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## **Standing Committee on International Trade**

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**EVIDENCE**

**Thursday, February 9, 2017**

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**Chair**

**The Honourable Mark Eyking**



## Standing Committee on International Trade

Thursday, February 9, 2017

• (1520)

[English]

**The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)):** I call the meeting to order.

Good afternoon, everyone.

Today we're going to have one hour to start off. We have people from Global Affairs here talking about how we can help and engage small businesses.

Just to let you know, I have received notice that the minister could not be here today but is willing to come next Thursday. I've decided we will have one hour with the officials here today, and then go right into our TPP draft. We will do the same thing next Thursday. We will split the time, with an hour for the minister and then an hour for the TPP.

Is that okay with everybody? Can we get going?

**Ms. Tracey Ramsey (Essex, NDP):** Is that with the Minister of Small Business and Tourism?

**The Chair:** Yes.

**Ms. Tracey Ramsey:** Do you think we need a full hour?

**The Chair:** I don't know. It's usual that when a minister is here, it's for an hour. If it's half an hour, we'll go right into TPP. With whatever it takes to ask questions, we can just split that day up.

Without further ado, thank you for coming, folks.

This request came from our committee. As you're probably well aware, we've been dealing with a lot of different trade agreements and trade issues. We're just finishing up our TPP study. We've gone through every province. We videoconferenced the territories.

We had an open mike at the end of each meeting. We had a lot of input, a lot of uptake from the public. We also heard from a lot of businesses that were probably not very familiar with the export business and would like to be doing more. I think that's where our request for you folks to come came from. As I stated, the minister is going to be talking a little bit more about it next week.

I know you guys are doing a lot of good work already, but if you can enlighten us—we have an hour with you—and just tell us some of the things we can do. I think we're mostly looking at how we can get small and medium-sized businesses plugged in more and how we can help them understand the great opportunities we have and what some of our trade agreements are.

The floor is yours, and then we'll open up for questions.

**Mr. Michael Danagher (Director General, Regional Trade Operations and Intergovernmental Relations, Department of Foreign Affairs, Trade and Development):** Thank you, Mr. Chair. My name's Michael Danagher. I'm director general of regional trade operations at Global Affairs Canada, and I'm accompanied by Elise Racicot. She's the program manager for the CanExport program.

Mr. Chair, I don't have to tell you that the current mandate of the trade commissioner service is to assist qualified Canadian clients with their international business development activities and that small and medium-sized enterprises receive a lot of attention from us in the process of creating and delivering our services. We recognize that many challenges exist for the SMEs, but in the area of international commerce, these are accentuated, given the lack of resources that they may need to succeed in the international market through access to market intelligence and support for their operations.

Global Affairs Canada has a number of mechanisms to assist SMEs, and first and foremost, of course, is the trade commissioner service, which offers core services to Canadian clients at almost 180 points of service outside Canada, in addition to 17 cities located in Canada. We have programs that respond to specific SME needs, such as promotions of opportunities that will flow from free trade agreements such as CETA, to respond to some of the points that came out in your hearings across Canada.

We also have a well-established business women in international trade program, which has organized a number of successful missions that have benefited women-owned businesses, with the clientele being primarily SMEs.

However, I'm going to focus today on the CanExport program, which is in many ways the flagship of support for the SME sector. The program was launched January 5, 2016. It's a \$50-million program that covers a period that will extend up until March 31, 2020. The mandate of the program is to provide financial contributions to SMEs looking to export their goods or services into new markets.

In more detail, CanExport is a co-funding mechanism that provides matching contributions from the federal government to successful applicants. They reimburse up to 50% of approved eligible expenses after the activities have been performed. CanExport draws on lessons learned from similar programming, such as Agriculture and Agri-Food Canada's AgriMarketing program and the industry component of the former program for export market development, PEMD-Industry, as it was called. The experience gathered through PEMD's 34 years of existence allows CanExport to expect that the activities it currently supports are likely to produce a positive economic impact on the export profiles of the recipients and therefore of Canada.

The program responds to many expressions of interest for marketing support from Canadian clients. CanExport also complements existing provincial programs aimed at supporting SMEs that are looking to develop their exports while also levelling the playing field with Canada's international competitors with similar tools at their disposal to support the growth of their SMEs, competitors such as Australia's export development grant program.

This program will help hundreds of Canadian companies every year. The program's expected results are that SMEs will achieve three broad objectives: in the short term, they will have a better understanding of international markets; in the medium term, they will conduct better export development activities; and in the longer term, they will have further diversified their markets and will have made sales in these new markets.

Achieving these results will be measured through activity reports and questionnaires sent to recipients who have completed all the activities for their projects at the time of their final claims, as well as at one-year and three-year intervals after the end of the project.

CanExport reports on its performance to Global Affairs Canada senior management on an annual basis and will also be the subject of a summative evaluation in 2018-19 by Global Affairs' office of the inspector general. CanExport's results will also be reported to Parliament on an annual basis through Global Affairs Canada's report on plans and priorities and through the departmental performance report.

