development, both inward and outward, as Canadian companies expand their product development, sourcing and other core activities in global markets. The new Strategic Policy, Communications and Corporate Planning Branch (which awaits Treasury Board's final approval) will integrate the department's strategic policy, business planning, communications and consultations functions into a cohesive unit.

Ensuring a stable financial foundation

- The department proactively disclosed all contracts with a value of more than \$10,000—as well as the travel and hospitality expenses of the Minister, his Parliamentary Secretary, and exempt staff and senior employees—on its Web site.
- The maintenance, refinement and improvement of activity-based costing models applied to resource planning ensured the efficient identification of resources transferred from the former Department of Foreign Affairs and International Trade.

Continuing the implementation of a modern management action plan

- A prototype performance management tool known as “IBD Dashboard” was developed based on commercial software to marry financial and non-financial information. Using a wide range of measurement metrics, the production version of this tool, which will be piloted in the International Business Development program, is planned for summer 2005 delivery. When it is fully operational, Dashboard will enhance the department's capacity

to analyze the cost-effectiveness of IBD operations in missions abroad. Once proven, it could be expanded to other areas of the department.

- The department introduced use of a leave liability report to help managers determine financial liabilities related to the management of leave.
- A separate section was created in the PeopleSoft human resources database to allow the separate management of International Trade employees.

Modernization of human resources management

- The department seeks to provide leadership at all levels to promote results, encourage innovation, support work-life balance, reward excellence and foster employee commitment. To contribute to this priority, and as identified in the *2004-2005 Report on Plans and Priorities*, the department undertook the following activities:
- Ensured that the Performance Management Agreements of executive-level staff are aligned more closely with the department's priorities to aid in the assessment of individual performance against departmental strategic objectives. This requirement has been communicated to members of the executive cadre and a monitoring and audit system has been developed to ensure compliance.
- Assisted managers with the creation and implementation of a Web-based Manager's Corner that provides them with human resources, financial and information technology tools, enabling them to do their jobs more effectively. This was implemented in April 2004.
- Designed, developed and implemented a new PMP, based on competencies and results, for all employees below the executive level. This new program will ensure that every employee has a performance plan that is linked to the department's priorities, as well as a clear understanding of how his or her work contributes to the department's mandate. To launch the multifaceted Web-based application, PMP Online, and ensure visibility of the new program and support from senior management, a dynamic communications strategy was developed and implemented in March 2005.

A new performance management policy and training program were also developed. During its first two months of operation, over 3,500 employees and managers used the system, close to 700 teams were set up, more than 500 employees started their employee preparations and over 800 reviews were identified as in progress. The department also trained over 2,500 managers and employees in Ottawa and overseas, with many more taking advantage of the on-line training the system provides. Eight other government departments have expressed interest in adopting this new performance management system. A full evaluation of the new program is slated for the spring of 2006.

- Improved and expanded the assignment processes in order to ensure a better succession planning strategy and to draw from a larger pool of talent and competencies, including non-rotational employees and candidates from other departments.
- Continued the alignment of the human resources planning process with the department's business planning process, as required under the Public Service Modernization Act. This will ensure that human resources planning is aligned to and fully incorporated into departmental plans and priorities (see http://www.tbs-sct.gc.ca/est-pre/20052006/p3-1_e.asp#_TOC89219449).
- To improve the management of all employees and create an aligned, seamless organizational structure, the department undertook the following activities:
 - Improved the transparency and timeliness of the hiring, staffing assignment and recruitment processes. This has been achieved through the creation of generic assessment tools, generic job descriptions and competency profiles for key occupational groups: the FS, Commerce (CO), and Economic, Sociology and Statistics (ES) groups. A competency-based behavioural interview guide has also been prepared to assist managers in the staffing process. Work continues with regard to the development of pools of pre-qualified candidates for the CO and ES occupational groups, similar to the FS pool, and to develop procedures to manage and simplify lateral movement between these pools. The heads of
- mission selection process has also been expanded this year to include nominees from other government departments. The department has further improved the transparency of the assignment process through the creation of corporate boards, providing key corporate oversight and ensuring that candidates now receive feedback on their job applications for specific assignments.
- Following the signature, on June 7, 2005, of the new FS collective agreement, the department has begun the process of converting to the new FS classification standard and four-level pay structure, with an effective date of July 1, 2005. The new classification standard increases the number of levels within the FS group from two to four to more fully reflect different degrees of responsibility, skill and performance. An Advance Personal Notification provided employees with information on the classification of all positions in the new structure prior to the conversion. Features of the new classification standard and its impact on affected employees were communicated widely through small group information sessions led by management facilitators. Approximately 25 sessions were held in January 2005. In addition, useful information for employees, such as frequently asked questions, was posted on the department's intranet site. The new FS agreement and four-level structure will bring about a significant change to the management of the FS group and is a key component of the Government of Canada's overall strategy to modernize and revitalize the Canadian Foreign Service.
- To ensure that it has a highly skilled and committed workforce with the right people in the right places at the right time, the department undertook the following activities:
 - Developed competency profiles for CO, ES, Executive (EX) and most Heads of Missions (HOM) and Management and Consular Officers (MCO) positions.
 - A new on-line course ("A Year in the Life of a Director"), which focuses on the basics of financial and human resources management, was delivered to newly appointed managers and a curriculum for

newly recruited administrative assistants was piloted and completed. Furthermore, employees continued to successfully complete official languages training to targeted levels in a fraction of the time normally allocated, and there was a twofold increase in the number of individuals completing foreign language training to target proficiency, increasing their effectiveness at missions abroad.

- Reviewed the basic framework for establishing the terms and conditions of employment for locally engaged staff at missions in order to harmonize the framework with the intent and principles of the Public Service Modernization Act. Work is under way, following widespread consultations and employee surveys, to have a new set of regulations approved and a training program developed for managers abroad.
- Continued to improve working and living conditions for employees posted at locations abroad where infrastructure does not meet Canadian standards. Based on the recent experiences of mission staff, a strategy was developed to address financial issues, housing, education, and assistance for spouses and child care, as well as additional support for those in missions subject to difficult situations such as emergency evacuations. Work is now under way with Treasury Board and bargaining agents to address many of these issues. Following a review of the cost-of-living measures, the department reduced accommodation costs for over 95 percent of Canadian staff at missions abroad. To address high vacancy levels in the new U.S. missions, special measures are being taken to ensure that benefits reflect the real cost of living in the United States.
- Successfully implemented initiatives to recognize, value and learn from the experience of personnel returning from postings. A survey was sent to all returning personnel to identify critical issues, and a welcome-back reception was held for returnees and spouses from Foreign Affairs and International Trade, the CIDA, and Citizenship and Immigration Canada. A one-day “Learning from Experience” seminar was also held for those returning from Latin America.
- Continued implementation of the Enhanced Support Model Abroad, to improve information

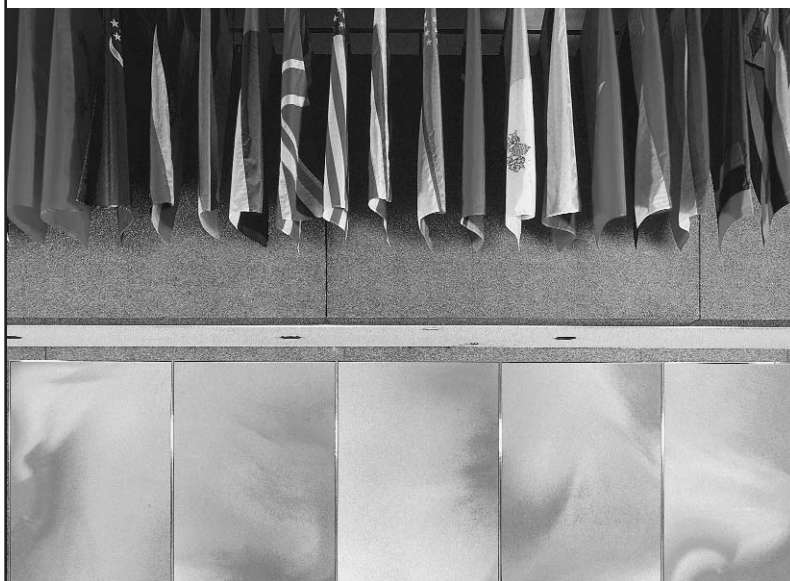
management and technology support at missions. The IMT Learning Portal, which provides mission staff with the same access to training available in Ottawa, has been developed and marketed through learning drives at missions.

