



**STANDING SENATE COMMITTEE ON  
FOREIGN AFFAIRS AND INTERNATIONAL TRADE**

***EXPANDING CANADIAN BUSINESSES'  
ENGAGEMENT IN FOREIGN MARKETS:  
THE ROLE OF FEDERAL TRADE  
PROMOTION SERVICES***

**June 2015**

Ce rapport est aussi disponible en français.  
Des renseignements sur le comité sont donnés sur le site :  
[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

Information regarding the committee can be obtained through its web site:  
[www.senate-senat.ca/AEFA.asp](http://www.senate-senat.ca/AEFA.asp).

# TABLE OF CONTENTS

|   |     |
|---|-----|
| TABLE OF CONTENTS.....  | i   |
| ACKNOWLEDGEMENTS .....  | iii |
| THE COMMITTEE .....   | v   |
| ORDER OF REFERENCE .....  | vii |
| RECOMMENDATIONS .....   | 1   |
| INTRODUCTION .....  | 3   |
| CHAPTER ONE: CANADA AND INTERNATIONAL TRADE: CHALLENGES AND OPPORTUNITIES.....                              | 5   |
| CHAPTER TWO: CONNECTING CANADIAN BUSINESSES TO INTERNATIONAL TRADE OPPORTUNITIES .....                      | 7   |
| A. Accessing Canada's Trade Commissioner Service.....   | 7   |
| B. Making the Best Use of Other Diplomatic Assets .....   | 10  |
| C. Participating in Trade Missions and Trade Shows .....  | 11  |
| D. Developing a “Canada Brand”.....   | 12  |
| E. Entering Global Supply Chains .....  | 13  |
| F. Enhancing the Mobility of People .....   | 15  |
| CHAPTER THREE: ENSURING ACCESS TO TRADE-RELATED FINANCING.....  | 19  |
| A. Reducing the Financial Risks of International Trade through Support from Export Development Canada ..... | 19  |
| B. Financing Businesses Focused on Foreign Markets .....  | 20  |
| CHAPTER FOUR: ENCOURAGING CANADIAN ENTREPRENEURS INTERESTED IN INTERNATIONAL TRADE.....                     | 23  |
| CONCLUSION.....   | 27  |
| APPENDIX A: WITNESSES.....  | 29  |



## **ACKNOWLEDGEMENTS**

Canadian businesses, products and services continue to meet success in markets around the world.

In an increasingly competitive global economy, however, it is critical that the Government of Canada and others continue to offer services that help our companies invest more confidently in foreign markets, connect with new opportunities and partners, and gain access to financing. These services are particularly important to small and medium enterprises (SMEs), for which the costs and risks associated with doing business abroad can preempt otherwise promising ventures from realizing their export potential.

Informed by the input of 28 witnesses from business, finance, industry associations, academia, Canadian crown corporations, the federal government and province-level initiatives, the present report suggests ways in which federal trade promotion initiatives can be implemented in new and innovative ways to better serve the needs of Canadian businesses, and to reinforce the global competitiveness of Canadian products and services.

We are grateful to all those who took the time to appear before the Committee, and whose expertise and opinions are reflected in the pages of this report. I also thank the members of the Committee and their staff for their thoughtful questions and input, which helped guide our study. Special thanks go to Senator Percy Downe, for suggesting that the Committee study this topic and for his ongoing advice as Deputy Chair of the Committee.

The Committee's appreciation also goes to our researchers, Pascal Tremblay and James Lee, and our clerks, Mark Palmer and Blair Armitage, whose support on administrative matters, in analysis and in the preparation of this report underpin our efforts to ensure the ongoing amelioration of Canada's trade policy and initiatives.

The success of this report will, however, be truly realized in its ability to affect changes that will help more Canadian businesses – especially SMEs – in their efforts to expand globally and succeed in foreign markets. The Committee will continue to follow developments towards that end.

*Senator Raynell Andreychuk  
Chair of the Committee*



## **THE COMMITTEE**

**The following Senators have participated in the study:**

The Honourable Raynell Andreychuk, Chair of the Committee  
The Honourable Percy E. Downe, Deputy Chair of the Committee

and

**The Honourable Senators:**

Salma Ataullahjan  
Jane Cordy  
Dennis Dawson  
Jacques Demers  
Nicole Eaton  
Suzanne Fortin-Duplessis  
Janis G. Johnson  
Victor Oh  
David P. Smith, P.C.  
Josée Verner, P.C.

**Ex-officio members of the Committee:**

The Honourable Senators Claude Carignan, P.C. (or Yonah Martin) and James Cowan (or Joan Fraser)

**Other Senators who have participated from time to time in the study:**

The Honourable Senators Beyak, Mockler and Patterson

**Staff of the Committee:**

Pascal Tremblay and James Lee, Analysts, Parliamentary Information and Research Service, Library of Parliament

Adam Thompson and Mark Palmer, Clerks of the Committee

Lori Meldrum, Administrative Assistant

**Other Staff who have assisted the Committee from time to time in the study:**

Karen Schwinghamer, Communications Officer, Senate of Canada

## ORDER OF REFERENCE

Extract from the *Journals of the Senate* of Thursday, November 21, 2013:

Resuming debate on the motion of the Honourable Senator Martin, for the Honourable Senator Andreychuk, seconded by the Honourable Senator Marshall:

That the Standing Senate Committee on Foreign Affairs and International Trade, in accordance with rule 12-7(4), be authorized to examine such issues as may arise from time to time relating to foreign relations and international trade generally; and

That the committee report to the Senate no later than June 30, 2014.

After debate,

The question being put on the motion, it was adopted.

Extract from the *Journals of the Senate* of Thursday, June 12, 2014:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Tkachuk:

That, notwithstanding the order of the Senate adopted on Thursday, November 21, 2013, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its examination of such issues as may arise from time to time relating to foreign relations and international trade generally be extended from June 30, 2014 to March 31, 2015. The question being put on the motion, it was adopted.

Gary W. O'Brien

*Clerk of the Senate*

Extract from the *Journals of the Senate* of Wednesday, March 25, 2015:

The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Greene:

That, notwithstanding the orders of the Senate adopted on Thursday, November 21, 2013, and Thursday, June 12, 2014, the date for the final report of the Standing Senate Committee on Foreign Affairs and International Trade in relation to its examination of such issues as may arise from time to time relating to foreign relations and international trade generally be extended from March 31, 2015, to September 30, 2015.

The question being put on the motion, it was adopted.

Charles Robert

*Clerk of the Senate*

# **RECOMMENDATIONS**

## **RECOMMENDATION 1**

**That the Government of Canada assess whether additional resources are needed to enable Canada's Trade Commissioner Service, as well as the diplomatic assets that support trade promotion efforts, to meet the export-related needs of Canadian businesses and entrepreneurs.**

## **RECOMMENDATION 2**

**That the Government of Canada continue to organize trade missions to key international markets. When bilateral engagement is required to advance Canada's commercial interests, the delegations should be led by high-level government officials. Participating businesses should be involved in the planning of these missions.**

## **RECOMMENDATION 3**

**That the Government of Canada consider establishing a program that could coordinate and fund incoming trade missions in key sectors of interest to Canadian businesses.**

## **RECOMMENDATION 4**

**That the Government of Canada develop a branding strategy that profiles Canada's advantages as a source of high-quality products, expertise and innovation.**

## **RECOMMENDATION 5**

**That the Government of Canada identify promising domestic entry points to global supply chains, and explore opportunities to replicate the partnership between EDC and GE Canada with other interested companies.**

## **RECOMMENDATION 6**

**That the Government of Canada assess whether the process for requesting a refund of the Goods and Services Tax/Harmonized Sales Tax paid on imported goods that are re-exported can be simplified.**