How does it work? CanExport provides SMEs with matching contributions—again, it's a fifty-fifty cost-sharing—of between \$10,000 and \$99,999 toward export development costs. CanExport is open to companies in all sectors in all industries, with the exception of those already covered by existing federal programs such as the Agriculture and Agri-Food Canada program I mentioned earlier.

- (1525)

In order to be eligible for a CanExport contribution, SMEs are currently required to target a market to which they have not yet exported or not exported to in the last 24 months. Applicants also need to have annual revenues ranging from \$200,000 *de minimis* to \$50 million and to employ between one and 250 employees in Canada.

A range of activities can be considered eligible as long as they promote international business development and go beyond the company's core activities. Eligible activities also need to represent

new initiatives and yield incremental results. For example, activities could include travel to the market for client meetings, adaptation and translation of promotional material, participation in trade shows, or a customized market study. This is not an exhaustive list. More details are available in the applicant guide online.

The program is innovative for us. We work with the National Research Council's industrial research assistance program. They have the experience in working on contribution agreements with clients, and by working with IRAP we have found a cost-effective and timely response to SME requests for assistance. In every case so far, we have managed to have a decision on an application within 25 working days, which is a standard for programs of its type in Canada.

We also have a tripartite agreement with the IRAP program and the Canada Revenue Agency, which allows for the quick and inexpensive verification of applicant eligibility on the criteria I have just mentioned—revenue size and numbers of employees—based on the business identification number that the applicant authorizes CRA to use.

Those approaches have resulted in significant savings. They also allow for best practices to be shared, so other programs in Global Affairs, for example, are looking at this approach as we progress through it.

I would like to report to the committee some of the results so far that we have seen from the program. Since the launch in January 2016, \$18 million in contributions, out of the \$50 million committed, has been committed to applicants, including close to \$14 million from the current fiscal year. The approval rate is approximately 48%, which seems to be consistent with approval rates in other similar programs. There have already been over 600 SMEs approved for funding, and these in total target about 70 markets around the world.

With respect to those markets, while a significant number of applicants are looking at the U.S. market, CanExport has also approved applications for exports to a broad range of countries in Asia, Europe, Latin America, the Middle East, and Africa, and I'm pleased to report that recipients are located in every Canadian province.

The SMEs are active in a variety of sectors, including ICT—that is, information and communications technology—infrastructure, mining, automotive, defence and security, consumer products, ocean technologies, and aerospace. The typical successful applicant has approximately 17 employees, about \$2 million in revenue, about \$300,000 in existing export sales, and has been incorporated for roughly 12 years.

Program recipients have already reported several success stories related directly to projects supported by CanExport, such as the signing of partnership agreements or even new sales contracts.

I would like to share some of those examples, with the permission of the companies. I think they are illustrative of the type of SMEs we're supporting through this program.

Korite from Alberta is the world's largest producer of gem-grade ammolite. With the support of CanExport, it is looking to increase market awareness in China specifically through strategic partnership initiatives and industry trade shows. It has already, as a result of its CanExport contribution, successfully partnered with a China-based jewellery company to ensure distribution of the finished jewellery in China and further development of innovative product technology resources in China.

● (1530)

The Samajam Group from Quebec is an entertainment impresario. It creates an energizing, participatory musical experience which entertains, educates, and engages people, particularly young people. With CanExport's support, this company has just signed a tour of performances in venues across China for 2016. This agreement has allowed Samajam to put on nearly 100 shows throughout the year in 22 cities in China, with a total of 50,000 tickets sold and revenue, we understand, of approximately \$500,000.

Team Eagle Ltd. from Ontario is a company working in the aviation sector with a highly sophisticated vehicle that analyzes runway contaminants and then provides information regarding the aircraft braking capability available on any given runway. With CanExport's support, Team Eagle recently attended a global symposium in Paris on runway condition reporting that helped to introduce the company to potential customers and partners from many international markets. CanExport also supports Team Eagle in preparing presentation and related materials for commercial promotion.

4Deep inwater imaging from Nova Scotia—this is my last example—has patented holographic technology to create powerful microscopes that enhance research and discovery. With CanExport's support, the company is marketing and promoting its submersible microscope system in India to monitor water quality in lakes, rivers, and oceans. It is reported that as a result of its CanExport contribution, it has issued over half a dozen quotations to direct potential customers, and it fully expects this to translate into sales within the next six to eight months.

Mr. Chair, this is a very quick overview of the program, some of its highlights, and an example of four of the over 600 successful CanExport applicants and their business cases. We would, of course, be very pleased to answer any follow-up questions that you and the committee may have.

**The Chair:** Thank you very much, sir. It's quite impressive what you and Global Affairs are doing.

We're going to open up the questions from the MPs. We'll start with the Conservatives.

