



Foreign Affairs and
International Trade Canada

Affaires étrangères et
Commerce international Canada

ANNUAL *report*

2006-2007



Assistance to Associations

Canada

Introduction

Since 1971, the Program for Export Market Development (PEMD) has been a vital component of the Government of Canada's international business development strategy. PEMD's mandate is to assist smaller companies that are either new to exporting or are expanding to new markets. This assistance is now solely available through national sector-wide trade associations. The direct-to-companies element, known as PEMD-Industry, was closed in 2004. Small and medium size enterprises, however, continue to receive assistance through the Virtual Trade Commissioner, through the Department's regional offices in each of Canada's provinces, and through more than 140 embassies and consulates abroad.

PEMD-Associations provides results-focussed assistance on a cost-shared basis to Canadian, sectoral, trade associations that have a national mandate. These contributions made by PEMD to trade associations are non-repayable and are disbursed to associations after activities are completed. Throughout the year, associations utilize a rigorous self-evaluation structure to assess the effectiveness of their PEMD-supported initiatives.

When applying for funding, associations must identify specific performance indicators for each of their planned activities as well as projected key results for the overall contribution. In order to submit a claim for reimbursement on a package of activities, associations must report against the performance indicators they chose for each activity in the package. When an association completes its final package of activities for the year it must also submit a final report (called "results" report) comparing the anticipated key results and benefits to the actual results. The Department of Foreign Affairs and International Trade uses these reports each year to evaluate the effectiveness of PEMD-Associations as well as the performance of an individual association. Performance is an essential element in the evaluation of PEMD applications in years to come.

PEMD is managed by the SME Support and Services Division, Innovation and Partnership Bureau. This Bureau is part of the Department of Foreign Affairs and International Trade.

<http://pemd-pdme.infoexport.gc.ca/pemd/>

1-888-811-1119

Outline of the Program

The Program for Export Market Development, for Associations, provides financial support (contributions) to Canadian national sectoral associations for the generic export promotion of their industry's products or services. Eligible activities must relate to the improvement of market access or the development of market intelligence. In addition, activities must be for the benefit of the association's entire industry, members and non-members alike. These activities are particularly important for small and medium-sized enterprises, which are often unable to afford such undertakings on their own.

There are three types of international business promotion activities that are funded by PEMD-Associations: direct contacts (such as trade shows, outgoing missions and incoming visits); marketing tools (such as web site development targeting foreign customers, print materials and other materials that promote the export of associations' goods and services); and other marketing activities (such as research, awards programs, and indirect marketing that promotes relationship building, or improves access to foreign markets).

The cost of these activities is shared between the association and the federal government. Annual non-repayable contributions range from a minimum of \$20,000 to a maximum of \$150,000. Through its assistance to associations, the program aims to meet the changing needs and expectations of the Canadian business community.

Each year, associations work alongside trade commissioners in Ottawa and at posts to develop their application. Trade Commissioner Service Officers at over 140 embassies and consulates around the world provide current information and advice on the merits of applications from the market viewpoint. This feedback on proposed PEMD-supported events from our posts is an essential criterion in the evaluation of a PEMD application. In addition to the post feedback, applications are also assessed according to export strategy, incrementality (the presence of new or expanded international market development initiatives), membership benefits and the association's performance in the past two years.

Year in Review

As reported in the Department's economic review, global economic growth was sustained in 2006 increasing at 3.9%, up from 3.4% in 2005, led by strong performances in Europe and Asia. Canadian growth performance was also sustained albeit at 2.7% in 2006, down from 2.9% in 2005, but with a record low unemployment rate of 6.3%. Despite a 6.8% appreciation of the Canadian dollar (against the US \$), overall Canadian exports of goods and services increased 1.1% to \$535.7 billion in 2006, especially in natural resources. At the same time however, Canadian imports of goods and services increased by 4.2% to \$486.5 billion. Exports of goods to the US dropped by 1.9% while our imports from the US increased by the same percentage. This environment continues to require adjustments and increased marketing efforts from the Canadian industrial sector in order to maintain its competitive edge.

Given that the PEMD component devoted directly to industries closed down in 2004-2005, no new applications from individual enterprises have since been accepted. However, contracts signed prior to March 30, 2004 were honoured till expiry in March 2006. This program was a repayable one based on certain sales realized by the recipients over up to four years. Company repayments in 2006/07 from previous PEMD assistance amounted to \$921,024.