## **RECOMMENDATION 7**

**That the Government of Canada assess whether the Labour Market Impact Assessment process could be streamlined.**

## **RECOMMENDATION 8**

**That the Government of Canada consider ways and means of improving retention rates among Export Development Canada employees, including the payment of retention bonuses, in those parts of the organization that have high employee turnover.**

## **RECOMMENDATION 9**

**That the Government of Canada assess whether the Business Development Bank of Canada could further improve access to financing for small and medium-sized enterprises with significant export potential.**

## **RECOMMENDATION 10**

**That the Government of Canada establish single-window access to the trade promotion services provided by federal entities, and promote a whole-of-government approach to the delivery of these services.**

## **RECOMMENDATION 11**

**That the Government of Canada identify opportunities to facilitate mentorship activities for the pairing of small and medium-sized enterprises, as well as existing and future entrepreneurs, with experienced Canadian exporters.**

## INTRODUCTION

Over the past 20 years, Canada's share of international trade has declined as emerging markets have increased their participation in global trade. Canada's share of global merchandise exports accounted for 3.8% of the value of such exports in 1993, a proportion that had fallen to 2.4% in 2013.<sup>1</sup> Nevertheless, international trade remains critical to Canada. According to the federal government, the value of Canada's trade is equivalent to more than 60% of the country's gross domestic product (GDP), and an estimated one in five Canadian jobs is linked to exports.<sup>2</sup> Clearly, Canada is a trading nation.

To ensure Canada's success in foreign markets, the federal government updated its international trade policy in 2013 with the Global Markets Action Plan (GMAP). The GMAP, which replaced the Global Commerce Strategy that had been in place since 2007, identifies a number of foreign markets that are of broad Canadian interest or that have specific opportunities for Canadian businesses; it also emphasizes the importance of traditional trade partners, like the United States and the European Union, with which Canada needs to strengthen existing relationships. The GMAP is designed to "ensure that all the diplomatic assets of the Government of Canada are harnessed to support the pursuit of commercial success by Canadian companies and investors in key foreign markets" and is focused on expanding small and medium-sized enterprises (SMEs) "export footprint" in emerging markets.<sup>3</sup>

Believing that federal trade promotion services should play a critical role in helping to realize the GMAP's objectives, in February 2015 the Standing Senate Committee on Foreign Affairs and International Trade (the Committee) began a study on the role of federal trade promotion services in helping Canadian businesses compete and succeed in foreign markets. During this study, the Committee heard from about 30 witnesses over the course of nine hearings. The witnesses included representatives of business associations, analysts, academics, officials from federal departments and other entities involved in trade promotion, and Canadian business people involved in international trade activities. From them, the Committee gained valuable information about the perceived strengths and weaknesses of the main federal trade promotion services, the trade financing options available to existing and potential Canadian exporters, and the development of international entrepreneurship in Canada.

Chapter One of the Committee's report provides brief contextual information on Canada's trade performance and federal trade policy environment, while Chapters Two through Four discuss the three key messages that witnesses conveyed to the Committee about the role of federal trade promotion services: connect Canadian businesses to international trade opportunities; ensure access to trade-related financing; and encourage Canadian entrepreneurs' interest in international trade. The report also contains the Committee's recommendations, which are designed to strengthen federal trade promotion services for the benefit of Canadian businesses and the country.

---

<sup>1</sup> Pascal Tremblay, [\*Trade and Investment Series 2013: Canada's Merchandise Trade with the World\*](#), 30 July 2014; Pascal Tremblay, [\*Trade and Investment Series 2013: Canada's Services Trade with the World\*](#), 20 August 2014.

<sup>2</sup> Government of Canada, [\*Canada's State of Trade: Trade and Investment Update – 2014\*](#), 2014.

<sup>3</sup> Department of Foreign Affairs, Trade and Development, [\*Global Markets Action Plan\*](#), 2013.



## CHAPTER ONE: CANADA AND INTERNATIONAL TRADE: CHALLENGES AND OPPORTUNITIES

Canada's free trade agreements (FTAs), including the *North American Free Trade Agreement* with the United States and Mexico, and bilateral agreements such as those with Korea, Colombia and Peru, create international trade opportunities for Canadian businesses.<sup>4</sup> At present, Canada has 11 FTAs in force, and they provide businesses with preferential market access in 15 countries. Furthermore, Canada is currently concluding a comprehensive economic and trade agreement with the European Union, and negotiating improved market access with a number of countries and regions, including the countries participating in the Trans-Pacific Partnership negotiations.<sup>5</sup>

While FTAs provide Canadian businesses with improved market access, they do not fully address some of the barriers preventing Canadian businesses – and particularly SMEs – from maximizing international trade opportunities.<sup>6</sup> During this study, the Committee heard that businesses often face obstacles to trade that are unrelated to tariff barriers. In particular, the Committee's witnesses identified such obstacles as a lack of information on specific opportunities in foreign markets that might be relevant to their business, laws and regulations that are relevant in each market, customs tariffs and requirements, language barriers, cultural preferences and procedures for product certification.

In addition, the Committee's witnesses underscored that international trade activities involve financial risks – such as cash flow shortfalls that may occur if foreign customers do not pay in a timely manner – and potentially significant costs – such as those needed to ensure a local presence in a foreign market or to scale production – that can discourage entrepreneurs from expanding into foreign markets. The Committee also heard that it can be challenging for entrepreneurs to secure financing that would enable them to scale their production and to undertake other activities that are needed to export.<sup>7</sup>

An aversion to risk may also prevent Canadian businesses, particularly SMEs, from pursuing international trade opportunities.<sup>8</sup> John Kalbfleisch, of Alpha Technologies Ltd., explained that Canadian businesses are reluctant to expand their businesses outside of Canada or the United States; doing so could entail barriers related to different languages and cultures, in addition to the

---

<sup>4</sup> Standing Senate Committee on Foreign Affairs and International Trade [SCFAIT], Jim Reynolds, 41<sup>st</sup> Parliament, Second Session [41:2], Issue no. 22, [18 February 2015](#); SCFAIT, John Kalbfleisch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>5</sup> For a list of Canada's FTAs, see: Department of Foreign Affairs, Trade and Development, [Canada's Free Trade Agreements](#).

<sup>6</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>7</sup> SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#); SCFAIT, Cam Vidler, 41:2, Issue no. 21, 4 February 2015; SCFAIT, Laura Dawson, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#).

<sup>8</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#).

usual export-related challenges.<sup>9</sup> The Committee agrees with Lorna Wright, of York University, who said that “SMEs need to overcome the fear factor, if they are to succeed internationally.”<sup>10</sup>

Considering the somewhat limited size of Canada’s economy and population, international trade allows businesses to increase their customer base, realize economies of scale, and access the inputs, technologies and skills they need to succeed.<sup>11</sup> In essence, Canada’s current and future prosperity depends on the ability of its businesses to access international trade opportunities, including in the emerging markets that comprise one half of global GDP and are responsible for 80% of global GDP growth.<sup>12</sup>

From this perspective, the Committee believes that Canada should ensure that the trade promotion services that Canadian businesses need are readily available, adequate in scope and tailored to their requirements, and that they address Canadian entrepreneurs’ aversion to expanding into foreign markets.

---

<sup>9</sup> SCFAIT, John Kalbfleisch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>10</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#).

<sup>11</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>12</sup> SCFAIT, Jean Michel Laurin, 41:2, Issue no. 23, [12 March 2015](#).