- To provide a supportive, high-performing workplace that enables employees to perform to the best of their ability, the department has undertaken the following activities:
- Implemented government-wide objectives related to human resources modernization, workforce diversity, official languages and learning. Accomplishments in these areas include the development of a Values and Ethics Roadmap, as well as the implementation of a training program on bias-free recruitment and diversity. The department has also developed and implemented an official languages training strategy, and every mission now has a clearly identified officer responsible for official languages, who has been trained to support official languages policy and requirements. Moreover, the new departmental recruitment strategy contains provisions to address employment equity for designated groups through accelerated internal promotions, and the 2005 recruitment campaign has been designed to specifically address the need for increased representation of designated employment equity groups in certain occupational groups, particularly the EX group.
- Successfully managed the Public Service Alliance of Canada strike in October 2004 in a relatively good climate.
- In keeping with the new Public Service Modernization Act, the department undertook to develop a quicker informal dispute resolution means and to implement the model for labour-management relations. Accomplishments include the creation of a new Labour-Management Committee and the implementation of alternative dispute resolution mechanisms.

The following is an important accomplishment that deserves mention despite the fact that it does not fit under established priorities:

- The temporary assignment of a trade development officer in the area affected by the Indian Ocean tsunami facilitated the identification of emergency supply requirements available from Canadian manufacturers. In addition, the department set up an interdepartmental working group (including a dedicated Web site) to develop a trade mission to provide building materials and housing as part of relief and rebuilding efforts.

Supplementary Information



Section 3

3.1 Organizational Information

The Minister for International Trade is the Honourable James Scott Peterson, PC, MP. His responsibilities include trade and investment policy and promotion, and international S&T. He is assisted by Mark Eyking, MP, Parliamentary Secretary (Emerging Markets).

The Minister for International Trade fulfills his responsibilities through a range of activities, including:

- development of trade and economic policy;
- active engagement with provincial, territorial, business and society stakeholders to facilitate, stimulate and sustain Canadians' involvement in developing and implementing Canada's trade agenda;
- management of bilateral, regional and multilateral trade relations;
- leadership of the Government of Canada's international business development and investment-related initiatives;
- promotion of S&T flows with foreign countries and companies;

- management and administration of the Export and Import Permits Act; and
- provision of financing for export transactions.

The Minister for International Trade is supported by the Deputy Minister, five Assistant Deputy Ministers, and two Associate Assistant Deputy Ministers. Four Assistant Deputy Ministers develop policies and initiatives to achieve the global objectives of the department's four main branches: trade policy, international business development, investment partnerships and world markets. The World Markets Branch integrates Canada's trade resources abroad and provides country and regional analyses to inform the work of the three other branches. The fifth Assistant Deputy Minister is responsible for strategic policy, communications and corporate planning. It should be noted that the World Markets Branch and the Strategic Policy, Communications and Corporate Planning Branch are still awaiting Treasury Board approval; this description therefore represents our planned organizational structure.

The Assistant Deputy Ministers are responsible for the main program activity areas. Accountability below the Assistant Deputy Minister level is governed by the department's Program Activity Architecture. The

Directors General are responsible for the management and performance of sub-activities. The Directors General are supported by Directors, who are accountable for individual programs.

The department is made up of the following components:

- the Trade Policy Branch;
- the Trade Law Bureau;
- the Business Development Branch (including 12 Regional Offices across Canada);
- the World Markets Branch (pending Treasury Board approval);
- the Investment, Science and Technology Branch; and
- the Strategic Policy, Communications and Corporate Planning Branch (pending Treasury Board approval).

3.1.1 Governance of Our Business Planning

At the corporate level, the business planning process is led by the Executive Committee which is chaired by the Deputy Minister. Usually initiated by an executive-level retreat in early fall, a clear set of strategic objectives and priorities is agreed to and these are articulated in a set of instructions to all members of departmental management. Direct input is sought from program managers at trade offices abroad to ensure that their goals are aligned to the priorities of the department and of the Government of Canada. To inform decision making and resource allocation, program managers prepare an annual business plan that identifies resource use, the economic context within their respective area of responsibility, major activities planned and expected results. These plans form the basis of a dialogue with partner departments on policy priorities and resource requirements. After the appropriate discussions, the information is fed into our planning processes and used to inform our Report on Plans and Priorities and Departmental Performance Report. In 2005-2006 we will examine

our business planning processes with a view to continually improving our focus on the results achieved (outcomes), not just our activities (outputs).

3.1.2 The Office of the Inspector General

To ensure that all our programs are soundly managed, the Office of the Inspector General conducts periodic program audits. These audits provide objective information with which to assess the robustness of our management and control framework. The Evaluation Division of the department provides evidence-based information on the extent to which programs are achieving their stated results. The division also works with managers to develop results-based management and accountability frameworks for a number of program areas. These frameworks help managers track and monitor progress over the life cycles of their programs.

Senior management is kept abreast of all significant emerging issues through the Audit and Evaluation Committee. The committee reviews and approves the annual audit and evaluation plan, directs the Office of the Inspector General to conduct reviews, and hears and discusses the results of recent audit and evaluation reports. The committee is chaired in rotation by the Deputy Minister and all Assistant Deputy Ministers. Outside observers (such as representatives of the Treasury Board Secretariat) are invited to meetings of the committee.

