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Globalization and Democracy: Whose World is it?

Panel: In the Name of Prosperity

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Globalization is not a *sine quo non* for prosperity - competitiveness is. Open borders and trade liberalization will allow market forces to exert themselves – (perhaps cruelly in some cases), but new equilibria, new value propositions establish themselves in time at higher levels. We call this “progress”. History tells us that. The laws of nature it seems reassert themselves, the difference being we have a chance to influence the outcomes for the greater good.

Globalization is also a bit like the weather – we frequently complain about it, we can’t always predict it and we certainly can’t change it. It’s how you work it to your advantage that really matters. Its forces are inexorable and ubiquitous and perhaps the best news of all is that it is creating fresh opportunities the world over in virtually every sector for Canadian companies.

If we don’t respond to these challenges aggressively and successfully our prosperity (in the manner we have become accustomed) will be at stake, as well as our political influence and our ability to export Canadian values.

In that context let me focus briefly on a few things:

- What are some of the business realities of globalization?
- Why should we care? and
- Are we making a choice between prosperity and social responsibility?

Globalization is creating angst because it is akin to a disruptive technology for some, while others can “visionize” it as a form of sustaining technology. Your perspective may depend on the adaptability of your business model and the leadership culture which exists within. More importantly, the global economy has become - like it or not - a giant league table type contest played out 24 hours a day, seven days a week. A kind of perpetual contest without seemingly a finish line, where you have to showcase the right stuff - whether technology, products and services or speed of execution. Everyone is continuously competing for attention - thanks in part to the Internet - and ultimately sources of revenue.

It is about building and maintaining competitive advantage through “inputting” comparative advantage. I think it also starts to explain why we are seeing so many mergers and acquisitions globally - scale on the world stage is important – particularly in “commodity” type products and services. In the long run the consumer benefits providing adequate regulatory regimes.

Let me look briefly at the Canadian scene:

- The Canadian economy is all about trade. Total trade represents close to 90% of GDP with exports approaching half of GDP, one of highest levels in the industrialized world. So we are a very open economy (or very exposed) depending on your perspective.
- One in three Canadians can thank the export of goods and services for a job.

However,

- 100 exporters account for over 50% of Canada’s total exports;
- Canada’s per capita income and productivity are rising slower than those of our industrialized trading partners;
- While Canada is big in resources and skills; we are small in population and market size;
- Canadian companies are global SMEs; even the biggest and best known are not large compared to their international rivals, as measured by market value.

- Not only do you need the right stuff (from leadership skills to innovative products), so too do you need financial capital and risk taking capacity.
- Credit is the lifeblood; and financial muscle allows you to weather the inevitable downturns and capitalize on the opportunities revealed under the same circumstances.

You may not like or have concerns about the way the international business landscape is unfolding, but we will like it a lot less if we can't successfully compete. We are into a high stakes, major league environment. Prosperity, through competing successfully, preserves the value system at home and, through a kind of osmosis, inculcates it abroad. Not only is prosperity the best anti-poverty and best anti-environmental degradation solution yet devised, the wealth effect in turn will create the climate for sustainable development and new environmental technologies.

This brings me back to all those global opportunities. The trouble is, at the risk of stating the obvious, they are not uniquely Canadian opportunities and moreover our own back yard may be someone else's breakfast. Assessing competitiveness therefore in solely domestic terms may be hazardous to your bottom line. Companies need to retest their underlying competitive advantage assumptions on a frequent basis because of ever-changing market conditions or they risk being captured as a pawn or a strategic asset by others. In the name of prosperity, we need to make big companies bigger and help smaller companies play giant leapfrog to world class status, wherever possible, and we can do it by going after a bigger piece of the export and investment pie. And if foreign investment is a primary driver and leads export activity, Canadians are not keeping pace.

In a world where large TNCs are the driving force in terms of investment and R&D, rather than fearing them, we need to build and attract more of them in Canada. EDC plays an important role in many of these areas by providing the trade finance services every Canadian company needs to do business internationally.

Understanding these topics and their related implications requires the focus of more light and less heat than has been generated to date. It starts with education both in terms of the education of young people to develop their career interests in the international marketplace and the education of the wider audience to the emerging micro and macro key economic success factors.

Education and Youth Employment – our EYE Strategy – has become our cause of choice for this reason. As a medium-sized economy in global terms, one of our key success factors will be the extent to which we can effectively combine the strengths of the public and private sectors as well as academia.

We also need to react more expeditiously to forging a stronger collaborative effort. Opportunity foregone by Canadians becomes someone else's revenue. And others may be building to the scale required to create the "very" comparative advantage we require to play the global game successfully. In the end, you get whatever results you are willing to tolerate.

Not only is this collaboration likely to lead to sustainable economic performance, it will also help ensure that corporate social responsibility dimensions are forefront and integrated into business practices and ethical conduct.

As globalization impacts communities, civil society issues increasingly dominate the trade agenda, causing re-evaluation of the principles of corporate governance.

Leading governments and companies recognize the critical importance of responsibly managing

their social and environmental impacts and of ensuring accountability to all of their stakeholders.

EDC's mandate is about helping Canada grow and prosper as a nation by increasing our global trade competitiveness. In doing so, we operate as a successful business and an integral part of society, working alongside other leading businesses that are committed to corporate social responsibility (CSR) practices.

These practices encompass ethical business behaviour, social and environmental improvements, public accountability, and community involvement, among others. Indeed the evidence is mounting that by applying CSR practices and engaging stakeholders in a meaningful dialogue, companies create mutual success for their business and the communities they touch.

There will always be those who are ready to criticize regardless of a corporation's level of commitment to implement strong CSR practices. However, by being transparent and pro-actively engaging stakeholders, corporations can demonstrate that CSR is not a PR exercise, but rather an integral part of their corporate strategy – embracing the reality that prosperity and social responsibility go hand in hand.

Building global influence in political and economic terms is more confidently enhanced under these conditions. It safeguards our own values (social, rule of law, environmental protection, anti-corruption) while giving us another export opportunity which would contribute to building successful self-sustaining economies elsewhere.

Given poverty levels in many parts of the world, this is a huge issue which has received far too little attention.

In conclusion:

1. We shouldn't take prosperity for granted
2. We should worry a lot about what the emerging economic key success factors are and how well we measure up.
3. Prosperity is the means by which we can fully integrate social responsibility commitments.
4. Canadian companies must continue to move up the ranks of the global league tables by seizing the abundant opportunities around the globe. Our prosperity depends on it.