## CHAPTER TWO: CONNECTING CANADIAN BUSINESSES TO INTERNATIONAL TRADE OPPORTUNITIES

Identifying international trade opportunities, entering foreign markets and having all of the information that is needed to succeed in a specific market require time and resources. Business people may also need to travel regularly to foreign countries to gather information on the market, develop relationships with clients and partners, attend trade shows, and ensure a local presence. Entrepreneurs who need both to manage their day-to-day operations and to identify potential international trade opportunities may lack sufficient time, personnel and financial resources to devote to both of these activities. Moreover, smaller businesses rarely have in-house international trade expertise,<sup>13</sup> and all businesses – but perhaps SMEs in particular – may be reluctant to invest in international trade-related activities, as an adequate return on their investment is not guaranteed even in foreign markets that may seem to be the most promising.

**The Committee realizes that accessing foreign markets can be quite difficult, especially for smaller businesses, and believes that they need to be supported as they seek to expand internationally for their – and the nation’s – benefit.**

During this study, the Committee’s witnesses said that trade promotion services help them overcome difficulties associated with exploring foreign markets and maximizing potential trade opportunities. In particular, they indicated that federal services and actions help Canadian businesses to connect to international trade opportunities in six ways: accessing Canada’s Trade Commissioner Service (TCS), making the best use of other diplomatic assets, participating in trade missions and trade shows, developing a “Canada brand,” entering global supply chains, and ensuring the mobility of people.

### A. Accessing Canada’s Trade Commissioner Service

Canada’s TCS is the main provider of federal trade promotion services designed to connect Canadian businesses to international trade opportunities. The TCS is a network of about 1,000 Department of Foreign Affairs, Trade and Development (DFATD) employees located in more than 160 embassies, high commissions and consulates around the world, as well as in Ottawa and regional offices across Canada.<sup>14</sup> The TCS provides businesses with market intelligence, matches Canadian businesses to foreign clients, suppliers, investors and partners, supports trade missions and delegations, and helps to resolve customs and shipping problems. Other federal departments and agencies support the TCS directly or indirectly by providing sectoral and technical expertise. Susan Bincoletto, an official from DFATD, described the day-to-day role of trade commissioners by saying that they “work to attract investment to Canada and help Canadian firms find markets, partners and investors abroad. [They also help] Canadian companies to gain better market intelligence, enhance their international business plans and identify key contacts, as well as

---

<sup>13</sup> SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#); SCFAIT, Kati Suominen, 41:2, Issue no. 24, [1 April 2015](#); SCFAIT, Rhonda Barnet, 41:2, Issue no. 24, [1 April 2015](#); SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Danielle Goldfarb, 41:2, Issue no. 23, [12 March 2015](#).

<sup>14</sup> SCFAIT, Susan Bincoletto, 41:2, Issue no. 24, [26 March 2015](#).

provide general troubleshooting.”<sup>15</sup> In her view, trade commissioners add value because of “their knowledge of the markets, sectors and clients’ needs.”<sup>16</sup>

The Committee is aware that the TCS is highly valued by the businesses that it assists, and witnesses repeatedly made this point. Philip Turi, of Canadian Manufacturers & Exporters, referred to the TCS as one of Canada’s “best-kept secrets.”<sup>17</sup> Witnesses provided a number of specific examples of the way in which the TCS’s services are beneficial. For instance, they said that TCS support helps them to increase their foreign sales by targeting potential customers, identifying foreign suppliers, and organizing meetings with promising partners.<sup>18</sup> Geoff Chutter, of WhiteWater West Industries Ltd., described his positive experiences with the TCS, which he thought could encourage SMEs that wish to use these services to enter foreign markets. He said that the TCS “provides phenomenal service to companies that are interested in the export market, but [that] don’t really know how to go about doing it. [...] [T]hey’re around the world, [and can] do research on behalf of the company, open doors and set up meetings for a Canadian company [...] .”<sup>19</sup>

Although the TCS may be particularly valuable for SMEs,<sup>20</sup> larger businesses can also benefit from the TCS’s network of contacts, knowledge of foreign markets, and awareness of international trade opportunities.<sup>21</sup> The Committee agrees with the comments made by witnesses, and believes that the TCS reduces the costs and risks associated with entering foreign markets through sharing key information and market intelligence with businesses, and thereby helping them to succeed internationally.<sup>22</sup> One of the Committee’s witnesses, Dan Ciuriak of the C.D. Howe Institute, mentioned a report that concluded that “exporters that access TCS services export, on average, 17.9 percent more than comparable exporters that do not,” and that TCS assistance “benefits exporters in terms of product and market diversification.”<sup>23</sup>

The Committee’s witnesses also made comments about the TCS’s resources and the skills of its trade commissioners. The Committee was informed that the TCS’s budget, which was about \$156.8 million in 2013–2014, has not increased significantly since 2007, despite rising demand for its services. For instance, Cam Vidler, of the Canadian Chamber of Commerce, noted that – as a share of GDP – Canada’s federal funding for trade promotion services is significantly lower than that in the United Kingdom and Australia.<sup>24</sup> He also said that the TCS provides “good value

---

<sup>15</sup> SCFAIT, Susan Bincoletto, 41:2, Issue no. 24, [26 March 2015](#).

<sup>16</sup> SCFAIT, Susan Bincoletto, 41:2, Issue no. 24, [26 March 2015](#).

<sup>17</sup> SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#).

<sup>18</sup> SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Chuck Cartmill, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Jim Reynolds, 41:2, Issue no. 22, [18 February 2015](#).

<sup>19</sup> SCFAIT, Geoff Chutter, 41:2, Issue no. 23, [12 March 2015](#).

<sup>20</sup> SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#); SCFAIT, Ernie Lynch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>21</sup> SCFAIT, Lance Richardson, 41:2, Issue no. 25, [23 April 2015](#).

<sup>22</sup> SCFAIT, Jean Michel Laurin, 41:2, Issue no. 23, [12 March 2015](#).

<sup>23</sup> Johannes Van Bieseboeck, Emily Yu and Shenjie Chen, “[The Impact of Trade Promotion Services on Canadian Exporter Performance](#),” published on Foreign Affairs, Trade and Development Canada’s website, 2011.

<sup>24</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

for money,” indicating that “research has suggested that for every dollar spent on the Trade Commissioner Service, you see \$26 in exports.”<sup>25</sup>

It is possible that Canada’s trade commissioners could demonstrate more business acumen and be more proactive. For instance, Mr. Kalbfleisch stressed that “while [trade commissioners] open a lot of doors,” it “would be great if there was more of a push mentality, if the trade commissioners could understand more about the businesses and their markets and how they could be successful.”<sup>26</sup> **The Committee agrees with comments made by Ms. Bincoletto about the benefits of embedding trade commissioners in Canadian business associations, believing that such placements make the TCS’s services more relevant and responsive to the needs of the private sector.**<sup>27</sup> The Committee is aware that this embedding currently exists with the Automotive Parts Manufacturers’ Association and the Aerospace Industries Association of Canada, and believes that the federal government should consider embedding trade commissioners in additional business groups.

Trade in services accounts for a significant share of Canada’s exports, and there are growing Canadian services export opportunities in relation to both traditional and emerging markets. In suggesting that the barriers to trade in services are more complex than those in relation to goods, including barriers related to people mobility, the Conference Board of Canada’s Danielle Goldfarb said that facilitating trade in services should have more prominence in trade promotion programming.<sup>28</sup> With Canadian services exports occurring mainly through Canadian affiliates that are established in foreign markets, rather than being exported directly from Canada, she also urged greater consideration of issues relating to investment. In the Committee’s view, the federal government should assess the extent to which the TCS adequately considers business opportunities in the services sector.

On 18 March 2015, Prime Minister Harper announced “an expansion of the [TCS] representing \$42 million over the first five years and \$9.25 million in ongoing support after that,” which would enable the deployment of an estimated 20 additional trade commissioners to priority markets.<sup>29</sup> The Committee supports this initiative, which should help the TCS to respond better to Canadian businesses’ requests for its trade promotion services.