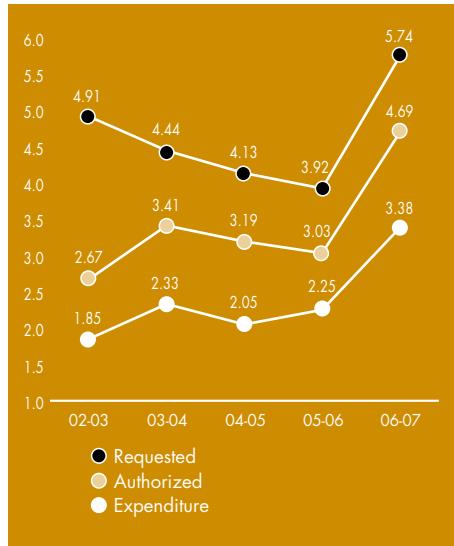
As for PEMD-Associations, since the review of the program in 2002, the percentage of funds being approved has been consistently high. In 2006-2007, PEMD approved \$4.69 million out of a requested \$5.74 million or 81.7 % of requested funds. Furthermore, of the 67 applications PEMD received in this period, 64 were approved (in part or in full), or 96%.

The number of Associations participating in the program has kept steadily in the range of 55 to 60 since the 2002 program changes, up to 2005/06. However in 2006/07, there were 64 associations approved for PEMD funding, with 63 of them

actually using approved funds (an 18.5% increase over the previous year). A total amount of \$4,688,102 was approved for projects to be carried out in the year, and an actual \$3,375,450 was spent in the execution of these projects.

When financially possible, PEMD Associations offers a supplemental round of funding that lasts from late summer to late fall. Supplemental funding allows well performing associations to easily apply for extra funding in order to undertake activities that have arisen on short notice and could thus not be part of the initial application. There was a supplemental round of funding in 2006/07 and \$730,179 in new projects to be executed before March 31, 2007, was approved for 18 associations. These amounts are included in the totals reported in this report.

**PEMD-Associations
Requested Assistance,
Authorized Assistance,
and Actual Expenditures
over 5 years (\$ Millions)**

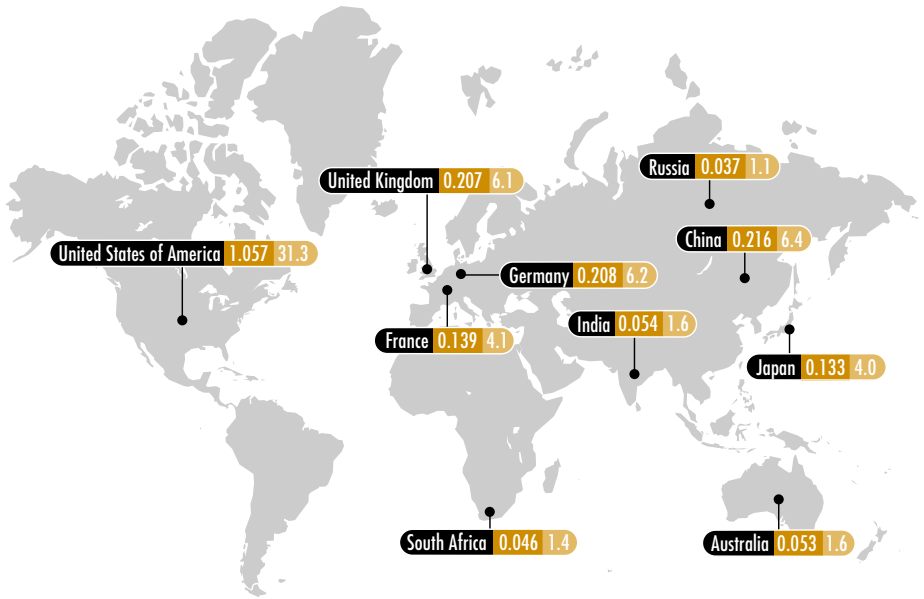


Results 2006-2007

In 2006-2007 PEMD-Associations spent \$3.38 million in helping trade associations undertake the generic export promotion of their industry sectors. This number represents 72% of the amounts approved in that period compared to 74% in 2005/06. In key markets, expenditures were divided as follows: \$1,057,106 in the USA; \$702,673 in Europe; \$283,343 in Asia (minus Japan and India); \$133,260 in Japan; \$54,251 in India; \$51,255 in South America and \$11,182 in Mexico. Claims were also paid out for \$901,154 to assist associations with export-related marketing activities taking place in Canada. All areas, except Mexico, represent a significant increase over 2005/06.

Tracking the actual quantifiable results from the program's contributions is challenging for two key reasons. First, associations can only report to the program that which their member firms have reported to them (given that associations receiving PEMD funding do not sell products but it is the members who do). Second, results from export market development activities may generate leads and opportunities, but do not always have immediate quantifiable results. Nonetheless, for 2006-2007, several associations reported large numbers of new contacts established with key decision makers in target markets, hundreds of new leads identified for Canadian exporters, valuable information collected on local market conditions and excellent Canadian exposure to incoming foreign buyers. Furthermore, the program allowed several association member firms to enter into serious contract discussions with potential distributors and buyers.