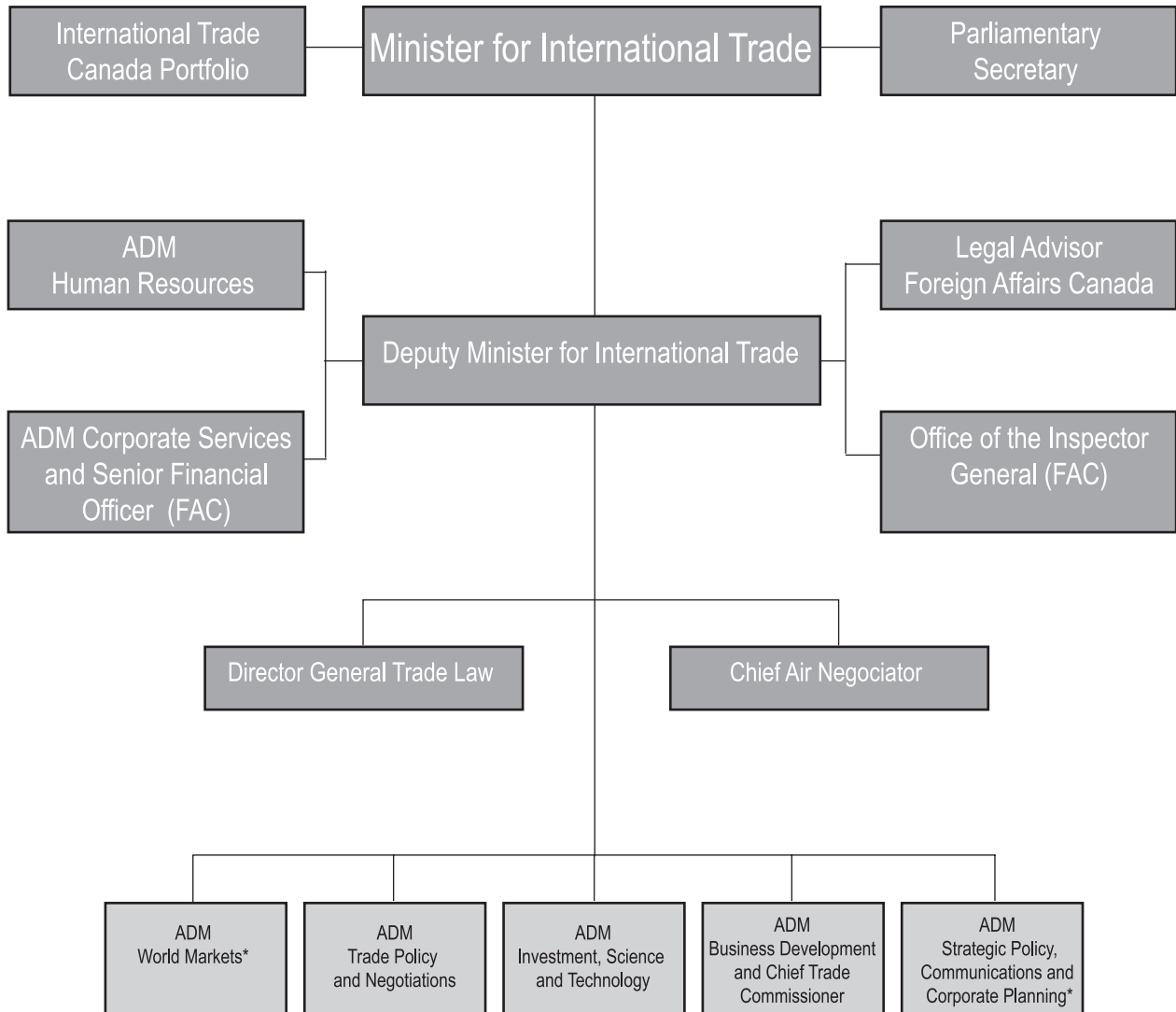
3.1.3 Portfolio Management

The department's portfolio includes three external organizations that report to the Minister for International Trade, but with which an arms-length relationship exists as they are outside the department's direct governance structure. The existence of a reporting relationship enables the department to better understand how these organizations contribute to the broad policy goals of the Government of Canada. Each organization produces its own annual plans and reports its performance through an annual report. Information on specific commitments and results is available on their Web sites, listed in Section 4.1 of this report.

The following three organizations report to the Minister for International Trade:

- Export Development Canada, a Parent Crown Corporation under Schedule III of the Financial Administration Act. It is a financial institution that provides trade-related financial and insurance services to Canadian exporters and investors. Its services include the use of the Canada Account, authorized by the Minister for International Trade, which is used to support external transactions that the corporation is unable to support. The Canada Account is included in our Program Activity Architecture.
- Canadian Commercial Corporation, a Parent Crown Corporation under Schedule III of the Financial Administration Act. It is an export sales agency that works to expand Canada's international trade
- North American Free Trade Agreement Secretariat (Canadian Section), an agency of the Government of Canada under Schedule 1.1 of the Financial Administration Act. The secretariat helps to administer NAFTA dispute settlement provisions.

Department of Foreign Affairs and International Trade (*International Trade*) Organizational Chart



ADM = Assistant Deputy Minister

* pending TB approval

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3.2 Financial Information

Table 1: Comparison of Planned Spending to Actual Spending (incl. FTEs) (\$ millions)

	Actual 2002 - 2003	Actual 2003 - 2004	2004 - 2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
Business Lines						
International Business Development	0.0	92.5	92.4	92.4	91.9	85.9
Trade Policy*	0.0	58.3	44.7	44.7	108.8	104.8
Investment Promotion	0.0	5.8	5.7	5.7	6.1	7.5
Corporate Services**	0.0	23.0	25.6	25.6	27.8	10.6
Total	0.0	179.6	168.4	168.4	234.6	208.8
Total	0.0	179.6	168.4	168.4	234.6	208.8
Less: Non-Respendable revenue	0.0	19.2	26.3	26.3	19.2	23.5
Plus: Cost of services received without charge ⁺	0.0	8.0	13.3	13.3	13.3	8.8
Net cost of Department	0.0	168.4	155.4	155.4	228.7	194.1
Full Time Equivalents	N/A	1,210.0		1,259.0		1,316.0

Explanatory Notes:

* The variance between Main Estimates and Total Authorities is largely attributable to supplementary estimates, the bulk of which represent remittances to provincial governments under the 1996-2001 Canada-U.S. Softwood Lumber Agreement, as well as for an adjustment to cover contributions under the WTO Trade Research and Technical Assistance Program.

The Trade Policy business line in this table incorporates the Trade Law Bureau.

** The Corporate Services business line in this table incorporates the Offices of the Minister and Deputy Minister for International Trade.

The difference between planned and actual spending for the Corporate Services business line is related to the allocation of shared services between the Foreign Affairs and International Trade components of the department.

⁺ Services received without charge usually include accommodation provided by PWGSC, the employer's share of employees' insurance premiums, and expenditures paid by TBS (excluding revolving funds), Workers' Compensation coverage provided by Social Development Canada, and services received from the Department of Justice Canada (see Table 4).

As previously noted, the Department of Foreign Affairs and International Trade (*International Trade*) was established as a separate department effective December 12, 2003. Therefore, as Department of Foreign Affairs and International Trade (*International Trade*) did not exist at the time the 2002-2003 Public Accounts were completed, no amounts are shown under Actual Spending 2002-2003 section of this table.

Table 2: Use of Resources by Business Lines (\$ millions)

2004 - 2005								
Business Lines	Budgetary						Plus: Non-Budgetary	Total
	Operating	Capital	Grants and Contributions	Total: Gross Budgetary Expenditures	Less: Respendable Revenue	Total: Net Budgetary Expenditures	Loans, Investments and Advancements	
International Business Development								
Main Estimates	78.7	0.0	16.7	95.4	3.1	92.4	0.0	92.4
<i>Planned Spending</i>	77.9	0.8	16.7	95.4	3.1	92.4	0.0	92.4
Total Authorities	83.2	0.0	11.8	95.0	3.1	91.9	0.0	91.9
<i>Actual Spending</i>	76.1	0.0	10.9	87.0	1.2	85.9	0.0	85.9
Trade Policy								
Main Estimates	44.2	0.0	0.5	44.7	0.0	44.7	0.0	44.7
<i>Planned Spending</i>	43.7	0.5	0.5	44.7	0.0	44.7	0.0	44.7
Total Authorities	58.8	0.0	50.0	108.8	0.0	108.8	0.0	108.8
<i>Actual Spending</i>	54.8	0.0	50.0	104.8	-	104.8	0.0	104.8
Investment Promotion								
Main Estimates	5.7	0.0	0.0	5.7	0.0	5.7	0.0	5.7
<i>Planned Spending</i>	5.7	0.0	0.0	5.7	0.0	5.7	0.0	5.7
Total Authorities	6.1	0.0	0.0	6.1	0.0	6.1	0.0	6.1
<i>Actual Spending</i>	7.5	0.0	0.0	7.5	0.0	7.5	0.0	7.5
Corporate Services								
Main Estimates	25.6	0.0	0.0	25.6	0.0	25.6	0.0	25.6
<i>Planned Spending</i>	25.6	0.0	0.0	25.6	0.0	25.6	0.0	25.6
Total Authorities	27.8	0.0	0.0	27.8	0.0	27.8	0.0	27.8
<i>Actual Spending</i>	10.6	0.0	0.0	10.6	0.0	10.6	0.0	10.6

Due to rounding figures may not add to total shown.

Supplementary Information

Table 3: Voted and Statutory Items (\$ millions)

Vote (V) or Statutory (S) Item	Truncated Vote or Statutory wording	2004 - 2005			
		Main Estimates	Planned Spending	Total Authorities	Actual
1	Operating expenditures	133.0	149.9	157.9	133.0
5	Capital expenditures	0.0	1.3	0.0	0.0
10	Grants and Contributions	17.2	17.2	61.7	60.8
(S)	Minister for International Trade – Salary and motor car allowance	0.1	0.0	0.1	0.1
(S)	Payment under the Diplomatic Service (Special) Superannuation Act	0.0	0.0	0.0	0.0
(S)	Contributions to employee benefits plans	18.1	0.0	14.5	14.5
(S)	Passport Revolving Fund	0.0	0.0	0.0	0.0
(S)	Refund of amounts credited to revenue in previous years	0.0	0.0	0.4	0.4
(S)	Collection agency fees	0.0	0.0	0.0	0.0
(S)	Spending of proceeds from disposal of surplus Crown assets	0.0	0.0	0.0	0.0
(S)	Loss on foreign exchange	0.0	0.0	0.0	0.0
	Total	168.4	168.4	234.6	208.8

Table 4: Net Cost of Department (\$ millions)

	2004 - 2005
Total Actual Spending	208.8
<i>Plus: Services received without charge</i>	
Accommodation provided by Public Works and Government Services Canada (PWGSC)	3.4
Contributions covering employers' share of employees' insurance premiums and expenditures paid by TBS (excluding revolving funds)	5.2
Workers' compensation coverage provided by Social Development Canada	0.1
Salary and Associated expenditures of legal services provided by Justice Canada	0.1
	8.8
Less: Non-responsible Revenue	23.5
2004 – 2005 Net cost of Department	194.1

Table 5: Contingent Liabilities

Contingent Liabilities	March 31, 2004	March 31, 2005
<i>Claims, Pending and Threatened Litigation</i>	340.9	0.0
Total	340.9	0.0

Explanatory Notes:

As of March 31, 2005, there were no contingent liabilities estimated as outstanding against the Department of Foreign Affairs and International Trade (*International Trade*).