The Committee believes that the TCS is a critical trade promotion tool that is not sufficiently well known but is highly regarded by those who have used its services, particularly SMEs. However, addressing some of the concerns identified above would help to maximize the benefits that the TCS provides to Canadian businesses.

---

<sup>25</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>26</sup> SCFAIT, John Kalbfleisch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>27</sup> SCFAIT, Susan Bincoletto, 41:2, Issue no. 24, [26 March 2015](#).

<sup>28</sup> SCFAIT, Danielle Goldfarb, 41:2, Issue no. 23, [12 March 2015](#).

<sup>29</sup> Government of Canada, “[Prime Minister Harper Announces Support to Help Boost Canadian Exports](#),” News release, 18 March 2015.

## B. Making the Best Use of Other Diplomatic Assets

A strong network of embassies and consulates is critical to the success of Canada's trade promotion and economic diplomacy efforts. The Committee has recognized the importance of Canada's diplomatic network in a number of recent reports, and particularly supports the trade commissioners who focus on helping to connect Canadian businesses to international trade opportunities. The Committee is also aware of the efforts of trade commissioners in organizing trade missions for Canadian businesses and industry associations, as well as for official government delegations that are focused on broadening and deepening Canada's trade relationships.

Embassies and consulates provide the infrastructure and logistical support on which Canadian diplomats and trade commissioners rely to promote Canada's trade and resolve market access issues "on the ground."<sup>30</sup> Octane Strategies' Jean Michel Laurin underscored that "using diplomatic tools to advance Canada's commercial interests is often necessary, especially when the host government has a significant say in business decisions, something that is not uncommon in many of the world's fastest-growing economies," and that economic diplomacy "is of invaluable help for companies in terms of risk management" and "gives companies a feeling of security to know that the government is on the scene."<sup>31</sup> Mr. Ciuriak told the Committee that good bilateral political relationships help to reduce barriers to trade, especially in countries where governments are more inclined to intervene in the economy, and that embassies help to increase exports to the countries in which they are established; lower levels of diplomatic representation, such as consulates, are less effective in this regard.<sup>32</sup>

Since the GMAP is designed to expand and diversify Canada's trade relationships with emerging markets, the Committee believes that the federal government should ensure that Canada's diplomatic network helps Canadian businesses to maximize international trade opportunities and to mitigate some of the risks that may arise in some of these markets. In supporting the critical role of the TCS and the importance of Canada's diplomatic assets in advancing Canada's commercial interests, the Committee recommends:

### RECOMMENDATION 1

**That the Government of Canada assess whether additional resources are needed to enable Canada's Trade Commissioner Service, as well as the diplomatic assets that support trade promotion efforts, to meet the export-related needs of Canadian businesses and entrepreneurs.**

---

<sup>30</sup> Canadian Chamber of Commerce, [\*Turning It Around: How To Restore Canada's Trade Success\*](#), 2014, p. 20; SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#).

<sup>31</sup> SCFAIT, Jean Michel Laurin, 41:2, Issue no. 23, [12 March 2015](#).

<sup>32</sup> SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#). See also: Dan Ciuriak, [\*The Impact of Diplomatic Representation Abroad on Canada's Exports\*](#), C.D. Howe Institute, 2014.

## C. Participating in Trade Missions and Trade Shows

Participation in trade missions and trade shows is an ideal way for businesses, particularly SMEs, to introduce their company to a foreign market for the first time, to network with potential clients and partners, to explore opportunities in that market, and to negotiate and conclude contracts. The Committee, like the witnesses, recognizes their myriad benefits.

However, according to some of the Committee's witnesses, potential buyers or partners – particularly those in certain key emerging markets – require multiple in-person interactions before concluding a deal. Closing a deal is not a certainty until the contract is signed, and participating in trade missions and trade shows involves potentially significant costs and commitments of time; for these reasons, SMEs may be reluctant, or unable, to participate in such missions and shows.<sup>33</sup>

In March 2015, Prime Minister Harper announced \$50 million over five years in direct financial assistance for entrepreneurs seeking to develop new export opportunities, especially in high-growth emerging markets. This funding will be allocated in the form of non-repayable contributions, with cost-matching by recipients, and is expected to assist between 500 and 1,000 exporters per year across Canada.<sup>34</sup> In commenting on this initiative, Ms. Bincoletto said that it “will be particularly helpful in supporting SMEs by financing activities such as participation in trade fairs and missions and market research to create new business opportunities.”<sup>35</sup> Although some details about the initiative – such as the maximum amount of assistance per recipient – have yet to be announced, the Committee is certain that this initiative could lead more SMEs to participate in trade missions to, and attend trade shows in, international markets.

Foreign trade missions and trade shows are undeniably valuable. However, the Committee believes that incoming trade missions comprised of buyers focused on specific sectors would also be beneficial, and might lower the costs of exploring and developing foreign business opportunities for SMEs.<sup>36</sup> Mr. Turi was among the Committee's witnesses who mentioned incoming missions. He indicated that his organization is often approached by embassies to organize such missions, but that it lacks funding to support incoming missions and matchmaking events.<sup>37</sup>

High-profile delegations of government officials, particularly those headed by prime ministers and ministers, result in significant attention being paid to trade missions, and can help in concluding business deals, especially in emerging markets. In the Committee's view, the value of such delegations should not be underestimated, even if it is difficult to assess the precise

---

<sup>33</sup> SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Jim Reynolds, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>34</sup> Government of Canada, “[PM Announces Support to Open New Markets for Small and Medium-Sized Businesses](#),” News release, 18 March 2015.

<sup>35</sup> SCFAIT, Susan Bincoletto, 41:2, Issue no. 24, [26 March 2015](#).

<sup>36</sup> SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>37</sup> SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#).

outcomes in terms of new business opportunities and actual sales or transactions. In providing the examples of the “Team Canada” model and a similar model that was used when a delegation travelled to China in November 2014, Mr. Vidler noted the value of federal leadership in delegations, and of involving federal and provincial departments and senior private-sector leaders in order to coordinate future efforts.<sup>38</sup>

Bilateral engagement by Canada with its trading partners through high-profile government delegations is important in raising the profile of Canadian businesses in foreign markets, as well as in nurturing good commercial relationships. As highlighted in some of the Committee’s previous reports, Canada should engage further in productive bilateral relationships with key emerging countries; high-profile government delegations can support that objective.

The Committee also heard that, to be successful, those who organize trade missions should involve participating businesses in the preparations, and should follow up with participants after the mission ends in order to assess the results and identify future actions. According to Ms. Wright, “follow-up is absolutely critical. A trade mission should not be a one-off, but should be part of a strategy for that country or region.”<sup>39</sup> Recognizing the importance of trade missions in helping Canadian businesses and the country to achieve international trade goals, the Committee recommends:

## RECOMMENDATION 2

**That the Government of Canada continue to organize trade missions to key international markets. When bilateral engagement is required to advance Canada’s commercial interests, the delegations should be led by high-level government officials. Participating businesses should be involved in the planning of these missions.**

## RECOMMENDATION 3

**That the Government of Canada consider establishing a program that could coordinate and fund incoming trade missions in key sectors of interest to Canadian businesses.**

## D. Developing a “Canada Brand”

The Committee has previously recommended the development of a strong “Canada brand” that would raise Canada’s profile in foreign markets, as Canada has a global reputation as a supplier of high-quality, innovative and well-priced goods and services. Comments by witnesses during this study have reinforced the Committee’s opinion on this topic. **The Committee believes that**

---

<sup>38</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>39</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#).