Mr. Van Kesteren, you have the floor.

**Mr. Dave Van Kesteren (Chatham-Kent—Leamington, CPC):** Thank you, Chair.

Thank you for coming. This is fascinating material you're sharing with us today.

Your presentation tells us that this program was launched January 5, 2016. Was there a program prior to this that was similar, or is this a brand new endeavour?

**Mr. Michael Danagher:** The Global Affairs Canada-administered program was PEMD-Industry. That was in operation for 34 years until it was discontinued in 2004. There was an evaluation of the program, and many of the findings of that evaluation were incorporated in the analysis for CanExport when it was launched in 2006.

**Mr. Dave Van Kesteren:** That was in 2006.

**Mr. Michael Danagher:** That's right—no, that was 2016. I beg your pardon.

**Mr. Dave Van Kesteren:** It was 2016, so you had to resurrect a whole new program. I'm curious, because you would need quite a level of expertise into some of these other countries. How were you able to get the people that you needed to run this organization?

**Mr. Michael Danagher:** The platform here in Ottawa is actually fairly simple. We use as our backbone IRAP and their ability to automate the generation of contribution agreements. With our tripartite agreement with CRA, we're able to provide that basic screening. Where we get involved is that Elise and her team are responsible for evaluating the business cases themselves. In those cases, we rely on our broad trade commissioner service around the world.

For example, if an applicant is interested in a market in India, we'll be in touch with our trade commissioner network in India and ask their advice in terms of whether this is a realistic, bankable proposition. In some cases, when this interaction takes place, the trade commissioner service may point out that it is a very competitive market, that barriers exist, or perhaps that there is a regulatory impediment to that particular activity. We rely on a very large network to get the best-informed advice to our applicants.

**Mr. Dave Van Kesteren:** When you presented your brief, you stated, I think, that 17 was the average size. I can visualize that small, energetic group. It's somebody with a brand new product. Say I'm 30 years younger, and I've got this product I know is going to sell in Holland, for instance, so I would go to your organization. What would you help me with? Would you be able to tell me that's just not going to fly because these regulations won't come into place? Is that accurate?

● (1535)

**Mr. Michael Danagher:** That's correct.

**Mr. Dave Van Kesteren:** You'd be also able to say, "Yes, that's a good fit."

Would you eliminate—and I'm not suggesting it, because usually these types of individuals are quite astute—much of the need for them to go into the country and do that product research, or do you work hand in hand with them?

**Mr. Michael Danagher:** We work hand in hand. I think that's the best way to describe it.

Our trade commissioner service has the local knowledge that is appropriate. Of course, individual exporters have their own resources at hand. I think it's a good process. We can validate some of the market intelligence they have, but at the same time, we might add to that equation. The provision of the trade commissioner services is based on good teamwork between the exporter and the trade commissioner.

**Mr. Dave Van Kesteren:** You mentioned as one of your examples a company that went to China. I'm thinking now, with the signing of CETA, that we're moving forward and we should have this in place soon. Have you seen a lot of interest from companies in going into Europe, and are they beginning to work on that?

**Mr. Michael Danagher:** I can perhaps ask Elise to give an indication of some of the markets breaking.

**Ms. Elise Racicot (Deputy Director and Program Manager, Regional Network and Intergovernmental Relations, Department of Foreign Affairs, Trade and Development):** Thanks for the question.

Europe has been the second-largest region. If we compare North America, Europe, the Middle East, Africa, Latin America, and Asia, Europe would come in as the second-largest pool of recipients in terms of money and number of companies that have been approved. The U.K., Germany, and France are the most popular destinations that we've been requested to—

**Mr. Dave Van Kesteren:** Can I ask you just a quick question, because the chair's going to cut me off in just a second? Are you finding that a lot of immigrants or recent immigrants are participating in this program? Am I right to assume that?

**The Chair:** Sorry, Mr.—

**Mr. Dave Van Kesteren:** They're going to just answer that question.

**The Chair:** Okay, go ahead. Be quick.

**Ms. Elise Racicot:** Sure.

I think it would be difficult to know, quite frankly, because we have information on the company and we have the name of some of the signing authorities from the company, but we do not ask for that sort of information—for instance, if someone just came to Canada or not—so we wouldn't have this information.

**Mr. Dave Van Kesteren:** It would be interesting to know that. I don't know if it's possible to get that information, but the committee would like to maybe know, if that's possible.

**Mr. Michael Danagher:** If I may say, Elise was responsible for the rollout of this program and for its promotion efforts. I think last year she spoke to well over a thousand different companies at different venues. We did work with the bilateral chambers—for example, the Canada-India Business Council—so we have been able to promote the program to some of those communities.

**Mr. Dave Van Kesteren:** That's excellent. Thank you.

**The Chair:** Thank you.

We're going to move over to Mr. Dhaliwal.

Go ahead.