Supplementary Information

Table 6: Sources of Respendable and Non-Respendable Revenue (\$ millions)

Respendable Revenue

Business Lines	Actual 2002 - 2003	Actual 2003 - 2004	2004 - 2005			
			Main Estimates	Planned Spending	Total Authorities	Actual
International Business Development						
Trade fairs and trade / investment technology missions	0.0	1.1	3.1	3.1	3.1	1.2
Trade Policy						
	0.0	0.0	0.0	0.0	0.0	0.0
Investment Promotion						
International Youth Exchange	0.0	0.0	0.0	0.0	0.0	0.0
Corporate Services						
Telecommunication services	0.0	0.0	0.0	0.0	0.0	0.0
Training services	0.0	0.0	0.0	0.0	0.0	0.0
Real property services abroad	0.0	0.0	0.0	0.0	0.0	0.0
Total Respendable Revenue	0.0	1.1	3.1	3.1	3.1	1.2

Non-Respendable Revenue

International Business Development						
Contributions repaid under the Program for Export Market Development	0.0	2.9	2.5	2.5	2.9	2.4
Adjustment to Previous Year's Expenditures	0.0	0.0	0.0	0.0	0.0	0.1
Trade Policy						
Softwood lumber permit fees	0.0	0.0	0.0	0.0	0.0	0.0
Import and export permit fees	0.0	16.3	17.0	17.0	16.3	18.6
Adjustment to Previous Year's Expenditures	0.0	0.0	0.0	0.0	0.0	2.3
Investment Promotion						
Adjustment to Previous Year's Expenditures	0.0	0.0	0.0	0.0	0.0	0.0
Corporate Services						
Employee rental shares and transportation	0.0	0.0	5.8	5.8	0.0	0.0
Sales of properties and other assets	0.0	0.0	0.0	0.0	0.0	0.0
Adjustment to Previous Year's Expenditures	0.0	0.0	1.0	1.0	0.0	0.0
Services provided to the Passport Office	0.0	0.0	0.0	0.0	0.0	0.0
Gain on foreign exchange	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.1
Total Non-Respendable Revenue	0.0	19.2	26.3	26.3	19.2	23.5

Due to rounding figures may not add to total shown.

Table 7: Resource Requirements by Branch (\$ millions)

Branch	International Business Development	Trade Policy	Investment Promotion	Corporate Services
Minister and Deputy Minister Office				
Main Estimates				3,989.0
Planned Spending				3,989.0
<i>Total Authorities</i>				4,854.8
Actual Spending				2,997.6
Legal Affairs				
Main Estimates		2,621.3		
Planned Spending		2,621.3		
<i>Total Authorities</i>		2,615.3		
Actual Spending		2,225.6		
Trade and Economic Policy				
Main Estimates		42,058.7		
Planned Spending		42,058.7		
<i>Total Authorities</i>		106,175.0		
Actual Spending		102,575.0		
International Business Development				
Main Estimates	92,398.0			
Planned Spending	92,398.0			
<i>Total Authorities</i>	91,886.5			
Actual Spending	85,886.1			
Investment Partnerships				
Main Estimates			5,709.0	
Planned Spending			5,709.0	
<i>Total Authorities</i>			6,062.2	
Actual Spending			7,516.4	
Corporate Services				
Main Estimates				21,600.0
Planned Spending				21,600.0
<i>Total Authorities</i>				22,918.0
Actual Spending				7,626.1

Table 8A: User Fees Act

User Fee: Access to Information and Privacy Act

Fees charged for the processing of access requests filed under the Access to Information Act

Fee Type:	Other
Fee-setting Authority:	Access to Information Act
Date Last Modified:	1992

2004 - 2005			Planning Years		
Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
2.0	0.8	96.0	2005-2006	2.0	222.0
			2006-2007	2.0	256.0
			2007-2008	2.0	249.0
Total	2.0	0.8	Total	6.0	727.0

2004-2005 Performance Standard: The framework is under development by TBS. For more information, see <http://lois.justice.gc.ca/en/a-1/8.html>.

2004-2005 Performance Results: Statutory deadlines met 65 percent of the time.

Other Information:

It is the department's practice to waive fees where the total owing per request amounts to less than \$25. There was a significant increase in the number of times fees were waived in 2004-2005 due to the department's failed performance in responding to applicants within the legislative timeframes.

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User Fee: Import / Export Permit Fees

Fee Type:	Regulatory Service
Fee-setting Authority:	Export and Import Permits Act
Date Last Modified:	May 16, 1995

2004 - 2005			Planning Years			
Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)	
			2005-2006	6,900.0	8,969.0	
17,000.0	18,534.0	8,790.0	2006-2007	7,000.0	8,900.0	
			2007-2008	7,100.0	8,900.0	
Total	17,000.0	18,534.0	Total	21,000.0	26,769.0	

2004-2005 Performance Standard: Performance standards are available at <http://www.international.gc.ca/eicb/ServiceGoals-en.asp>.

2004-2005 Performance Results: A total of 1,060,940 import and export permits were issued during 2004-2005. This amount consists of 964,055 import permits and 96,885 export permits or certificates. Detailed information is published yearly in the Export and Import Permits Act Annual Report to Parliament.

Other Information: The issuance of import / export permits is fundamental to the control of the export and import of goods identified under the Export and Import Permits Act. Export permits cost \$9 each if issued by a broker and \$14 if issued by the department. Import permit fees vary depending on the value of the goods shipped. The revenue collected for import and export permits is non-respendable and credited directly to the Consolidated Revenue Fund.

User Fee: Trade Fairs and Missions

The department organizes Canadian business participation in trade shows and trade missions to assist them in penetrating foreign markets in specific priority sectors identified by Canadian missions around the world. Support for trade fair participation includes turnkey booths, and trade mission support includes transportation, translation, room rentals, hospitality events, etc. The costs of many of these are recovered from participants in the form of participation fees.

Fee Type:	Other Products and Services (O), Cost Recovery
Fee-setting Authority:	TB Net Voting Authority—Trade Fairs and Missions
Date Last Modified:	Date introduced: March 21, 1996

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Supplementary Information

2004 - 2005			Planning Years		
Forecast Revenue (\$000)	Actual Revenue (\$000)	Full Cost (\$000)	Fiscal Year	Forecast Revenue (\$000)	Estimated Full Cost (\$000)
1,000.0	1,140.0 ¹	1,138.0 ²	2005-2006	950.0	950.0
			2006-2007	950.0	950.0
			2007-2008	900.0	900.0
Total	1,000.0	1,140.0	Total	2,800.0	2,800.0

2004-2005 Performance Standard: The performance standard is driven by the departmental key results related to IBD and the departmental strategic priorities.

For business clients:

1. Expand and/or acquire network of new key local contacts
2. Better market intelligence
3. Build greater awareness of new opportunities in the local market
4. Active pursuit of business, investment or S&T leads
5. Expand and/or diversify products and services in the foreign markets

For foreign contacts:

6. Increase awareness and knowledge of the business environment and opportunities

2004-2005 Performance Results: In 2004-2005, more than 1,700 initiatives were undertaken at missions under the Client Service Fund (CSF) program. Approximately 700 involved coordination and/or participation at trade fairs.