## **a branding strategy would help Canada raise the profile of its goods, services and innovation in foreign markets.**

The Committee's witnesses identified a number of factors that would contribute to an effective "Canada brand." For instance, Mr. Kalbfleisch said that the focus should be on Canada as a source of innovation and high-quality products.<sup>40</sup> Laura Dawson, of Dawson Strategic, suggested building on the positive image that Canadians project internationally, and said that "[i]f there is one thing about brand Canada it's that Canadians are trustworthy, reliable and good to do business with."<sup>41</sup>

To sell Canadian expertise in foreign markets, the Committee's witnesses suggested that a "Canada brand" program should differ from a "Made in Canada" label, as the latter would be limited to branding products that have a certain amount or percentage of Canadian content.<sup>42</sup> The Committee believes that an approach that is not limited to branding merchandise that has been made in Canada would enable a marketing campaign that would allow a range of Canadian strengths to be recognized, including in such areas as services, education and innovation. Mr. Vidler told the Committee about Australia's comprehensive branding program called "Australia Unlimited." According to him, "[t]his is a very sort of holistic, marketing campaign of the country itself. They'll highlight technologies and products that they produce, but they're not going to limit themselves to just putting a label on the product. It's creating an identity and finding many different ways to project that identity."<sup>43</sup> In the Committee's view, Australia's program may be a useful model for Canada. Believing that clear and consistent branding efforts would contribute to the international success of Canada's businesses, the Committee recommends:

## **RECOMMENDATION 4**

**That the Government of Canada develop a branding strategy that profiles Canada's advantages as a source of high-quality products, expertise and innovation.**

## **E. Entering Global Supply Chains**

Canadian businesses can increase their international trade by entering global supply chains.<sup>44</sup> In particular, the Committee believes that Canadian SMEs should consider integrating their businesses into the supply chains of some of the multinational corporations operating in Canada as a means by which to expand internationally. Mr. Turi told the Committee that "a lot of

---

<sup>40</sup> SCFAIT, John Kalbfleisch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>41</sup> SCFAIT, Laura Dawson, 41:2, Issue no. 22, [19 February 2015](#).

<sup>42</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>43</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>44</sup> For instance, see: Ari Van Assche, [\*Global Value Chains and the Rise of a Supply Chain Mindset\*](#), Institute for Research on Public Policy, 28 April 2015; Canadian Chamber of Commerce, [\*Reevaluating Canada's International Trade: The Impact of Global Supply Chains\*](#), Policy Brief: Economic Policy Series, May 2013; Kip Beckman and Danielle Goldfarb, [\*Canada's Changing Role in Global Supply Chains\*](#), Conference Board of Canada, 2007.

companies can export by tapping into relationships right here in Canada. So tapping into a company like [General Electric] or Siemens that have large supply chains all over the world and establishing relationships with those companies in Canada can mean stepping into a larger supply chain and larger markets.”<sup>45</sup>

EDC’s partnership with General Electric (GE), in which EDC “provides financing solutions for GE Canada based upon the quality of its Canadian footprint and the prominence of exporting in its business model,”<sup>46</sup> is an example of the manner in which the supply chains of multinational corporations can be accessed. In the Committee’s view, more Canadian SMEs should take advantage of domestic entry points to global supply chains, as this option can be less costly and lower risk than exploring foreign markets on their own. Rhonda Barnet, of Steelworks Design Inc., explained how her company internationalized its activities through the multinational supply chains located in Canada. She said: “Having been very successful providing custom equipment to [GE Canada’s plant in Peterborough], our firm has been offered opportunities to meet buyers from other GE facilities around the world. [...] Because of EDC’s work in this area combined with my local success in this GE plant, my firm now works for five divisions of GE around the globe.”<sup>47</sup>

While SMEs in a number of Canadian sectors would benefit from integrating into domestic entry points to global supply chains, the Committee heard that the Canadian Commercial Corporation (CCC) can help to connect SMEs to supply chains in Canada’s defence and security sector. Anthony Carty, of the CCC, said that the “CCC works closely with Canada’s primary defence and security exporters, and encourages them to use and maximize Canadian content in their supply chains.”<sup>48</sup>

The Committee is aware of reports highlighting that imported goods are included in a significant proportion of the goods that Canada exports. For instance, according to the Canadian Chamber of Commerce, about one fifth of the value of all goods and services exported by Canadian businesses in 2009 originated abroad.<sup>49</sup> In this regard, Ms. Wright told the Committee that, although trade is a “two-way street,” trade promotion implicitly favours exports over imports. **The Committee agrees with Ms. Wright’s assertion that Canada needs to pay more attention to imports, since enhancing Canadian businesses’ participation in the development and management of global value chains is becoming increasingly important to compete internationally.**<sup>50</sup>

Imported goods are sometimes significant components – in value or importance – in Canadian exported goods. In that context, witnesses said that Canada should negotiate FTAs with simpler rules of origin. The Committee heard that the complexity of rules of origin prevent SMEs from

---

<sup>45</sup> SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#).

<sup>46</sup> Export Development Canada, “[GE Canada and EDC partner to develop new export opportunities for Canadian companies](#),” News release, 15 July 2014.

<sup>47</sup> SCFAIT, Rhonda Barnet, 41:2, Issue no. 24, [1 April 2015](#).

<sup>48</sup> SCFAIT, Anthony Carty, 41:2, Issue no. 24, [26 March 2015](#).

<sup>49</sup> Canadian Chamber of Commerce, [Reevaluating Canada’s International Trade: The Impact of Global Supply Chains](#), Policy Brief: Economic Policy Series, May 2013.

<sup>50</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#).

maximizing the benefits resulting from FTAs and that, in particular, complying with complex rules of origin can be a significant cost, as it can be difficult to assess the origins and values of imported inputs into exported products. The administrative burden and associated costs involved in producing certificates of origin are more easily borne by larger firms than by SMEs.<sup>51</sup>

The Committee was also told that the Goods and Services Tax/Harmonized Sales Tax (GST/HST) applied on imported goods that are to be exported is an obstacle that discourages Canadian SMEs from becoming involved in global supply chains. The GST/HST is paid on most imported goods when they enter Canada; when these goods are not destined for domestic use and instead are re-exported, businesses can request a refund of the GST/HST they paid, but there are significant cash flow and administrative implications for SMEs. In the view of Ms. Dawson, the federal government should find a way to reduce this burden for SMEs that are importing goods that are to be re-exported.<sup>52</sup> The Committee agrees that a reduced burden would encourage SMEs to increase their participation in international trade, as well as in North American and global supply chains. From that perspective, the Committee recommends:

## **RECOMMENDATION 5**

**That the Government of Canada identify promising domestic entry points to global supply chains, and explore opportunities to replicate the partnership between EDC and GE Canada with other interested companies.**

## **RECOMMENDATION 6**

**That the Government of Canada assess whether the process for requesting a refund of the Goods and Services Tax/Harmonized Sales Tax paid on imported goods that are re-exported can be simplified.**

## **F. Enhancing the Mobility of People**

Canadian business people who want to participate, or increase their participation, in foreign markets often must travel to those markets to meet new clients, identify suppliers and distributors, negotiate deals and make sales. As well, Canadian businesses need employees who have the right skills; when certain skills are not available in Canada, businesses need to be able recruit internationally.

In an increasingly competitive environment, business people must be able to travel without undue obstacles. For some, there may be difficulties in travelling while applications for visas are being made. The Committee was told that some countries might allow their citizens to have multiple passports, which enables individuals to send one passport to required authorities to

---

<sup>51</sup> SCFAIT, Laura Dawson, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Dan Ciuriak, 41:2, Issue no. 24, [25 March 2015](#).

