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CONNECTING CANADIAN COMPANIES TO INTERNATIONAL MARKETS: THE GLOBAL MARKETS ACTION PLAN AND SMALL AND MEDIUM-SIZED ENTERPRISES

Report of the Standing Committee on International Trade

**Randy Hoback
Chair**

JUNE 2015

41st PARLIAMENT, SECOND SESSION

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THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

FIFTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee undertook a study on the positive effects of the Global Markets Action Plan as well as on the international opportunities for Canada's small and medium-sized enterprises. It has agreed to report the following:

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CONNECTING CANADIAN COMPANIES TO INTERNATIONAL MARKETS: THE GLOBAL MARKETS ACTION PLAN AND SMALL AND MEDIUM-SIZED ENTERPRISES

INTRODUCTION

Although globalization is not a new phenomenon, the rapid growth of emerging markets in China, India and Brazil, as well as the development of information, communications and transportation technologies, have transformed the structure of global trade over the last few decades.

In that context, and considering that Canada benefits from its worldwide trade, the country's two-way trade has experienced considerable growth over the last 25 years. In 1990, its total merchandise exports and imports were \$149.0 billion and \$136.2 billion respectively. In 2014, these amounts had risen to \$524.9 billion and \$511.5 billion respectively.¹ The value of Canada's exports and imports of services increased from \$22.0 billion and \$31.7 billion respectively in 1990 to \$92.5 billion and \$115.5 billion respectively in 2013.²

Despite the growth in the value of its trade, Canada's share of the global exports market has declined consistently for the past 15 years. Canada's share of the merchandise export market fell from 4.3% in 1990 to 2.5% in 2014.³

In order to assess the federal government's trade strategy in this changing environment and the impact of that strategy on Canadian companies trading and investing in international markets, or hoping to access them, the House of Commons Standing Committee on International Trade (the Committee) decided to undertake two studies in the 2nd session of the 41st Parliament. The first examined the federal government's Global Markets Action Plan (GMAP), while the second focused on international opportunities for Canada's small and medium-sized enterprises (SMEs).

In the context of its study of the GMAP, the Committee held hearings in Ottawa from May 2014 to February 2015 in order to learn the views of Canadian stakeholders about the contents of the plan and its desired effects.

For its study of SMEs, the Committee held hearings between March and May 2015 to gather information about the experiences of Canadian SMEs that are involved in international markets, as well as about the services available to support them in their efforts.

1 Industry Canada, "[Search by product](#)," *Trade Data Online* (database), consulted 24 April 2015.

2 Foreign Affairs, Trade and Development Canada, [Balance of Payments – International Trade in Services by Country](#) (database), consulted 24 April 2015.

3 World Trade Organization, [Merchandise Trade – Statistics Database](#), consulted 24 April 2015.

This report presents the findings of these two Committee studies, which share a common focus on Canada's trade and investment positions in the global marketplace. The report provides background information on the topics studied, summarizes the evidence heard by the Committee and provides recommendations for the government.

CHAPTER 1: BACKGROUND

A. Global Markets Action Plan

On 27 November 2013, the federal government released its new international trade policy, the GMAP. The action plan 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, to generate new jobs and new opportunities for workers and families here at home.”⁴ The GMAP replaces the Global Commerce Strategy, which had been in place since 2007.

Among other things, the GMAP includes a “roadmap” to advance the interests of Canadian businesses in three distinct types of markets:

- emerging markets with broad Canadian interests (e.g., China, India, Brazil, Turkey);
- emerging markets with specific opportunities for Canadian businesses (e.g., Ukraine, Mongolia, Costa Rica, Nigeria, Kazakhstan); and
- established markets with broad Canadian interests (e.g., the United States, the European Union, Japan, Australia).⁵

The GMAP includes “a new trade promotion plan that entrenches the concept of ‘economic diplomacy’ by focusing government resources and services in order to maximize the success of Canada’s commercial interests in key foreign markets.”⁶ The action plan also focuses on the development and promotion of Canadian sustainable technologies.

According to Foreign Affairs, Trade and Development Canada, cross-country consultations with about 400 business and industry stakeholders helped inform the new plan.⁷

B. Small and medium-sized enterprises⁸

Statistics Canada defines small businesses as businesses that employ 1 to 99 individuals, while medium-sized businesses employ 100 to 499 individuals. Collectively, they are referred to as small and medium-sized enterprises, or SMEs.