For the business clients involved:

- 52 percent have “greatly” or “considerably” expanded their network of new key local contacts.
- 68 percent were provided with better market intelligence on local market leads relating to export development investment and S&T.
- 51 percent have built greater awareness of new opportunities in the local market.

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2004-2005 Performance Results:

- 64 percent have begun pursuing new opportunities.
- 69 percent have expanded or diversified their products and services in the target market.

For the foreign contacts involved:

- 69 percent have increased awareness and knowledge of the business environment and opportunities in Canada.

Other Information: The cost-sharing of CSF initiatives was funded by the cost-recovery fees paid to missions, leveraged funds, CSF program funds and/or funds received from partner clients.

Achievement of Results: The achievement of results is driven by the departmental key results related to IBD and departmental strategic priorities:

- Provide effective delivery of IBD services through improvement in the quality, speed and consistency of services to Canadian business clients, expansion in range of services provided to existing clients, enhancement of relationship with local contacts, and better integration of activities with Canadian partners in priority sectors.
- Provide better market intelligence including business leads relating to export development, investment, and S&T, intelligence on the local market including barriers, regulations, emerging trends and upcoming events.
- Build greater awareness of opportunities in the local market by expanding the number of viable local contacts, increasing the number of export development, investment, and S&T leads in existing market(s), increasing technology partnerships and improving investment attraction, retention and reinvestment.
- Increase the visibility of Canadian products and services by developing and increasing awareness and interest among local contacts of Canadian capabilities, technologies and processes, education, arts and cultural industries.
- Expand the base of Canadian businesses active in world markets by developing awareness and interest among Canadian clients in the local market, increasing the number of export-ready Canadian clients active in the local market, expanding the scope of client services to include investment and S&T, broadening exports and the export base with increased emphasis on services and technology, and increasing collaborative work with partner-clients to achieve results for business clients.

Note:

1. Collected by missions in connection to Client Service Fund (CSF) initiatives.
2. Incurred from revenues collected by missions in connection to CSF initiatives.

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Table 8B: Policy on Service Standards for External Fees

External Fee: Fees charged for the processing of access requests filed under the Access to Information Act

Service Standard¹: The framework is under development by TBS. For more information, see <http://laws.justice.gc.ca/en/A-1/index.html>.

Performance Result¹: Statutory deadlines met 65 percent of the time.

Stakeholder Consultation: The service standard is established by the Access to Information Act and the Access to Information Regulations. Consultations with stakeholders were undertaken for amendments done in 1986 and 1992.

Other Information: Three delay complaints were filed with the Office of the Information Commissioner. All were resolved to the satisfaction of the Information Commissioner.

It is the department's practice to waive fees where the total owing per request amounts to less than \$25. There was a significant increase in the number of times fees were waived in 2004-2005 due to the department's failed performance in responding to applicants within the legislative timeframes.

External Fee: Import/Export Permit Fees

Service Standard¹: Deliver non-routed permits within 15 minutes of the time of application if there is no problem with the application: 10 minutes for processing and 5 minutes to transfer import permits to the ACROSS system used by the Canada Customs and Revenue Agency. The response messages will be transmitted to the originator as soon as they are available. The overall turnaround time will be dependant on the frequency with which the client will sign-on and receive responses.

Process routine permit applications submitted by fax, mail or courier within two business days of receipt.

Process within four business hours import and export permit applications that are automatically redirected (routed) to the bureau's officers or that have been flagged for an officer's review by the applicant when no additional information or documentation is required.

Review promptly import and export permit applications that cannot be completed electronically and advise applicants of any necessary supporting documentation or additional information within four hours, and endeavour to resolve any outstanding issues as expeditiously as possible.

For strategic goods, complete the processing of applications for permits to export controlled strategic goods from eligible exporters, who have provided all required supporting documentation, within five working days, where consultation outside the Export and Import Controls Bureau is not required; and within 30 days where consultation is required.

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Performance Result: Deliver non-routed permits within 15 minutes of the time of application standard met over 95% of the time

Process routine permits within two business days of receipt met 95% of the time.

Process routed permits within four business hours met 90% of the time.

Review standard met 90% of the time.

Processing standards met 85% of the time.

Stakeholder Consultation: Nil

Other Information: Nil

Note:

1. As established pursuant to the Policy on Service Standards for External Fees:

- Service standards may not have received parliamentary review.
- Service standards may not respect all performance standard establishment requirements under the UFA (e.g. international comparison, independent complaint address).
- Performance results are not legally subject to UFA Section 5.1 regarding fee reductions for failed performance.

Table 9: Details on Project Spending (\$ millions)

Business Line	2002 - 2003		2003 - 2004		2004 - 2005		
	Current Estimated Total Cost	Actual Spending (\$)	Actual Spending (\$)	Main Estimates (\$)	Planned Spending (\$)	Total Authorities (\$)	Actual (\$)
International Business Development							
Virtual Trade Commissioner Part II	16.5	N/A	4.5	4.0	7.3	7.5	7.5

Supplementary Information

Table 10: Details of Transfer Payments Programs (TPPs)

Name of Transfer Payment Program: Export Market Development

Start Date: April 1971

End Date: N/A

Total Funding: N/A

Purpose of Transfer Payment Program: To increase Canadian prosperity and competitiveness in the international marketplace.

Objective, expected result and outcome: To increase export sales of Canadian goods and services by sharing the costs of activities that companies and associations normally could not or would not undertake alone, thereby reducing the risks involved in entering a foreign market.

Achieved results of progress made: Over \$2.2 million was repaid under PEMD-Industry in 2004-2005. Based on these repayments, incremental sales of over \$56 million were attributable to the program. Such repayments are linked to PEMD-Industry activities that took place in previous fiscal years. Results reported under PEMD-Associations include increased sales of \$8 million and prospective future sales worth \$163 million. (Some associations reported increased sales in terms of volume or percentage, and therefore are not included in these figures. We must also note that companies do not always report results to their associations, so PEMD-Associations results are likely higher than those reported.) One association linked its PEMD-supported activities in the U.S. to an increase in exports valued at \$509 million in 2004.

Other results include certification of a Canadian manufacturing process in the U.S. and public endorsement of the U.S. Department of Energy and of two American associations; potential partnerships worth up to \$26 million; financing agreements; initiation of licensing negotiations; coverage of two Canadian industry sectors in specialized foreign magazines; MOUs; recruitment of new members interested in exporting; and exposure of new exporters to foreign markets.

	2002 - 2003	2003 - 2004	2004 - 2005			
	Actual Spending (\$)	Actual Spending (\$)	Planned Spending (\$)	Total Authorities (\$)	Actual Spending (\$)	Variations between Actual and Planned Spending (\$)
Business Line:						
International Business Development	9,215,092.0	10,405,000.0	9,520,000.0	7,220,000.0	7,206,812.0	2,313,188.0
Total Contributions	9,215,092.0	10,405,000.0	9,520,000.0	7,220,000.0	7,206,812.0	2,313,188.0

PEMD-Industry was closed down in December 2004. No new applications had been approved since March 2004. Contracts are being honoured and the last claims will be paid on in March 2006. In 2004-2005, \$4.5 million was cut from the program.

Significant Evaluation Findings and URL to last evaluation: The last evaluation was done under the framework of the Treasury Board renewal of PEMD-Associations in March 2005. We are currently assessing the impact of the suggestions made in the evaluation. The management response should be published on the department's Web site by end of 2005.

Table 11: Response to Parliamentary Committees, Audits and Evaluations for 2004–2005

The following section provides a summary of activities undertaken by the Department of Foreign Affairs and International Trade (*International Trade*) to respond to those parliamentary committee reports that have partly or wholly affected the department.

Elements of an Emerging Markets Strategy for Canada

Adopted by the Committee on June 20, 2005 and presented to the House on June 22, 2005

Available at: <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=9099&Lang=1&SourceId=123384>

The Government of Canada's Response to Elements of an Emerging Markets Strategy for Canada, the 15th Report of the Standing Committee on Foreign Affairs and International Trade:

Will be presented to the House in October 2005 and will be available at http://www.parl.gc.ca/committee/CommitteeList.aspx?Lang=1&PARLSES=381&JNT=0&SELID=e24_&COM=8979

Dispute Settlement in the NAFTA: Fixing an Agreement under Siege

Adopted by the Committee on May 17, 2005 and presented to the House on May 18, 2005.