<sup>52</sup> SCFAIT, Laura Dawson, 41:2, Issue no. 22, [19 February 2015](#).

obtain a visa while travelling with the second passport.<sup>53</sup> Melissa Vencatasamy and Sheila Kehler, both of CanAgro Exports, told the Committee that the ability to travel to develop new business opportunities is impeded by an inability to have more than one Canadian passport. In particular, Ms. Vencatasamy said that, when she submits her passport as part of a visa application process, she is unable to travel internationally until her passport is returned to her. She said that, because people have to be in Canada to apply for a visa and the application process can be lengthy, business people may be less efficient. In her view, “[a]ll of the months each year that we have to come back to Canada to renew a visa or get a new visa [means] we can't work, at least not with the same effectiveness that we could if we were in the country where we needed to be.”<sup>54</sup>

The Committee recognizes that the ability to have more than one passport could be beneficial for Canadian business people, but believes that a variety of considerations – not the least of which is security – would have to be analyzed prior to any change being made. As emphasized by Robert Orr, an official from Citizenship and Immigration Canada, fulfilling the department's mandate involves maintaining a delicate balance between meeting security needs while delivering the most efficient services possible.<sup>55</sup>

In the Committee's view, reciprocal agreements that allow multiple-entry visas to be issued and valid for a longer period of time, like those resulting from the agreement reached between Canada and China in February 2015, might make a significant contribution in reducing some of the barriers to international mobility that Canadian entrepreneurs face.<sup>56</sup>

The Committee underscores that Canadian companies must be able to hire workers who have the skills that they need to succeed in the global marketplace. In some cases, these skills are available in Canada; in other cases, they must be recruited from other countries. Lance Richardson, of Arc'teryx Equipment Inc., spoke to the Committee about the apparel sector, where there can be challenges in finding skilled labour in Canada and foreign employment opportunities are being explored by some Canadians, with potential implications for the availability of domestic skills. In his view, some companies “need that combination of being able to hire externally to make sure we can bring talent in and also to develop the talent within.”<sup>57</sup>

Mr. Richardson underscored that the Labour Market Impact Assessment that enables employers to fill vacant jobs with foreign workers under the Temporary Foreign Worker Program takes too long to complete, and noted that his company has lost some candidates in the past because of the length of the process.<sup>58</sup> The Committee believes that employers that are unable to find workers in Canada with the skills that are needed cannot afford to lose good candidates because of lengthy procedures, and therefore recommends:

---

<sup>53</sup> SCFAIT, Melissa Vencatasamy, 41:2, Issue no. 23, [11 March 2015](#).

<sup>54</sup> SCFAIT, Melissa Vencatasamy, 41:2, Issue no. 23, [11 March 2015](#).

<sup>55</sup> SCFAIT, Robert Orr, 41:2, Issue no. 24, [26 March 2015](#).

<sup>56</sup> Government of Canada, “[Canada Welcomes Long-Term Multiple-Entry Visas for Canadian Travellers to China](#),” News release, 8 March 2015.

<sup>57</sup> SCFAIT, Lance Richardson, 41:2, Issue no. 25, [23 April 2015](#).

<sup>58</sup> SCFAIT, Lance Richardson, 41:2, Issue no. 25, [23 April 2015](#).

## **RECOMMENDATION 7**

**That the Government of Canada assess whether the Labour Market Impact Assessment process could be streamlined.**



## **CHAPTER THREE: ENSURING ACCESS TO TRADE-RELATED FINANCING**

Virtually all businesses have a requirement for financing at some point, and that need may be particularly critical for businesses – including SMEs – that want to expand their international trade activities.<sup>59</sup> For instance, these businesses may need financing to hire additional staff, purchase inputs and equipment, or expand their facilities. As well, they may need to insure their shipments and themselves against non-payment, to offer access to EDC’s financing solutions to potential foreign buyers because they are unable to offer financing to these buyers, to address cash flow issues resulting from delays in payments, to have the collateral required to issue letters of credit or guarantees to meet contractual obligations with foreign buyers, or to protect themselves against currency fluctuations. In the Committee’s view, Canadian businesses – and particularly SMEs, which may face the more significant financing challenges – must be able to access financing that will help them to maximize international trade opportunities.

During this study, the Committee heard about EDC’s instrumental role in helping businesses to reduce the financial risks associated with international trade, and about the importance of access to financing options for businesses focused on foreign markets.

### **A. Reducing the Financial Risks of International Trade through Support from Export Development Canada**

As Canada’s export credit agency, EDC provides financial and insurance services to support the international business activities of Canadian exporters and investors, and to finance foreign buyers of Canadian goods and services. As a self-sustaining federal Crown corporation, EDC funds its activities with the returns it generates from providing financial services. In 2014, EDC served more than 7,400 customers in 187 countries, and 91% of EDC’s financing transactions were done in partnership with other financial institutions. The Committee believes that supporting Canadian SMEs as they compete in foreign markets is a critically important aspect of EDC’s activities. For instance, in 2014, the EDC helped more than 6,000 SMEs – 82% of its customers in that year – generate \$13.6 billion in exports.<sup>60</sup> Johane Séguin, an official from EDC, characterized EDC as a proactive organization that reaches out to Canadian SMEs “to let them know EDC is there to reduce their risk.”<sup>61</sup>

The Committee’s witnesses indicated that EDC’s services enabled them to protect themselves against the risk of not getting paid by clients, to offer access to EDC’s financing solutions to foreign buyers, to help them secure letters of credit required by buyers, and to hedge against foreign exchange risks. The Committee also heard that EDC was willing to provide these

---

<sup>59</sup> SCFAIT, Kati Suominen, 41:2, Issue no. 24, [1 April 2015](#); SCFAIT, John Kalbfleisch, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Sheila Kehler, 41:2, Issue no. 23, [11 March 2015](#).

<sup>60</sup> Export Development Canada, [2014 Annual Report](#), 2015.

<sup>61</sup> SCFAIT, Johane Séguin, 41:2, Issue no. 24, [26 March 2015](#).

services in cases where Canada's chartered banks were not willing to do so.<sup>62</sup> For some of the Committee's witnesses, EDC's services were a significant factor in the decision to pursue an export opportunity. For instance, Neil Lang, of Corvus Energy Ltd., said that his company probably would not have been successful in expanding its exports without EDC's support,<sup>63</sup> while Chuck Cartmill, of LED Roadway Lighting Ltd., said that he will only consider an international business opportunity if EDC is willing to be involved in a transaction..<sup>64</sup> Similarly, Alain Masson, of GNR Technologies Inc., indicated that EDC's insurance on receivables has been extremely helpful to his company, and that this insurance "very well priced and far better than any competitive product out there."<sup>65</sup>

However, Ms. Kehler stated that staff turnover at EDC is a challenge for businesses, especially as it takes a long time to establish a working relationship. According to her, "[t]he staff turnover in the underwriting department is frustrating as each new person needs time to understand our business and, as exporters, that is time that we don't have when trying to finish a deal with our customers."<sup>66</sup> The Committee agrees that staff turnover can be a challenge and, thus, the Committee recommends:

## RECOMMENDATION 8

**That the Government of Canada consider ways and means of improving retention rates among Export Development Canada employees, including the payment of retention bonuses, in those parts of the organization that have high employee turnover.**

The Committee heard that EDC offers a variety of financing and insurance options that help to reduce many of the risks of international trade. The Committee acknowledges that EDC fills some financing gaps in the marketplace and provides other supports, such as matchmaking between Canadian businesses and potential clients, that encourage Canadian businesses – including SMEs – to enter foreign markets. As well, EDC's services help Canadian businesses succeed internationally by reducing the financial risks that they face in foreign markets.