**Mr. Sukh Dhaliwal (Surrey—Newton, Lib.):** Thank you, Mr. Chair.

I would like to commend the great work that your organization is doing. It's quite fascinating. When it comes to small businesses, to talk about my constituency of Surrey—Newton, it has small businesses, and so does British Columbia in general. There are new immigrants, as Mr. Van Kesteren was saying, and they are interested in expanding trade overseas.

In one example you mentioned, you met with the Canada-India Business Council or something. Is there a program that's in place so that you are reaching out to as many companies as you can so they are able to take advantage of the program?

**Mr. Michael Danagher:** Well, we need our partners. We need our partners on the federal level and we work with our provincial partners, but of course the larger business associations are absolutely essential in getting news of this program to companies. I would say in general that with the response we've had for the launch of the program, we're fully subscribed for the allocations for the current fiscal year. Now that we've unrolled the program, we don't want to promote a program for which there won't be funds available in the current fiscal year, so we've taken a different approach on marketing the program and we have been a little bit more reactive in the last several months. However, if we see that a particular constituency is not represented, we could easily provide some kind of focused promotion of this program.

• (1540)

**Mr. Sukh Dhaliwal:** That's where my issues come in. The way I look at it is that you are the actor, right, but there are certain communities and certain businesses out there that do not have the resources or do not have the kind of management that can reach out to organizations like yours. That's where my concern is, and those steps should be put in place so that you're able to reach out—

**Mr. Michael Danagher:** Yes.

**Mr. Sukh Dhaliwal:** —to as many as you can.

Would you be able to tell us how many companies in British Columbia took advantage of this program?

**Ms. Elise Racicot:** Are you asking about the number of recipients in British Columbia specifically?

**Mr. Sukh Dhaliwal:** That is correct.

**Ms. Elise Racicot:** It's 87.

**Mr. Sukh Dhaliwal:** Are they small companies?

**Ms. Elise Racicot:** Yes.

**Mr. Sukh Dhaliwal:** That's quite encouraging.

Karen, I'm going to pass it on to you. You can share my time and take yours afterwards as well.

**Ms. Karen Ludwig (New Brunswick Southwest, Lib.):** Thank you.

Thank you very much for your presentation.

I have a number of questions. I represent the riding of New Brunswick Southwest. We are heavily involved with exporting. However, in the Atlantic region, not only are over 50% of businesses small, but they're actually micro-businesses of one to four employees. Do you ever receive any inquiries or requests from microbusinesses at CanExport or, previously, PEMD?

**Ms. Elise Racicot:** Thank you for your question.

I don't have a specific number, but I can tell you that the median of 17 should maybe be a pointer. There are quite a few companies that are in that range. I don't have the exact statistics, but frequently we have really small companies that are interested. We have had quite a few recipients that would be in that range.

**Ms. Karen Ludwig:** Thank you.

One of the areas I know about from constituents and even from my own background in teaching international trade is that the federal government will frequently sign and get involved in negotiations for international trade agreements, but sometimes there's a bit of a lag in introducing the benefits to those small and medium-sized businesses. The large businesses seem to get along with it. They seem to have more expertise in-house.

How can we better prepare businesses not only to take advantage of the exporting opportunities but also to benefit from the supply chain domestically in Canada? There's a big uptake in opportunities for that as well.

**Mr. Michael Danagher:** Thank you for the question.

As I mentioned in my presentation, one of the tools we're developing is an FTA implementation strategy. We've already had a series of seminars with small businesses across the country. We're working in close proximity with our provincial partners.

The objective, of course, is to get practical and sector-based information and specific business cases into the hands of people who are interested in CETA. It will remain to be seen how that sticks, but I think that the realization that the FTAs need to be implemented in a more strategic way is well realized within Global Affairs.

**Ms. Karen Ludwig:** Can I just have one more quick question? It's fast.

**The Chair:** You might have some time later on. We're going to move over to the NDP now.

Ms. Ramsey, you have the floor.

**Ms. Tracey Ramsey:** Thank you so much for being here today.

I think it's a really important conversation for us to have, and I'm appreciative of the member who brought this forward, because we often hear this from people at the committee.

We also hear about red tape, and we get a lot of complaints. Certainly the Canadian Federation for Independent Business has been before the committee several times telling us stats on businesses that are engaged in trade, and the red tape is something that is brought up over and over.

I know this was previously studied in the 41st Parliament under "Connecting Canadian Companies to International Markets". Also, it was one of the NDP's recommendations to have some form of one-stop shop access whereby basically there would be one pathway instead of multiple ones.

My question goes back to my own riding. If a business in Essex were to come and meet with me, first of all, how can I connect them with CanExport and other programs? Number two, is there a one-stop shop, or do they need to inquire with each department and program individually?

**Mr. Michael Danagher:** I'll answer that.

For CanExport, it's delivered online. We advise some of your constituents to familiarize themselves with the guide, and the applicants' guide was designed to be fairly straightforward. We did some beta testing on it, and certainly in the creation of the program we did listen to CME and CFIB and their recommendations.