Available at <http://www.parl.gc.ca/committee/CommitteePublication.aspx?COM=8979&Lang=1&SourceId=116420>

The Government of Canada's Response to Dispute Settlement in the NAFTA: Fixing an Agreement under Siege, the Ninth Report of the Standing Committee on Foreign Affairs and International Trade:

Will be presented to the House in October 2005 and will be available at: http://www.parl.gc.ca/committee/CommitteeList.aspx?Lang=1&PARLSES=381&JNT=0&SELID=e24_&COM=8979

Internal Audits of Evaluations

Audit reports posted on Web site during 2004-2005:

Audits:

Mission Audits:

Berlin
Boston
Chicago
Detroit
Lisbon

New Delhi
New York
Osaka
Oslo

Paris
The Hague
Tokyo
Tripoli

Financial Assurance audits:

Management of Account Receivable

General Headquarters audits:

Departmental Library Services;
International Business Opportunities Centre;
and North Asia and Pacific Bureau
Information

Management Audit:

DFAIT Connectivity to the Internet

Web link:

<http://www.dfait-maeci.gc.ca/department/auditreports/auditreports-en.asp>

Table 12: Sustainable Development Strategy (SDS)

Key goals, objectives and/or long-term targets of the SDS:

Agenda 2006: A Sustainable Development Strategy for the Department of Foreign Affairs and International Trade provides a framework for the sustainable development initiatives from 2004 to the end of 2006. The key goals in Agenda 2006 are to:

- ensure greater integration of sustainable development in departmental policies, programs and operations;
- ensure that Canada's commitment to sustainable development is evident in our bilateral, regional and multilateral relations;
- promote international security and respect for human rights, good governance and the rule of law as prerequisites for sustainable development; and
- implement the two departments' priority commitments related to the World Summit on Sustainable Development: Johannesburg 2002.

Agenda 2006 and the first annual report on progress in implementing it can be found at <http://www.dfait-maeci.gc.ca/sustainable/sd-dd/menu-en.asp>.

How the key goals, objectives and/or long-term targets help achieve the department's strategic outcomes:

The intent of the four goals reflects some of the key results anticipated in the department's 2004-2007 strategic objective, Understanding and Advancing Canada's Interests Internationally, which are:

- (i) enhancement of Canada's domestic agenda through the international arena, working with Canadian partners;
- (ii) strengthened multilateral rules-based institutions and policy coherence;
- (iii) effective advocacy of Canada's global and human security interests; and
- (iv) effective management of trade disputes.

That relevancy is further reflected in the 2004-2005 targets that support the Agenda 2006 goals, and the progress in achieving them.

Our specific targets for the reporting period include:

- To continue to address by January 2005 the outstanding issues in the WTO negotiations in order to improve developing-country engagement in the global economy. Progress: With respect to the mandated negotiations of the outstanding implementation issues (para. 12a), Canada continues to be actively engaged in these discussions.
- With respect to the remaining implementation issues (para. 12b), the Director General must, in accordance with the decision adopted by the WTO General Council on August 1, 2004, report to the General Council and the Trade Negotiations Committee no later than May 2005, with any appropriate action to be taken by the General Council no later than July 2005. The department also continues to be actively engaged in these discussions.
- To promote long-term capacity building and structural reform for developing countries to reap the long-term benefits that ambitious trade liberalization can generate. Progress: Canada's efforts have focused on promoting the mainstreaming of trade policy into the national development and poverty reduction strategies of developing countries through programs such as the Integrated Framework (IF) for Trade-Related Technical Assistance to Least-Developed Countries and on helping developing countries to fully and effectively participate in the global trading system through programs such as the Joint Integrated Technical Assistance Programme (JITAP), the Programme for building African Capacity for Trade (PACT) and the African Trade Policy Centre (ATPC):

Continued on next page

- Canada has devoted considerable effort to ensure the relevance and viability of the IF, providing both guidance and financial support to the process. Canada is among the top donors in terms of financial contributions to the IF. Canada recently committed \$950,000 to Window II of the IF Trust Fund, bringing its total contribution since 2001 to \$2.95 million.
- JITAP seeks to build and strengthen the capacity of selected African countries to integrate into the global trading system. Canada played an active part in the design of Phase II of JITAP, which recently expanded the program from 8 to 16 African countries. Canada is also among the top donors in terms of financial contributions to JITAP. Canada committed \$7 million over three years (2003-2006) to the JITAP Common Trust Fund under the Canada Fund for Africa.
- PACT seeks to improve the capacity of SMEs and their support institutions to do business internationally and promote their exports. PACT is a joint program of the department and the Trade Facilitation Office Canada. Canada committed \$8 million over five years (2002-2007) to PACT under the Canada Fund for Africa to ensure that PACT's objectives are met.
- The ATPC helps African countries to represent their interests in negotiating trade agreements, integrate trade into national economic policies, and promote trade within Africa and with the rest of the world. Housed in the UN Economic Commission for Africa in Addis Ababa, Ethiopia, the Centre provides research, training, information dissemination, and technical support and advice. Canada committed \$5 million over four years (2003-2007) to the ATPC.
- To improve departmental knowledge and skill in applying SD principles as a result of training and communications. Progress: The department organized a two-day SD training course with a focus on climate change and renewable energy for 35 trade officers from missions in the U.S., Latin America, the Caribbean and Europe who attended the GLOBE 2004 event in Vancouver. The material was also sent on CD to all officers at missions covering the environment sector.
- The Operations Division of the Trade Commissioner Service, responsible for delivering training to trade promotion staff in Canada and abroad, developed stand-alone training material designed to illustrate how the promotion of Corporate Social Responsibility should be integrated into the delivery of the six core services that are provided to Canadian companies operating abroad. CSR training has also been added to the basic mandatory course that all trade officers, both Canadian and locally recruited, attend at the beginning of their career in the TCS.

Our progress to date:

See "Progress" inserts in text above.

Adjustments made:

The reorganization within the department precluded the completion of a number of awareness, training and advocacy programs. They are scheduled for completion in 2005-2006.

Table 13: Procurement and Contracting

Department of Foreign Affairs and International Trade (*International Trade*)

Points to address: Role played by procurement and contracting in program delivery

Organization's Input: In relation to contracting for services, the Corporate Services Branch acts as the centre of expertise, both within Canada and abroad. The mandate is to:

- develop policy;
- provide advice; and
- monitor and report on contracting activities in accordance with trade agreements and government policy.

Where it is cost effective, procurement of goods is managed through centralized areas of expertise in Canada for informatics equipment and peripherals, security equipment and supplies, furniture and office supplies, and staff accommodation here and abroad. All adhere to the key principles of effective life-cycle materiel and asset management. Logistical support to headquarters, Regional Offices and missions abroad is also a key element in investment and procurement decisions. Missions continue to acquire certain goods where economies cannot be realized through a centralized approach.

Points to address: Overview of how the department manages its contracting function

Organization's Input: The department operates in a decentralized procurement environment at headquarters, regions and missions abroad.

The departmental automated contracting system:

- enables the monitoring and reporting of contracts;
- responds to the requirement of public disclosure on contracts over \$10,000; and
- facilitates the development of departmental and government-wide procurement strategies.

Contract Review Boards at headquarters and missions abroad scrutinize all contracts to heighten prudence and probity; and to ensure openness, transparency and equal treatment to vendors, while achieving best value and meeting operational requirements in the delivery of programs.

Efforts have continued to improve the departmental contract intranet site, which consists of a wide range of policy documents and links, reference guides, tools, templates and forms used by personnel in the preparation of solicitation documents and contracts.

Continual classroom and on-line training is delivered to departmental officials at headquarters and missions abroad.

Points to address: Overview of how the department manages its procurement function

Organization's Input: The department manages its procurement function by providing corporate leadership for the development of informatics systems and real property infrastructure and associated asset base. This includes departmental policies, processes, systems, service standards and quality controls governing the procurement of goods and life-cycle management of materiel/assets. As well, Corporate Services provides advice to personnel on the development of cost-effective approaches for the procurement of goods and services, thereby ensuring that program activities are achieved within established deadlines and budgets. The strategies used are clearly identified and aligned with federal government objectives.