4 Foreign Affairs, Trade and Development Canada, [Global Markets Action Plan](#), 2014.

5 Ibid.

6 Ibid.

7 Foreign Affairs, Trade and Development Canada, “[Harper Government Launches New International Trade Plan](#),” News releases, 2014.

8 All numbers were prepared using Statistics Canada’s [Table 551-0006](#) and Statistics Canada’s [Survey on Financing and Growth of Small and Medium Enterprises, 2011](#), the latter of which was released on 18 February 2013 and revised on 11 September 2013. The data are the most recently available, and have been rounded.

In 2014, small businesses represented 98.1% of Canada's 1.2 million businesses that reported having employees; 55.4% of the 1.2 million businesses had 1 to 4 employees, while 42.7% had 5 to 99 employees. Medium-sized businesses represented 1.7% of Canada's businesses that reported having employees in 2014, while large businesses — categorized as having 500 employees or more — represented the remaining 0.2%.

In 2011, the latest year for which data are available, 3.5% of the value of sales made by SMEs resulted from exports, 4.0% from sales to other Canadian provinces/territories and 92.6% from sales within the province/territory in which the SME was located. The average percentage of the value of sales that was the result of exports rose as the size of the business increased. In that year, the percentage was 7.9% for businesses having between 20 and 99 employees, and 13.9% for businesses with 100 or more employees.

As well, in 2011, 10.4% of all Canadian SMEs exported goods or services, but that percentage was significantly higher for businesses that reported 20 or more employees. In particular, 19.2% of businesses with 20 to 99 employees and 34.4% of those with 100 to 499 employees reported exports of goods or services in that year.

Ontario and Manitoba had the highest percentages of SMEs that exported in 2011, at 12.8% and 11.9% respectively. Saskatchewan, at 3.9%, had the lowest percentage. In that year, Manitoba's SMEs had the highest percentage of total revenues generated from sales outside of Canada, at 5.2%, followed by Ontario, at 4.4%.

Canada's manufacturing and knowledge-based sectors had the highest export propensity in 2011, with 30.3% and 26.6% respectively of SMEs in these sectors reporting exports of goods and/or services. In that year, SMEs in the knowledge-based sector had the highest percentage of total revenues generated from export sales, at 13.1%, followed by the manufacturing sector, at 12.6%.

In 2011, the United States was the top export destination for Canadian SMEs, with 89.3% of SMEs that exported in that year reporting exports to the United States (U.S.). In that year, Europe was second, at 32.1%. The revenue generated from export sales in the U.S. accounted for 73.8% of the total revenues of Canadian SMEs that exported in 2011.

C. Importance of international trade for Canada

As mentioned earlier, the Canadian economy depends on international trade. In 2014, the value of Canadian merchandise exports and imports as a proportion of gross domestic product (GDP) was 26.6% and 25.9% respectively⁹; these percentages are higher if trade in services is included. In his testimony, Mr. [Ed Fast](#), Minister of

9 Calculations are based on data provided in Statistics Canada's Table 228-0059 – [Merchandise imports and exports, customs and balance of payments basis for all countries, by seasonal adjustment and North American Product Classification System](#); and table 380-0064 – [Gross domestic product, expenditure-based](#). CANSIM (database), accessed 15 May 2015.

International Trade, indicated that “[t]rade is equivalent in size to some 60% of Canada's GDP, and one out of every five Canadian jobs is related to exports.”

Witnesses highlighted the key role of trade in Canada's prosperity. Ms. [Ailish Campbell](#), Vice-President, International and Fiscal Issues, Canadian Council of Chief Executives, said that the prosperity of Canadians and the health of the Canadian economy depend on trade. From that standpoint, she believed that promoting Canadian commercial interests abroad is critical to Canada's competitiveness and to Canadians' standard of living.

Mr. [John Curtis](#), Senior Fellow, C.D. Howe Institute and the International Centre for Trade and Sustainable Development, Adjunct Professor, Queen's University, who appeared as an individual, also stressed the importance of trade to Canada, stating: “[t]rade and vigorous trade policy negotiation and implementation is, I would argue, a central pillar, a foundation, of Canadian economic growth and prosperity.”

Witnesses pointed out to the Committee that international trade and foreign investment are particularly important as Canada emerges from an economic recession that had particularly harmful effects on manufacturing exports. Mr. [Jayson Myers](#), President and Chief Executive Officer, National Office, Canadian Manufacturers & Exporters, commented that Canada's economic recovery depends on business investment and on exports, especially given that Canadian consumers and governments are currently “maxed out” financially.