We have developed what we think is a very cost-effective and timely delivery of the program. The time frame of 25 working days within our department really means taking what are often very complex business cases and determining whether, first, they're viable, but also seeing that all the criteria of the program are observed.

We also have feedback from applicants, both successful and otherwise, in terms of how to improve programs. Our feedback so far has been predominantly positive, but they've made some recommendations, not so much on the administration of the program but more on the scope of what it can do.

● (1545)

**Ms. Tracey Ramsey:** I think it's actually the case that people have to access different programs under different departments.

**Mr. Michael Danagher:** Yes.

**Ms. Tracey Ramsey:** Having a one-stop shop or a one-window type of set-up for small and medium-sized businesses would potentially eliminate some of that.

The other question I have picks up on my colleague's question around smaller businesses and even micro-businesses. I see that the threshold for annual revenues is \$200,000 to \$50 million, so I'm wondering if this has been a barrier to any small or micro-sized businesses and how they would access this type of funding if they fall under that line.

**Ms. Elise Racicot:** Thank you for your question.

It's true that there have been some refusals based on the fact that a company didn't have the revenues. However, in previous programs and other programs of the same nature, usually the threshold would be much higher, often above \$1 million and sometimes above \$2 million in revenues. This one is considered to be smaller than usual, so the entry is a bit easier.

One of the reasons is that it's delivered in partnership with the NRC's IRAP. Many of their clients tend to a new company bringing a technology. They sometimes start really small, with no revenue yet, so IRAP also wanted to make sure when we designed the program that we would be able to catch some of their potential clients for other technology development programs. We've been taking that into account. It's still a barrier to a certain extent, but I'd say that it's a more generous entry level than most other programs.

**Ms. Tracey Ramsey:** Do you have a referral program for refusals? Do you redirect them to another department or potentially another source where they can get some funding or information?

**Ms. Elise Racicot:** We do. We redirect them to our regional network of the trade commissioner service to help them prepare for international markets, since sometimes that's the step they might have missed. We also refer them to the concierge service, which is a little bit of a one-stop shop, as you were referring to in your previous question. A company can get information about all programs that could be of interest to an SME, including CanExport. We do refer to both of those organizations.

We also spend a lot of time, even in our own program, trying to educate the companies, so if they missed something or there's something that they could have done differently to make it happen, we try to provide them feedback. I'm pleased to say that a significant number of applicants were able to present a better case and were able to receive the money.

**Ms. Tracey Ramsey:** My next—

**The Chair:** Your time is up. We're going to have to move over to the Liberals. Madam Lapointe, you have the floor.

[Translation]

**Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.):** Thank you, Mr. Chair.

My thanks to the witnesses for joining us today. We appreciate their attendance.

When you answered a question my colleague asked a little earlier, I think you said that you were more “reactive” than proactive last year.

How can we make sure that we are proactive in terms of small and medium businesses?

What do we have to change in that respect?

[English]

**Mr. Michael Danagher:** I think it's just a question of resource allocation.

[Translation]

That program was launched last year. So the program and those participating in it are halfway along. People are really developing good relationships with the clients.

We have seen a lot of interest from private sector clients. With a newly launched program, it's quite normal for there to be a promotional period. After several months, we are able to see the applicants' progress. For us, it was more important to provide the program than to promote it.

I think Ms. Racicot wants to add something.

• (1550)

**Ms. Elise Racicot:** In the first months of the program, we were more proactive with the promotion. We communicated with about 1,000 people, either by telephone or in person. These were people who could spread the word, such as provincial partners, other federal partners, chambers of commerce, and so on.

In the first months, our promotion was a little more intensive. As we said earlier, we are now a little “reactive”, but we still undertake to make contact with the public very frequently. Since you are from Quebec, I can tell you, as an example, that the ORPEX network

recently asked us to make a presentation to all the local development centres in Quebec about how the program operates.

We get requests from organizations from all over Canada. Each time one comes to us, we try to respond to it, through a webinar, for example, so that we can talk with the members of the organization and describe the program more proactively.

**Ms. Linda Lapointe:** Thank you very much, this is very interesting.

My constituency is Rivière-des-Milles-Îles, which includes the cities of Deux-Montagnes, Saint-Eustache, Boisbriand and Rosemère. We have very fine companies there. We are located next door to the aerospace sector. My constituency has a number of suppliers to the aerospace sector. The constituency also has an agri-food processing sector.

Here is my question. Do officers from small and medium businesses in the agri-food processing sector come to see you?

**Ms. Elise Racicot:** Perhaps I can answer that.

If a company supplies a product like food, it would actually be covered by the AgriMarketing program. They operate under conditions quite similar to ours, but with more money than our program.

That said, a number of companies that are part of the food processing chain have requested funds and have received support from the program in areas like equipment, software, packaging solutions, and so on. There are also companies that we can help through CanExport.