## B. Financing Businesses Focused on Foreign Markets

Access to the financing that may be required to expand in, or to enter, foreign markets remains challenging for some businesses. The Committee recognizes that this challenge might prevent Canadian businesses from pursuing international trade opportunities. The Committee heard that, in comparison to the United States, Canada's financial institutions are more risk adverse when

---

<sup>62</sup> SCFAIT, Ernie Lynch, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Sheila Kehler, 41:2, Issue no. 23, [11 March 2015](#); SCFAIT, Geoff Chutter, 41:2, Issue no. 23, [12 March 2015](#); SCFAIT, Rhonda Barnet, 41:2, Issue no. 24, [1 April 2015](#); SCFAIT, Chuck Cartmill, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>63</sup> SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>64</sup> SCFAIT, Chuck Cartmill, 41:2, Issue no. 22, [19 February 2015](#).

<sup>65</sup> SCFAIT, Alain Masson, 41:2, Issue no. 25, [23 April 2015](#).

<sup>66</sup> SCFAIT, Sheila Kehler, 41:2, Issue no. 23, [11 March 2015](#).

dealing with businesses that want to export.<sup>67</sup> As well, witnesses indicated that SMEs that have business plans focused on foreign markets face challenges in finding venture capital funding within Canada, as they are perceived as being riskier than companies focused on the domestic market.<sup>68</sup>

The Business Development Bank of Canada (BDC), which is a federal Crown corporation that provides financial services that complement those available from private-sector financial institutions, plays an important role in addressing financing gaps. According to Shereen Benzvy Miller, an official from Industry Canada, BDC provides about \$4 billion annually to businesses, including to those that export.<sup>69</sup> Michel Bergeron, an official from BDC, said that BDC's role as a complementary lender allows it to take more risks than chartered banks, and that BDC's services currently support more than 30,000 SMEs, of which 16% are exporters.<sup>70</sup> The Committee is also aware that, to address Canadian businesses' lack of access to venture capital,<sup>71</sup> the federal government allocated additional venture capital funds through a BDC subsidiary – BDC Capital – in the context of the Venture Capital Action Plan.<sup>72</sup>

In addition to EDC and BDC, the Committee knows that other federal services help innovative businesses that have export potential. For instance, Ms. Benzvy Miller explained that the Industrial Research Assistance Program provides technology and financial assistance to innovative SMEs, and supports the commercialization of Canadian products and services.<sup>73</sup> In addition, Mr. Lang stressed that the Scientific Research and Experimental Development investment tax credit "has been invaluable in stretching the initial funding during the research phase of our company."<sup>74</sup>

While a number of federal initiatives help to fill the financing gaps experienced by SMEs that are interested in foreign markets, the Committee believes that more must be done. In that context, the Committee recommends:

## RECOMMENDATION 9

**That the Government of Canada assess whether the Business Development Bank of Canada could further improve access to financing for small and medium-sized enterprises with significant export potential.**

---

<sup>67</sup> SCFAIT, Rhonda Barnet, 41:2, Issue no. 24, [1 April 2015](#); SCFAIT, Jim Reynolds, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>68</sup> SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>69</sup> SCFAIT, Shereen Benzvy Miller, 41:2, Issue no. 24, [26 March 2015](#).

<sup>70</sup> SCFAIT, Michel Bergeron, , 41:2, Issue no. 24, [26 March 2015](#).

<sup>71</sup> Independent Panel on Federal Support to Research and Development, *Innovation Canada: A Call to Action*, 2011.

<sup>72</sup> Department of Finance, [Venture Capital Action Plan](#).

<sup>73</sup> SCFAIT, Shereen Benzvy Miller, 41:2, Issue no. 24, [26 March 2015](#).

<sup>74</sup> SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).



## CHAPTER FOUR: ENCOURAGING CANADIAN ENTREPRENEURS INTERESTED IN INTERNATIONAL TRADE

Canada's business community is characterized by a certain level of risk aversion.<sup>75</sup> In the Committee's view, the trade services described earlier help to reduce the risks related to international trade, but the federal government could do more to change entrepreneurs' perception that international trade is too risky for them. As underscored by Jim Reynolds, of Padre Software Inc., although many Canadian businesses perceive that they are unable to compete internationally, once they enter foreign markets, they realize that they can compete successfully.<sup>76</sup> In addition, the Committee is mindful that exporting can be very difficult for SMEs that have never participated in trade activities. Kati Suominen, of TradeUp Capital Fund, indicated that "[f]or companies that have never exported, exporting is like starting a new business."<sup>77</sup>

Many entrepreneurs are not aware of, or are not sufficiently familiar with, the trade promotion services available to Canadian businesses, including those provided by the TCS and EDC.<sup>78</sup> Mr. Laurin spoke to the Committee about a report indicating that only 20% of Canadian exporters are aware of federal trade promotion services.<sup>79</sup> To encourage interest in foreign markets, the Committee believes that improving access to – and awareness about – Canada's trade promotion services might help to reduce Canadian entrepreneurs' aversion to risk and stimulate their interest in international trade.

During this study, the Committee heard a number of suggestions designed to increase access to, and awareness of, Canada's trade promotion services. For instance, witnesses remarked that "Go Global" export workshops that bring together the main federal trade promotion service providers – including the TCS, EDC, BDC and the Canadian Commercial Corporation – might help businesses become familiar with the various services that can support their international trade activities, and with ways in which international trade-related risks can be reduced.<sup>80</sup> In the Committee's view, the "Go Global" export workshops have the potential to increase awareness about federal trade promotion services, considering that these workshops have attracted more than 1,000 participants in 15 cities across Canada since November 2014.<sup>81</sup>

Witnesses suggested ways in which these "Go Global" workshops could be improved to maximize their impact. For instance, to ensure a high level of attendance by SMEs, Ernie Lynch, of Lynch Fluid Controls Inc., proposed that more notice of upcoming workshops should be

---

<sup>75</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#).

<sup>76</sup> SCFAIT, Jim Reynolds, 41:2, Issue no. 22, [18 February 2015](#).

<sup>77</sup> SCFAIT, Kati Suominen, 41:2, Issue no. 24, [1 April 2015](#).

<sup>78</sup> SCFAIT, Jim Reynolds, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Geoff Chutter, 41:2, Issue no. 23, [12 March 2015](#).

<sup>79</sup> SCFAIT, Jean Michel Laurin, 41:2, Issue no. 23, [12 March 2015](#).

<sup>80</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#); SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#).

<sup>81</sup> DFATD, 41:2, Issue no. 24, [26 March 2015](#); DFATD, *Go Global: Supporting Export Success*.

given, which would allow such entities as EDC to inform relevant businesses.<sup>82</sup> In addition, Mr. Vidler noted that Natural Resources Canada and Agriculture and Agri-Food Canada's Market Access Secretariat are not part of the "Go Global" workshops, even though these departments are important for exporters in the extractive, forestry and agri-food sectors.<sup>83</sup>

Moreover, a number of the Committee's witnesses called for the establishment of a "concierge service" to facilitate access to federal trade promotion resources. This service would consolidate relevant information about all of these resources on a website, and would provide contact information for individuals dedicated to helping match businesses to available services.<sup>84</sup> The Committee agrees that a "concierge service" would increase access to trade promotion resources, and would be particularly helpful for those SMEs that are less familiar with the variety of services available to them.