While none of the Committee's witnesses questioned the importance of international trade for the Canadian economy, some pointed out that Canada's recent export performance has been below expectations, particularly compared with that of the countries with which Canada competes in foreign markets, such as the United States. Mr. [Pablo Heidrich](#), Senior Researcher, Governance of Natural Resources Program, North-South Institute, reported on the unfortunate situation in which he feels Canada has found itself for the past few years. He noted the following: “[w]hile world trade [in goods] has grown by 70% since 2000 until now, the exports of Canada have grown by only 11%. ... Meanwhile, U.S. exports, for example, have grown since 2000 until now by a full 101%, and EU exports have grown by 87%. In short, Canada is losing global market share, and is doing so very quickly.”

Mr. [Cam Vidler](#), Director, International Policy, Canadian Chamber of Commerce, said: “[T]here are in fact now 9,000 fewer firms exporting than in 2008, and the problem isn't limited to exports. Businesses are reluctant to invest abroad as well, especially in emerging and frontier markets where the bulk of future growth opportunities lies.” This decline in the number of exporting firms is not surprising given the global economic effects of the 2008 recession, and the fragile recovery since then.

CHAPTER 2: CHALLENGES FACED BY CANADIAN BUSINESSES IN THEIR EFFORTS TO ACCESS INTERNATIONAL MARKETS

Based on the testimony of the witnesses, Committee members noted that Canadian exporters are characterized by an entrepreneurial spirit. Although the proportion of Canadian companies that are present in foreign markets is low, the witnesses' presentations revealed considerable potential for growth in exports by Canadian businesses. However, there are certain obstacles that must be overcome by companies wishing to take full advantage of the opportunities in international markets.

Two of these obstacles relate to the size of Canadian businesses and the Canadian market itself. Mr. [Michel Bergeron](#), Senior Vice-President, Marketing and Public Affairs, Business Development Bank of Canada (BDC), summarized the challenges as follows:

Canadian firms face some important hurdles. The first one is the lack of scale and small size of our businesses; in fact, more than 98% have less than 100 employees. The second challenge is that the Canadian market is relatively small, which implies that in order to grow their businesses, our firms have to start exporting a lot sooner than their U.S. counterparts. A good example of this is that an SME based in California has access to a market the size of Canada strictly within [its] own state boundaries.

These obstacles are systemic, and it is unlikely that the size or structure of the Canadian market will change significantly in the near future. In this context, the Committee was told that it is important to encourage Canadian companies to consider opportunities in international markets as they begin their operations. Ms. [Rebecca Reuber](#), Professor of Strategic Management, Rotman School of Management, University of Toronto, commented that it is in companies' interests to structure themselves in such a way that they can serve international markets, even if that step is still a few years away. This approach means, for example, hiring people who will be adept at moving toward such an environment.

In addition to obstacles related to the reality of the Canadian market, the Committee noted a number of other challenges facing Canadian businesses. As summarized below, these can be grouped into the four categories of risk aversion, financing, labour mobility and access to markets.

A. Risk aversion

A number of witnesses explained that, despite the dynamism of Canadian companies, they are generally risk averse when considering whether to enter international markets. In explaining the objectives of the GMAP, Mr. [Ed Fast](#) commented that he long ago concluded that Canadian companies are highly risk averse and that it can be very difficult to convince them to explore new markets.

The Committee noted that, not surprisingly, Canadian companies turn first toward the United States when they decide to expand their businesses beyond Canada. This decision is explained mainly by the proximity and size of the American market, as well as by the cultural similarities that facilitate doing business in that country. According to

Mr. [John Kalbfleisch](#), Chief Operating Officer, Alpha Technologies Ltd., many Canadian companies are satisfied with doing business internationally only in the United States. In his view, it is difficult to convince Canadian companies to explore markets where English is not the first language, or where the culture and customs are different.

While several witnesses mentioned the risk aversion of Canadian companies as an obstacle to globalization, others explained that this approach is not necessarily a sign that they are uninformed or not strategic. Ms. [Rebecca Reuber](#) said the following : “I don’t think we can assume that all of these owners and entrepreneurs are short-sighted, uninformed, or making bad decisions. I think they are right to be wary of the risks, and I think that many of them are making very sound decisions for themselves and for their firms when they decide to stay in the domestic market, or to internationalize slowly, cautiously, and even marginally.”