**Ms. Linda Lapointe:** Thank you.

I will make way for Mr. Fonseca.

**Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.):** Okay.

Thank you.

[English]

I want to ask about the allocation of the funds. What would they go to? Would they be for trade shows, one-on-one meetings, conferences, or all of the above? Can you just run us through what people would use the monies for?

**Mr. Michael Danagher:** Thank you for your question.

In general, they're for incremental marketing activities, overseas marketing activities, so they should be directed at a specific market—for example, France or Brazil—and they would be for those exploratory meetings. There would be an involvement in trade fairs and other networking activities.

The funds may also be for specialized services, such as researching regulatory regimes for the product and the destination country, or even legal costs. We do put a cap on the percentage of the contribution that can be used for that purpose—for third party specialized advisory services—but otherwise the core principle is that this should be for incremental activities rather than the core business operations.

**Mr. Peter Fonseca:** I have one more question.

I see that number one is the United States with 89%, and then it's Europe with 31%. They have pretty stable regulatory, judicial, and political systems. When you get into countries that maybe don't have the same standards that we do, do you help with those concerns as well when you're talking about financing or mitigating risk? How do you address that with those who come forward?

**The Chair:** I'm sorry, but I have to cut you off. You have more time coming up, so maybe you can finish that thought and move on, but we're going to have to move over now to Ms. Ludwig.

Go ahead.

**Ms. Karen Ludwig:** I'd like to hear your answer to my colleague's question.

**Mr. Michael Danagher:** Okay.

Indeed, the concept we have for this program is that in those markets where there are particular challenges, the companies can access those resources. As I mentioned in the presentation, the cap on our contributions is \$99,999, so for our 50% that would mean for a particular market exploration activity we would be co-funding up to the \$200,000 level. That in itself limits what an individual company may seek to do, but in our experience as trade commissioners in difficult markets—Elise served in Brazil and I served in Korea—we have found that quite often the answers can be obtained by clients at a relatively reasonable cost, and this indeed helps the clients to focus on those markets.

• (1555)

**Ms. Karen Ludwig:** Thank you.

I have a fair number of questions to add to that.

Years ago when I first started teaching in international trade, I remember that a representative from Industry Canada approached our team. A comment of his has always stuck with me. He said that 75% of first-time exporters are not exporting in their second year. As for the reason why, when we asked him about that, he said it was because they didn't do their homework. They didn't realize how difficult it would be, for example, to export directly to Cuba and how long it was going to take to get paid—and not everyone can get paid in sugar.

We had different scenarios like that, but certainly it was about just not doing their homework, so a service like yours is integral. How is it promoted within the business community so that they know about the service, the necessity, and the potential outcomes?

**Mr. Michael Danagher:** I think the needs of our SME community in their international market development are dynamic. We see with the development of eBay or Alibaba, for example, that new chains are developing for companies.

In the trade commissioner service in Global Affairs we try to identify where those trends are going, and sometimes our success is more limited than we would like. That said, I think the important consideration in this case, as we were trying to outline, is the co-sharing. We believe that companies should pay a cost. It's a commitment on their part.

We respect the fact that SMEs have all sorts of challenges in meeting their bottom line every day and meeting a payroll, but at the same time....

It's quite surprising to see that some SMEs rely 90% to 100% on foreign sales. I wouldn't pretend there's a single SME out there whose needs are uniform, and I think with our program we intend to have as much flexibility to all the circumstances that....

**Ms. Elise Racicot:** I would just add that we communicate the results to our trade commissioner service, and recipients agree that we offer practical services to help them and support them in their efforts internationally.

Typically, if a company is not already working with the trade commissioner service, someone from both the post and the regional office in Canada would likely be in touch with them. The regional office could help them prepare for an international market and make sure that they're connected to the right trade commissioner at the mission who can then help on the ground.

That's another way we make sure not only that this program is going to help financially but also that we make sure to make that bridge and connect them with our network abroad and in Canada.

**Ms. Karen Ludwig:** Thank you.

My next question is about women exporters. I sit on a different committee, and earlier this week we heard from an expert who said that of all Canadian businesses that are owned by women, only 5% are exporting. They have challenges getting finances—debt financing especially—and developing networks.

We know that in the Atlantic region only 9% of businesses are exporting. What kind of services do you have for women exporters?

**The Chair:** That will have to be very quick.

**Mr. Michael Danagher:** As I mentioned, within the department we manage the business women in international trade program. That was launched in 2005. It's grown to be quite successful, and I think operates on three different pillars.

One is information sharing, so it has a newsletter and a LinkedIn group and all sorts of nice things like that. The second thing is to provide profile for the sector in general, and the third and most important, in my opinion, is business women in international trade missions. The missions are centred on supply or diversity programs that are offered by Fortune 500 companies, in most cases. We started with the United States. We're going to look at similar programs that exist in other countries in future iterations.