Top Ten Countries for Expenditure for PEMD-Associations



LEGEND

- PEMD Expenditure
\$ Millions
- Percentage of Total

PEMD-Associations Expenditures by Sector

Sector	Number of Associations	% of total	Expenditures
Consumer Products	7	19.31%	\$651,848
Service Industries & Capital Projects	14	13.62%	\$459,638
Arts & Cultural Industries	5	12.21%	\$412,157
Forest Industries	8	10.69%	\$361,003
Information & Communications Technologies	5	9.90%	\$334,056
Bio-Industries	1	5.39%	\$181,949
Metals, Minerals and Related Equipment, Services and Technology	1	4.95%	\$166,943
Health Industries	2	4.66%	\$157,261
Building Products & Construction	6	4.54%	\$153,309
Plastics	2	3.14%	\$106,058
Aerospace & Defence	5	3.12%	\$105,231
Environmental Industries	1	2.93%	\$98,758
Manufacturing Technologies	2	2.82%	\$95,091
Ocean Technologies	2	2.30%	\$77,476
Automotive	2	0.43%	\$14,672
TOTALS	63	100.0%	\$3,375,450

The largest portion of contributions to associations went to Consumer Products (7 active associations) accounting for 19.3% of all PEMD-Associations assistance. Other prominent sectors included Service Industries (14 active associations) with 13.6%, Arts and Culture (5 active associations) with 12.2%, Forest Industries (8 active associations) with 10.7%, and Information and Communications Technologies (5 active associations) with 9.9%. Although funds were approved for 64 associations, there were 63 who undertook activities in 2006-2007.

Success Stories 2006-2007

Alan Herscovici, Executive Vice-President
Fur Council of Canada

Canadian fur apparel manufacturing companies are small-scale, artisanal operations, making it difficult for them to support the research, brand-building and market development required in the new globalized marketplace. In response (and with PEMD assistance) the Fur Council of Canada has developed the "Beautifully Canadian" label to identify and promote the virtues of "made-in-Canada" fur apparel: "The Most Beautiful Furs in the World!". The brand identification plays on the quality, heritage and ecological values of the Canadian fur trade. (www.BeautifullyCanadian.com)

With PEMD assistance, this association-owned trademark is now being launched in the USA, currently our main export market, and in Russia, the largest fur consuming market in the world. Perhaps most innovative, we are preparing to market a special collection of "Beautifully Canadian" fur apparel in China (our main competitor) as an exclusive niche item – exploiting the international reputation of Canadian fur and the fact that the emerging new Chinese elite prefers not to buy Chinese-made products.

Jean-François Arseneau, International Trade

Canadian Interactive Alliance interactive canadienne (CIAIC)

PEMD has been instrumental in 2006-2007 for the Canadian video game industry. Since there is no longer one event where the worldwide industry went to (E3 in Los Angeles), it was critical for Canadians to have a presence in many markets. CANADA GAMES activities were a perfect match between PEMD objectives and the needs of the industry. Canadian companies participated in large numbers for the first time in events in France and in the United States. We're building on this experience in 2007-2008 with activities in Germany and Japan. A new CANADA GAMES branding has been created along the way: we now promote the industry with the same signature in all major events in the world. Thanks to PEMD, we can compete with other countries such as France, Nordic Games, Germany, Korea and Singapore – even if these countries are investing much more than Canada in their industry promotion efforts!

Wear Canada Trade Mission to Japan
January 15-21, 2007

The nine fashion industry delegates who participated in Canadian Apparel Federation's 'Wear Canada' trade mission to Japan in January 2007 returned with the kind of market research you can only glean from personal experience. This was a "hit the ground running" intense week in a country that all but one delegate had ever traveled to before. Within a number of months post Mission, two delegates had already established partnerships with Japanese firms. "Japan is definitely a region of particular interest for our industry, and PEMD made it possible for our companies to pursue their export potential in this market, ...". The local support of Canadian Consulate officers in Tokyo, Nagoya and Osaka paved the way for delegates to meet with distributors and agents and potential partners. The Mission also featured a Japanese language publication showcasing delegates' capabilities which was distributed to retailers at Japan's most important apparel industry trade event. As Toronto designer/ Mission delegate Katya Revenko said, "the trip was extremely helpful in identifying where we stand, learning the requirements of exporting to the region and getting a better understanding of the Japanese culture. I had some good meetings, and hope they develop into solid business contacts." Opening doors in Japan is challenging, but with the benefit of resources such as PEMD, entirely within reach.

Contact Centres

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General Information on international trade

<http://pemd-pdme.infoexport.gc.ca/pemd/>

OR

1-888-811-1119

Notes