The Committee was told that this risk aversion is even more evident among SMEs, which have limited resources and lack knowledge about the opportunities and services available to them. Witnesses understood that, by its very nature, international trade entails a certain level of risk, but several witnesses claimed that this risk is manageable. For some witnesses, including Ms. [Lorna Wright](#), EDC Professor of International Business, Director, Centre for Global Enterprise, Schulich School of Business, York University, who appeared as an individual, and Mr. [Jean-Paul Deveau](#), President, Acadian Seaplants Limited, education and mentoring are two effective solutions that could help SMEs overcome their fear and allow them to succeed internationally.

Mr. [Nicolas Letenneur](#), Vice-President, Fumoir la Fée Des Grèves, offered another solution to enable SMEs to expand into foreign markets without incurring too much risk: technology transfer. Mr. Letenneur described his company’s experience as follows:

Given the challenges we faced in exporting our products, we thought about practical ways of establishing ourselves internationally. This strategic thinking led us to the opportunities for technology transfers.... Economically speaking, technology transfer is a very good way for small and medium-sized businesses to expand internationally. It is financially viable, the risks are limited and the difficulties that arise are manageable.

B. Financing

Corporate risk aversion is a self-induced challenge for companies. In most cases, this challenge was mentioned not by company representatives, but by those studying issues related to the globalization of Canadian businesses, particularly SMEs. The obstacle to international activities most often cited by companies themselves was the availability of financing, especially venture capital.

Witnesses pointed out to the Committee that access to financing in Canada is particularly problematic when companies plan to expand internationally. Mr. John Williams, President, LTP Sports Group Inc., commented as follows:

Another impediment we have is banking. Often the Canadian banks are great at supporting us in Canada, but as soon as our working capital needs for international expansion go beyond a certain comfort zone, it’s difficult for them to provide financing.

We use [Export and Development Canada] to insure our foreign receivables, but that doesn't really help with working capital, particularly for inventory.

With regard to financing international operations, several witnesses mentioned that Canadian financial institutions hesitate to work with companies that have well-defined expansion projects and good growth potential, but that lack positive cash flow. Mr. Neil Lang, Chief Operating Officer, Corvus Energy, said the following: "When you're pre-cash flow-positive, even if you have a good pipeline and you can demonstrate a path forward, no tier one commercial bank is really willing to work with you."

Given that international expansion projects can quickly use all of a company's available cash, Mr. [Brandon Hall](#), Operations Manager, Electric Vehicle Division, Prairie Machine and Parts, suggested developing a program similar to the National Research Council of Canada's Industrial Research Assistance Program that would support SMEs seeking to establish themselves in international markets. According to Mr. Hall, this program would target promising young companies, rather than being a broad program to which all companies would have access. In his experience, a targeted approach offers a greater return on the investment by Canadian taxpayers.

With regard to venture capital in particular, Mr. [Arun Menawat](#), President and Chief Executive Officer, Novadaq Technologies Inc., explained to the Committee that venture capital companies tend to invest a small amount in many initiatives, which limits the potential return on these investments. In his view, Canadian investors, including the BDC, should invest larger amounts in fewer initiatives, and financing should be for a longer period.

Ms. [Michelle Laflamme](#), President and Chief Executive Officer, Emovi Inc., indicated that the shortage of venture capital is even more problematic when SMEs are moving through what she called "the valley of death": the period between the research and development phase and the commercialization of an innovation. In her view, investors hesitate to provide venture capital at this stage because the companies are considered too risky. According to Ms. Laflamme, more support is required for the commercialization of innovations so that SMEs can make it to the other side of this long and painful "valley of death."

Mr. [Denis Leclerc](#), President and Chief Executive Officer, Écotech Québec, and Mr. [Guy Drouin](#), Co-President, Taxation Committee, Écotech Québec, told the Committee that a way to help SMEs overcome the difficulties of commercializing their innovations would be to expand the Scientific Research and Experimental Development Tax Incentive Program to include expenditures related to the commercialization of innovations. In their view, this expanded tax credit would apply only to the salary paid to an employee responsible for commercializing the technology. There would also be criteria to meet in order to claim this enhanced tax credit, including having already benefited from the Scientific Research and Experimental Development Tax Incentive Program, having some sort of intellectual property protection for the innovation, and having a systemic commercialization program within the company.

The financing solutions offered by EDC and the BDC were discussed by witnesses on several occasions. Mr. [Todd Winterhalt](#), Vice-President, International Business Development, Export Development Canada, described EDC's services in the areas of financing, insurance and bonding to underwrite the transactions of Canadian companies and their foreign customers. For example, he noted that EDC's accounts receivable insurance allows Canadian SMEs to obtain capital financing from private banks because payment from the purchaser is guaranteed, and that the customer financing guarantee program "makes it easier for banks in foreign markets to lend to Canadian SME exporters as they expand their operations abroad."