• (1600)

**Ms. Karen Ludwig:** Thank you very much.

**The Chair:** Thank you.

I'm going to go to the Conservatives now, and I'm glad to see my friend Earl Dreeshen here. It's good to see you. We worked well for farmers when we were on the agriculture committee.

I guess you're splitting your time with Mr. Ritz. Mr. Ritz, you're up first.

**Hon. Gerry Ritz (Battlefords—Lloydminster, CPC):** Thank you, Mr. Chair.

Thank you for your presentation here today.

I was reading that this program started on January 5, 2016, with \$50 million. There was one just before that; it had a different name, but it was still \$50 million. What was the name of that one? I tried to remember. I remember putting it in play—

**Mr. Michael Danagher:** It's the same program. This was announced by the Prime Minister in March 2015 as part of the budget announcement, but the program itself was launched—

**Hon. Gerry Ritz:** Yes, but there had been ongoing programs like this before this was reannounced. There have been years of these types of programming out there.

With the new name and the new pot of money, I was wondering if your mandate changed as well.

**Mr. Michael Danagher:** The terms and conditions were approved by Minister Freeland. The mandate was to assist SMEs, so that's not changed.

**Hon. Gerry Ritz:** How closely do you work with EDC? Are you filling gaps that...? You're maybe more nimble than they are. Are you into countries they don't serve? Is there a good parallel between the two? You're both under Global Affairs.

**Mr. Michael Danagher:** Absolutely. We have a very strong, ongoing relationship with EDC, with Canadian Commercial Corporation, and, in fact, with the Business Development Bank of Canada.

**Hon. Gerry Ritz:** And AgriMarketing?

**Mr. Michael Danagher:** And AgriMarketing. Elise will be meeting tomorrow with our counterparts responsible for the program, so the collaboration is very close.

In response to an issue one of the members has raised, as a platform we want to make sure we don't provide too much confusion for our SME clients. They want to be talking to the people that they need to talk to and getting the service they need as soon as possible.

**Hon. Gerry Ritz:** Do you make house calls? Do you actually go to some of the shows and set up a booth so people know you're there?

**Mr. Michael Danagher:** Absolutely. For our trade commissioners across Canada—95 of them, situated in 17 cities—their whole working day is about house calls.

**Hon. Gerry Ritz:** Exactly. Good. Thank you.

**The Chair:** Mr. Dreeshen is next.

**Mr. Earl Dreeshen (Red Deer—Mountain View, CPC):** Thank you very much, Mr. Chair, and thank you to the witnesses for being here today.

My experiences are basically on the agricultural side of the equation, and in ag marketing.

I had the opportunity to go to London with former minister Ed Fast and the former prime minister. We brought along 30 or 40 small businesses to meet and speak to distributors who were moving into Europe. We tried to make sure there was information there so that

they understood things, strange things like container size, on-time delivery, distribution networks, and that type of thing.

There were so many of them there, and most of the products.... From the Maritimes there were a lot of different fish products that were being manufactured and moved on, and they wanted to know what was happening there. They were trying to position themselves for three or four years down the road when all of this was going to take place.

Perhaps that came more under Agriculture and Agri-Food Canada's AgriMarketing program, but it is nevertheless a way of getting a small group of folks to be able to understand just what is taking place. I think that's an important aspect of it, and it's something that we can continue to look at.

My concern, of course, is how we measure success with this program. There are various benchmarks, and I read through some of the introductory information about what had taken place from February to May of 2015. We have metrics there from Statistics Canada.

What is it that you are looking for? What kind of markers have you set down to see what you can expect in the future?

**Mr. Michael Danagher:** Thank you for your question.

The guidelines in the program require that each applicant report on their success at the time they make the claims for the expenses they've incurred, and they can do that sequentially. For example, they can include one trip to a market where they've been approved for four trips. They can claim it at that time. We would expect some reporting on each occasion they claim. We feel that this is an occasion for them to provide an update about people they may have met, such as a potential partner.

As I mentioned in the presentation, we get informal feedback. We're in good contact with many of our applicants and have developed a relationship such that they tell us as they go. More formally, at the conclusion of their project, and at one-year and three-year intervals following that conclusion, we receive a more structured report from them. At that time we determine whether in fact exports have been achieved as a result of their activities.

Quite frankly, we're a long way from seeing what the financial return is on this program, but we have several precedent programs, so we're fairly confident it will be positive.

• (1605)

**Mr. Earl Dreeshen:** Thank you very much.

**The Chair:** Thank you, Mr. Dreeshen.

We're going to move over to the Liberals.

Mr. Fonseca, you have the floor.

**Mr. Peter Fonseca:** Thank you, Mr. Chair.

With the uncertainty that we've been seeing over the last number of weeks—a month or so—south of the border, have you been encouraging those who are coming forward to look at other markets? I know that 89% are still doing their trade with the United States, but are you encouraging them to look at other markets? Have those who are top-heavy exporters to the United States come forward with any concerns? Are they looking for your advice in terms of opening up to other markets?