A Materiel Management Committee consisting of members from each centre of expertise reviews procurement issues and designs broad strategies to ensure that procurement moves forward with new government priorities.

Continued on next page

Points to address: Progress and new initiatives enabling effective and efficient procurement practices

Organization's Input: Current practices aim to provide a sound management framework relating to service contracts and promote key principles of the modern comptrollership agenda.

Strengthened practices have been witnessed through the following initiatives:

- An automated contracting system was implemented worldwide in December 2004 to capture relevant information on all contracts over \$5,000.
- Training on contracting continues as a priority. Courses addressing various levels of knowledge have been developed and delivered, including via on-line delivery. Regional training to more than 40 missions abroad is planned during Fiscal Year 2005-2006.
- The use of MERX for competitively awarded contracts continues to rise, thereby reducing the dependency on traditional methods of competition. Standing offers for professional services have been established where this represents the most efficient way to meet operational requirements and achieve the best value to the Crown.
- Through participation in the government initiative *The Way Forward*, the department expects to continue to gain efficiencies, resulting in lower costs to support program requirements.
- For the delivery of international construction projects and procurement of professional services, the Bureau responsible created a Contract Advisory Service to provide advice and monitor contracts, and a Contractual Issues Committee to monitor and improve the Department's contracting practices for these types of services. The contracting process is supported by dedicated legal advisers and procurement specialists.
- For headquarters, the Automated Inventory Management system for office furniture and furnishings was successfully implemented in 2004-2005. As part of a financial and materiel management system, this provides an accurate inventory listing, which is critical to the success of accommodation projects and program operations. The efficiencies gained to integrate asset management with broader projects ensure the most cost-effective service.
- Numerous ongoing upgrades are being made to the Information Technology Asset Management System in order to meet the thrust for improved asset tracking and service management. Notably, reports to monitor discrepancies and the addition of spares to the network are regularly forwarded to mission IT professionals.
- Much work has been done in reviewing processes and entrenching good stewardship practices in daily operations. Concrete examples are the request for volume discount for PC's, which generated enormous savings, as did the consolidation of maintenance agreements and software requirements.

Table 14: Service Improvement Initiative (SII)

Since its inception, the Trade Commissioner Service Client Survey has become the key measure of client perceptions of, and satisfaction with, the services offered by the TCS. The 2004 version of the TCS Client Survey was the fourth time that the department has conducted these consultations with its clients. Past surveys—in 1998, 2000 and 2002—have consistently demonstrated that our clients are largely satisfied (approximately 80 percent satisfaction rate) with the types and level of service received, and this year's results are no exception. The 2004 survey looked beyond the question of client satisfaction as we set our sights on better understanding the needs and expectations of our clients.

Among the highlights from the 2004 Client Survey:

- Client satisfaction remains high and stable (overall score of 4.02 out of 5).
- Clients attributed a total of \$25 billion of their annual financial results to TCS services—an average of \$7.6 million per client.
- Clients value services that help them to establish connections in foreign markets; “actionable” market intelligence and business leads over information; and personalized service.
- Demand for service is growing, especially among SMEs.
- Services provided to large businesses result in greater overall financial gains; however, the TCS has a greater impact on the success of SMEs.
- Awareness and use of Regional Offices is high.
- Awareness of, and satisfaction, with the VTC is high.

While they validated our service offerings and gave high marks to our overall quality of service, our clients also told us where we need to improve. They want better intelligence, they want us to know them and their industry intimately, and they want us to be more creative and proactive. Clients also noted that our five-day service standard to respond to initial client requests is slipping, with four out of five clients saying they received an acknowledgment of receipt within the five-day standard, it is still an acceptable benchmark; however, there has been an across the board drop from 90 percent in our previous survey to 80 percent in 2004.

We are responding by developing new training and professional development initiatives such as the Global Learning Initiative 2, designed to improve competitive intelligence gathering, networking skills and strategic business planning. By leveraging new technologies, such as TRIO (our new electronic Client Relationship Management system), and improving the functionality and services of the VTC, we will get to know our clients better, while delivering more personalized and effective services. Through integration of the Regional Offices, we will also have better knowledge of our clients and their capabilities.

Table 15: Horizontal Initiatives

Name of Horizontal Initiative: Team Canada Inc (TCI)

Name of lead departments: Department of Foreign Affairs and International Trade (*International Trade*), Agriculture and Agri-Food Canada, Canadian Heritage, Industry Canada and Natural Resources Canada (executive members) plus 11 other federal departments and agencies

Start date of the horizontal initiative: 1997

End date: Ongoing

Total funding: The initiative had an annual budget of \$1.3 million. Federal partners (members) of TCI contribute \$50,000 each per year, with the aforementioned executive members contributing \$150,000 each. Other partners contribute a range of products and services that address the various needs of Canadian exporters.

Description of the initiative: Team Canada Inc is a network of 16 federal departments and agencies working with the provinces and territories and other partners to help Canadian businesses succeed in world markets. TCI's purpose is to provide the Canadian business community with single-window access to fully integrated Government of Canada services with a view to enhancing exporter capability and preparedness in international market development.

Government of Canada priorities that are addressed by TCI include:

- o Raising the stature of Canada in the world
- o Assisting Canada's progress as a knowledge economy in a global context
- o Cooperating with other levels of government
- o Improving the competitiveness and productivity of Canadian business
- o Supporting the growth of Aboriginal businesses

Shared outcomes: According to the Common Performance Measurement Framework developed by TCI, common or shared outcomes are as follows:

Immediate outcomes:

- o Client satisfaction maintained or improved
- o Increased engagement of target groups with TCI services
- o Improved access to export support products and services across all regions of Canada

Intermediate outcomes:

- o Increased knowledge by client firms of the mechanics of exporting
- o Increased client awareness of business opportunities abroad
- o Increased involvement of service delivery partners

Expenditures totalling \$1.3 million in 2004-2005 supported the above shared outcomes. Due to the nature of the outcomes (i.e. diverse activities by multiple partners collectively contribute to a given outcome), it is impossible to allocate specific funding amounts to each.

The annual report of Team Canada Inc for the year ending March 31, 2004, can be ordered by calling 1 888 811-1119.

Continued on next page

Governance structure

A Management Board, currently chaired by the Department of Foreign Affairs and International Trade (*International Trade*), is responsible for planning, directing, managing and implementing this horizontal program. The Management Board consists of one official at the level of Director General (or equivalent) from each of the federal member organizations. The Management Board keeps the Deputy Ministers Committee (DMC) on IBD fully informed on TCI's progress in addressing its key results commitments and seeks direction from the DMC on IBD as required.

There is also an Executive Committee, which consists of the five DG-level Management Board representatives from the five executive members of TCI. Day-to-day operations of TCI are managed by the TCI Directorate (consisting of five full-time staff), which is accountable to the host department, currently the Department of Foreign Affairs and International Trade (*International Trade*), management structure. The Directorate is responsible for directing and managing TCI Directorate human and financial resources, and implementing TCI's annual action plan.

Each TCI partner provides specific products and services depending upon its mandate, which could focus on a particular function (e.g. export insurance), industry sector expertise (e.g. natural resources) or geographic focus (e.g. Atlantic Canada).

Federal partners:

- o Agriculture and Agri-Food Canada
- o Atlantic Canada Opportunities Agency
- o Canada Economic Development for Quebec Regions
- o Canada Mortgage and Housing Corporation
- o Canadian Commercial Corporation
- o Canadian Heritage
- o Canadian International Development Agency
- o Department of Foreign Affairs and International Trade (*International Trade*)
- o Environment Canada
- o Export Development Canada
- o Fisheries and Oceans Canada
- o Industry Canada
- o National Research Council Canada
- o Natural Resources Canada
- o Statistics Canada
- o Western Economic Diversification

In addition, TCI works with an extensive network of partners who are non-federal organizations that share an interest in increasing Canadian exports and that provide trade services to TCI's clients. They include provincial, territorial and municipal governments, community and economic development organizations, business associations, educational institutions, not-for-profit organizations and others.