The federal government is not the only entity that can encourage entrepreneurs' interest in international trade opportunities. **The Committee believes that provincial and local entities have a role to play as well.** During this study, the Committee was told that each region in Québec has a not-for-profit regional export promotion organization called "ORPEX," which is dedicated to helping SMEs that have 60 or fewer employees to undertake export activities. Partly funded by the Government of Canada and the Government of Quebec, they help businesses ensure that they are ready for foreign markets, provide market research, analysis and assistance in relation to trade missions and trade shows, and guide businesses to other relevant services, such as those provided by EDC. Yanick Godbout, of DPME International, which is the ORPEX responsible for the Chaudière-Appalaches region, said that the ORPEX provide training so that SMEs become self-sufficient as soon as possible.<sup>85</sup>

According to Ms. Benzvy Miller, mentorship generally contributes to entrepreneurs' success.<sup>86</sup> The Committee believes that trade-focused mentorship activities would increase Canadian entrepreneurs' interest in international trade opportunities, with positive outcomes for both those businesses and Canada. The Committee agrees with Mr. Kalbfleisch, who said that Canada should consider developing a mentorship program that would pair SMEs with businesses that export; in this way, SMEs would benefit from the experiences of these exporters.<sup>87</sup> Also, as proposed by Mr. Laurin, trade commissioners in embassies and consulates could help to pair businesses that are interested in entering a specific foreign market to businesses that are present in that market; in that way, the former could hopefully avoid the mistakes made by the latter.<sup>88</sup>

The Committee agrees with Ms. Wright, who highlighted that Canada's efforts to nurture interest in international trade should not be focused exclusively on current entrepreneurs, but should also ensure that the next generation of entrepreneurs is equipped to compete globally. She said that

---

<sup>82</sup> SCFAIT, Ernie Lynch, 41:2, Issue no. 22, [19 February 2015](#).

<sup>83</sup> SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#).

<sup>84</sup> SCFAIT, Lorna Wright, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Laura Dawson, 41:2, Issue no. 22, [19 February 2015](#); SCFAIT, Philip Turi, 41:2, Issue no. 22, [18 February 2015](#); SCFAIT, Cam Vidler, 41:2, Issue no. 21, [4 February 2015](#); SCFAIT, Neil Lang, 41:2, Issue no. 22, [18 February 2015](#).

<sup>85</sup> SCFAIT, Yanick Godbout, 41:2, Issue no. 25, [23 April 2015](#).

<sup>86</sup> SCFAIT, Shereen Benzvy Miller, 41:2, Issue no. 24, [26 March 2015](#).

<sup>87</sup> SCFAIT, Rhonda Barnet, 41:2, Issue no. 24, [1 April 2015](#).

<sup>88</sup> SCFAIT, Jean Michel Laurin, 41:2, Issue no. 23, [12 March 2015](#).

“[I]nking SMEs with business students who have particular international business knowledge and skills, who could be hired on a project basis as interns or full-time employees, would also be beneficial to both SMEs and the students.” To encourage more Canadian entrepreneurs to consider international trade opportunities, the Committee recommends:

## **RECOMMENDATION 10**

**That the Government of Canada establish single-window access to the trade promotion services provided by federal entities, and promote a whole-of-government approach to the delivery of these services.**

## **RECOMMENDATION 11**

**That the Government of Canada identify opportunities to facilitate mentorship activities for the pairing of small and medium-sized enterprises, as well as existing and future entrepreneurs, with experienced Canadian exporters.**



## CONCLUSION

As new international trade opportunities emerge as a result of Canada's commercial diplomacy efforts and negotiation of additional FTAs, Canada should ensure that all of its trade promotion "assets" are aligned to support Canadian businesses in foreign markets. The Committee's most recent studies on the Asia-Pacific region and the North American relationship, as well as previous studies focused on Brazil, China, India and Turkey, have emphasized that Canada needs to engage with its partners in order to advance its place in the world. A number of the recommendations in these reports have focused on federal actions that would advance Canada's commercial interests. This report is consistent with earlier reports in this respect, and the Committee views trade promotion services as a key aspect of commercial engagement in foreign markets.

Having heard the inspiring stories of exporters from across Canada, the Committee is convinced that Canadian businesses can compete successfully in foreign markets. As a country that depends on trade, Canada must ensure these businesses and entrepreneurs have the supports that they need to succeed in an increasingly competitive global marketplace. In addition to ensuring a domestic policy environment that is conducive to starting and expanding businesses, trade promotion services must be aligned with the current and future needs of businesses.

In this report, the Committee highlighted the role of trade promotion services in connecting Canadian businesses – and particularly SMEs – to opportunities in foreign markets, ensuring access to financing that supports international trade activities, and encouraging entrepreneurs' interest in international trade. The Committee believes that there are opportunities to build on current federal trade promotion efforts. In particular, new initiatives must be added and existing services must be strengthened in order both to enhance Canadian businesses' ability to succeed internationally, and to reduce the aversion to risks that is preventing many entrepreneurs from exploring international trade opportunities. The Committee's recommendations offer guidance to the Government of Canada about the actions that it can take in order to help Canadians benefit further from international trade.



## **APPENDIX A: WITNESSES**

| <b>Meeting Date</b>      | <b>Agency and Spokesperson</b>  |
|--------------------------|---|
| <b>February 4, 2015</b>  | <b>Canadian Chamber of Commerce</b><br>Cam Vidler, Director, International Policy   |
| <b>February 18, 2015</b> | <b>Corvus Energy Ltd.:</b><br>Neil Lang, Chief Operating Officer (by video conference).<br><b>Padre Software Inc.:</b><br>Jim Reynolds, President and CEO.<br><b>Canadian Manufacturers and Exporters:</b><br>Philip Turi, General Counsel and Director, Global Business Services.  |
| <b>February 19, 2015</b> | <b>As an individual:</b><br>Lorna Wright, Executive Director, Centre for Global Enterprise, Schulich School of Business, York University;<br>Laura Dawson, President, Dawson Strategic.<br><b>Solar Global Solutions:</b><br>Chuck Cartmill, CEO, Founder and Majority Shareholder of LED Roadway Lighting Ltd, C-Therm Technologies Ltd and EEDTech Ltd (by video conference). |
|                          | <b>Lynch Fluid Controls Inc.:</b><br>Ernie Lynch, President.  |
|                          | <b>Alpha Technologies Ltd.:</b><br>John Kalbfleisch, Chief Operating Officer (by video conference).   |
| <b>March 11, 2015</b>    | <b>CanAgro Exports:</b><br>Sheila Kehler, Co-owner;<br>Melissa Vencatasamy, Chief Financial Officer and Co-Owner.   |

- March 12, 2015**
- WhiteWater West Industries Ltd:**
- Geoff Chutter, President and CEO.
- Conference Board of Canada:**
- Danielle Goldfarb, Associate Director, Global Commerce Centre.
- As an Individual:**
- Jean Michel Laurin.
- March 25, 2015**
- As an individual:**
- Dan Ciuriak, Director and Principal, Ciuriak Consulting Inc. and Research Fellow, the C.D. Howe Institute.
- March 26, 2015**
- Foreign Affairs, Trade and Development Canada:**
- Susan Bincoletto, Assistant Deputy Minister, International Business Development and Chief Trade Commissioner.
- Export Development Canada:**
- Johane Séguin, Sector Vice President, Extractive and Resources, Extractive Group.
- Canadian Commercial Corporation:**
- Anthony Carty, Vice President Corporate Services and Chief Financial Officer.
- Industry Canada:**
- Shereen Benzvy Miller, Assistant Deputy Minister, Small Business, Tourism and Marketplace Services.
- Business Development Bank of Canada:**
- Michel Bergeron, Senior Vice President, Marketing and Public Affairs.
- Citizenship and Immigration Canada:**

Robert Orr, Assistant Deputy Minister, Operations;  
Angela Gawel, Director General, International Region;  
Caitlin Imrie, Director General, Passport Operational Coordination.

**April 1, 2015**

**TradeUp Capital Fund:**

Kati Suominen, Founder and CEO (by video conference).

**Steelworks Design Inc.:**

Rhonda Barnet, Vice President Finance (by video conference).

**April 23, 2015**

**GNR Technologies Inc.:**

Alain Masson, President.

**Arc'teryx Equipment Inc.:**

Lance Richardson, Vice President, Operations (by video conference).

**DPME International:**

Yanick Godbout, Administrator, CIQuébec and Director/Export Trade Commissioner.