**Mr. Michael Danagher:** Thank you for your question.

As a trade commissioner, we don't tell companies which markets to explore. They develop the business case. We can provide them with information in terms of where their market might fit, but ultimately the decision and the risk is theirs. We continue to receive applications of interest from all markets. The U.S. continues to be, I would say, the leading single market, and it's a very popular market overall.

**Mr. Peter Fonseca:** Since we're going to be signing CETA with the European Union, as companies come forward, shouldn't you be encouraging them to look at that agreement? They may not be thinking about it, but wouldn't that be something that you should do in terms of a proactive approach?

**Mr. Michael Danagher:** Very much so. In fact, as I mentioned, we're working with the provinces on CETA outreach. We've just concluded a number of sessions in Atlantic Canada and the Prairies over the last few weeks. We've had a presence there with our trade commissioners, and they're promoting the CanExport program. We expect that will result in a number of applications.

**Mr. Peter Fonseca:** Thank you.

Finally, how do you benchmark yourselves—not internally, but externally—in terms of what China's doing, what India's doing, what European nations are doing, and so on? For similar programs, how do we compare?

Do we do that? Do you benchmark? Do you look at best practices?

**Mr. Michael Danagher:** We do. In fact, we monitor it on a regular basis. When we were looking at the program initially, we included full analyses of programs from countries like New Zealand and Australia.

We're aware of other programs as they emerge, and we're not above looking at their good suggestions, their good ideas, and quite frankly, their success stories. Most of these programs practised by our competitors, based on their own evaluations, are successful.

**Ms. Linda Lapointe:** I have a question.

**The Chair:** Yes, Ms. Lapointe.

[*Translation*]

**Ms. Linda Lapointe:** Thank you, Mr. Chair.

The Standing Committee on International Trade submitted a report in June 2015. You must be familiar with that report. It said that, often, the problem for a company is obtaining affordable financing. SMEs were having difficulty getting it. Is that still the case, two years later?

**Ms. Elise Racicot:** In a sense, I think that a tool like this does allow SMEs seeking to export to access some financing. We also

work with partners, like the BDC and others, that provide companies with that kind of financing.

**Ms. Linda Lapointe:** Particularly in terms of venture capital, it was just when SMEs were ready to export that financing became difficult to obtain.

**Ms. Elise Racicot:** In a sense, that is somewhat the role of this program: to share the risk with companies wishing to export. It did not exist at the time of the report you mention. I would say that there has been an improvement since this program has gone into effect.

**Ms. Linda Lapointe:** Earlier, my colleague was talking about the new free trade agreement with Europe. Discussions are already under way. You mentioned the Maritimes and the Prairies. Have you become involved in Ontario and Quebec, specifically to prepare companies there for the agreement with Europe?

• (1610)

**Mr. Michael Danagher:** Yes. We have planned a lot of events with our provincial partners. Actually, in British Columbia, there were several events in the fall of 2016. We have a very close relationship with Quebec. Six events are scheduled for the coming months. To my knowledge, all provinces are very interested in sharing in the benefits of the accord.

[*English*]

**The Chair:** Thank you.

Everybody has had a chance to ask questions. There are a couple of minutes left. It's the Conservatives' turn, but they have given a couple of minutes over to the NDP, so Ms. Ramsey, if you want to ask a quick question, go ahead.

**Ms. Tracey Ramsey:** I do have a quick question.

You've mentioned feedback, formal and informal, that you receive from participants. I know that you only provide financing, but I'm wondering if SMEs are also raising concerns or issues with non-tariff barriers, and how you share this information with other programs or departments. Essentially, what kind of collaboration exists currently?

**Mr. Michael Danagher:** I'm not aware of any specific concerns that have been raised of that genre. When we get a business case, we discuss it with our geographical and sector experts and try to identify in advance where there might be issues. That shouldn't suggest that there's 100% control over circumstances. Countries can change their regulations or refine their regulations very much on an ad hoc basis.

We do try to give the best advice. I think it's fair to say that one of our goals is to ensure that a relationship is established between the client and the trade commissioner service so that ongoing business in a country will provide the applicant with the best possible advice and the most current advice.

In my experience as a trade commissioner overseas, I've helped companies come into markets and I haven't heard from them for years. If everything is going well, there's no need to talk to us, but they may come and knock on our door one day and say, "Oh, remember me? We've been in this market and done well, but suddenly we have a problem."

**Ms. Tracey Ramsey:** Thank you.

**The Chair:** You're kind of like the doctor: if they're not coming, everything's going well.

Thanks very much for coming, folks. It was very informative. Everyone got a chance to ask a question. If you all can come next week when the minister is here, we would appreciate it. Thank you very much.

We're just going to suspend for a few minutes and then go in camera.

*[Proceedings continue in camera]*

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