Key programs:

- o ExportSource.ca on line export portal (\$165,000)
- o 1 888 toll-free export information service (\$225,000)
- o Information products (\$590,000)
- o Regional Trade Networks (\$320,000)

Continued on next page

Total allocation: Contribution of \$1.3 million from member departments

Forecast spending for 2004-2005: \$1,300,000

Actual spending for 2004-2005: \$1,250,000

Achieved results in 2004-2005: Visits to the ExportSource.ca Internet portal increased by 9 percent in 2004-2005, reaching a total of some 370,000 visits. As part of a client satisfaction survey undertaken in 2005, a majority of respondents (77 percent) indicated that ExportSource.ca rated good or better (a 2 percent increase from the previous survey) and 80 percent indicated they would use the site again.

The toll-free export information service received 10,456 calls in 2004, which represents a 6 percent decrease from 2003 (up substantially from 14 percent in 2002). Service standards with respect to the timeliness of responses continue to be met or exceeded. A 2004 client satisfaction evaluation indicated an 85 percent overall client satisfaction rating (higher than the industry standard for similar services).

During 2004-2005, more than 300 new service delivery partners across Canada were contacted to participate in the TCI network. Most new service delivery partners were trade and industry associations.

Comments on variance: The decrease in the volume of calls received by the toll-free telephone information service (believed to reflect an increased usage of the Internet) has slowed significantly since 2003-2004, which is likely the result of refocused marketing efforts.

While most respondents to client surveys are clearly satisfied with TCI products, it is evident that awareness of the range of products and services available is lower than it should be. This is due in great part to the limited resources that can be allocated to marketing and outreach activities.

Results achieved by non-federal partners: Not applicable

Contact information:

Michael Calvert
Head, Team Canada Inc Directorate
Telephone: (613) 952-7396
E-mail: Calvert.Michael@exportsource.ca

Table 16: Travel Policies

Organization: Department of Foreign Affairs and International Trade (*International Trade*) follows the TBS Special Travel Authorities

Authority: N/A

Coverage: N/A

Principal difference(s) in policy provisions: N/A

Principal financial implications of the difference(s): N/A

COMPARISON TO THE TBS TRAVEL DIRECTIVE, RATES AND ALLOWANCES

Organization: Department of Foreign Affairs and International Trade (*International Trade*) follows the TBS Travel Directive, Rates and Allowances

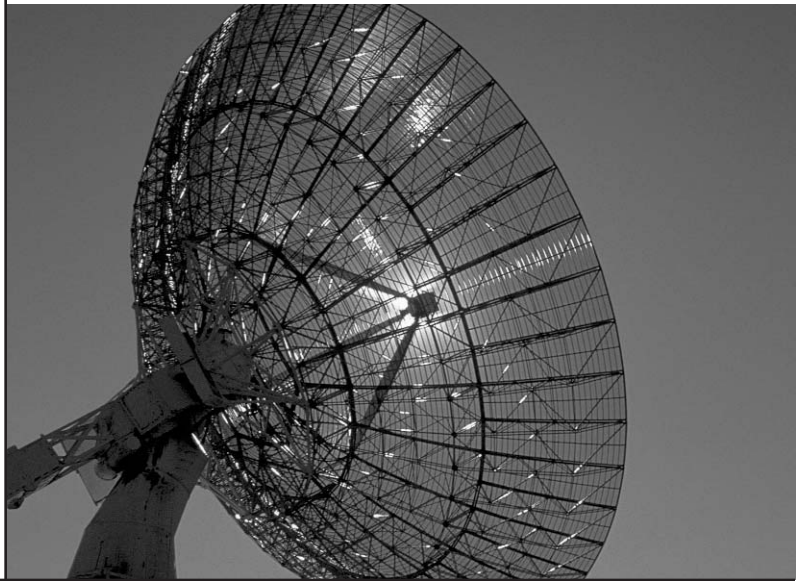
Authority: N/A

Coverage: N/A

Principal difference(s) in policy provisions: N/A

Principal financial implications of the difference(s): N/A

Other Items of Interest



Section 4

4.1 Contact Information

The Department of Foreign Affairs and International Trade (*International Trade*) shares a wealth of information resources and reference tools with the Canadian public through its information and media services.

Information Services

The Enquiries Centre is a referral service and resource centre that responds to general questions about the department, questions concerning exporting procedures and foreign markets, and questions about Canada's trade policy and involvement in international organizations. Where specialized knowledge is required, clients are referred to experts in the department. The Centre also coordinates the storage and distribution of the department's hard-copy publications.

Telephone: 1 800 267-8376 toll-free in Canada or (613) 944-4000 in the National Capital Region and outside Canada
TTY: (613) 944-9136 **Fax:** (613) 996-9709
E-mail: enqserv@international.gc.ca
Mail: Enquiries Services (SXCI)
Department of Foreign Affairs and International Trade (*International Trade*)
125 Sussex Drive,
Ottawa, ON K1A 0G2

The Department of Foreign Affairs and International Trade (*International Trade*) Web site (<http://www.itcan-cican.gc.ca>) is a source of up-to-date information addressing the needs of both domestic and international clients. A large number of documents published by the department can be accessed on-line at <http://www.international.gc.ca/english/news/public.htm>.

The department's library holds a unique collection of materials in areas relevant to its mandate. Selected services are available to members of the public conducting research in these subject areas. The library is open to the public Monday to Friday from 8:30 a.m. to 4:30 p.m. For information, telephone (613) 992-6150 or e-mail infotech@international.gc.ca.

Media Services

The Media Relations Office provides information to the media on all aspects of Canada's trade policy, relations with other countries, involvement in international organizations, and departmental operations. For information, telephone (613) 995-1874 or fax (613) 995-1405.

How to Contact Organizations Related to the Department

Canadian Commercial Corporation

Mail: 1100-50 O'Connor Street
Ottawa, ON K1A 0S6

Telephone: (613) 996-0034

Toll Free: 1 800 748-8191

Fax: (613) 995-2121

Web: <http://www.ccc.ca>

North American Free Trade Agreement

Mail: NAFTA (Canadian Section)
90 Sparks Street, Suite 705
Ottawa, ON K1P 5B4

Telephone: (613) 992-9388

Fax: (613) 992-9392

Web: <http://www.nafta-sec-alena.org>

Canadian Commercial Corporation

Mail: 151 O'Connor Street
Ottawa, ON K1A 1K3

Telephone: (613) 598-2500

Fax: (613) 237-2690

TTY: 1 866 574-0451

Web: <http://www.edc.ca>

4.2 Acronyms and Abbreviations

APEC Asia-Pacific Economic Cooperation (forum)

ATPC African Trade Policy Centre

BSE Bovine spongiform encephalopathy

CA4 Central America Four (El Salvador, Guatemala, Honduras and Nicaragua)

CCC Canadian Commercial Corporation

CDIA Canadian direct investment abroad

CIDA Canadian International Development Agency

CISP Community Investment Support Program

DPR Departmental Performance Report

EDC Export Development Canada

ERI Enhanced Representation Initiative

FDI Foreign direct investment

FIPA Foreign Investment Protection and Promotion Agreement

FS Foreign Service

FTAA Free Trade Area of the Americas

IBD International Business Development

IF Integrated Framework (for Trade-Related Technical Assistance to Least-Developed Countries)

IP Intellectual property

IPS International Policy Statement

JITAP Joint Integrated Technical Assistance Programme

MOU Memorandum of understanding

MRRS-PAA Management, Resources, Results Structure
—Program Activity Architecture

MTS Multilateral trading system

NAFTA North American Free Trade Agreement

OECD Organization for Economic Cooperation and Development

PACT Programme for building African Capacity for Trade

PEMD Program for Export Market Development

PMP Performance Management Program

PRAS Planning, Reporting and Accountability Structure

S&DT Special and differential treatment

S&T Science and technology

SME Small and medium-sized enterprise

TCI Team Canada Inc

TCS Trade Commissioner Service

UNESCO United Nations Educational, Scientific and Cultural Organization

VTC Virtual Trade Commissioner

WEF World Economic Forum

WTO World Trade Organization

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