Mr. [Michel Bergeron](#) focused on BDC, and explained that, in addition to offering advisory services to help entrepreneurs define their expansion strategy, BDC supports the investments required to increase companies' production capacity, or provides direct financing, which is often unsecured, for the investments to be made abroad.

Several witnesses spoke about the services provided by EDC and BDC. The Committee noted the almost unanimous satisfaction with EDC's products and services. Mr. [Neil Lang](#) stated that, without EDC's support, it is unlikely that his company would have been successful in expanding its export business. Mr. [Charles Cartmill](#), Chief Executive Officer, Solar Global Solutions Ltd., agreed with this sentiment, saying that EDC is a "phenomenal group offering a great service."

The witnesses' opinions were more mixed regarding BDC's services. Some witnesses, like Ms. [Anne Jackowetz](#), Vice-President, Finance, Cravo Equipment Ltd., were satisfied with BDC's approach and the products it offers. Other witnesses, like Ms. [Dionne Laslo-Baker](#), Owner and Chief Executive Officer, Deebie's SpecialTea Foods Ltd., spoke of the complexity of procedures and the lack of personalized follow-up by BDC. According to Mr. [Charles Cartmill](#), BDC should be considered a lender of last resort. Finally, Ms. [Michelle Laflamme](#) said that she had difficulty understanding BDC's criteria given that her company's application for funding was accepted by traditional banks, but not by BDC, which considered the project to be too risky.

C. Labour mobility

The Committee observed that labour mobility is another challenge to the globalization of Canadian companies. This challenge involves both recruiting foreign personnel to work in Canada and the administrative procedures that Canadian entrepreneurs must follow in order to travel abroad for their business.

In terms of recruiting foreign personnel, the Committee was informed that it is essential that Canadian companies have access to educated workers with specific skills, regardless of their nationality. For Mr. [John Kalbfleisch](#), the process for recruiting a foreign worker who has skills that are not available in Canada is cumbersome, time-consuming and expensive. Mr. [Arun Menawat](#) also mentioned that it is difficult to recruit foreign managers, a problem that can stifle the creation of a global company.

To enable companies to hire employees with specific skills, such as knowledge of a foreign language, Ms. [Martyne Malo](#), Chief Executive Officer and Vice-President of Operations, Enzyme Testing Labs, suggested simplifying the visa process for temporary workers, a procedure that she said can currently take up to six months and can be quite costly.¹⁰

Mr. [Mike Hicks](#), Vice-President, Canadian Association for Mold Makers, said that the administrative procedures confronting his foreign clients when they enter Canada are burdensome. In his view, Canada must continue to protect its border, but should be more welcoming to business people and should reduce — to a minimum — the red tape imposed on them. Mr. Hicks also suggested that there should be sensitivity training for Canadian border agents so they will be more welcoming to visiting business people.

Regarding the mobility of Canadian business representatives, some witnesses mentioned the extent to which obtaining a visa can be a problem for employees who have to travel abroad regularly. This challenge is particularly great for SMEs given the small number of employees and the limited resources that can be devoted to the administrative procedures associated with obtaining a visa. Ms. [Sheila Kehler](#), Owner and Senior Advisor, CanAgro Exports Inc., shared the following proposal for resolving this issue:

When developing trade policies, I would ask that it be considered to allow having more than one passport for business owners exporting to numerous countries. We are prohibited from travel whenever we apply for a new visa for a specific country. The wait time in applying and getting a new visa can be up to three weeks per country. We have worked with business owners from Europe who have two passports and are able to travel with the one while the other is sent away to obtain a visa.

Mr. [Jean-Paul Deveau](#) raised the same problem as that highlighted by Ms. Sheila Kehler regarding visas, and made the same proposal for change. He said the following:

Two weeks ago, two of our employees got caught and had to go to Ireland. They had no passports because they were stuck in the Brazilian embassy here in Ottawa, so we had to go that afternoon and get two new passports. Their visas came in the next week, but they are no good now because they are on the wrong passport. We have to start all over again. We do business in 80 countries, and it's the same issue, so [having two passports] would be very useful.

D. Access to markets

A few of the Committee's witnesses identified tariff and non-tariff barriers as major irritants or obstacles to their globalization efforts.

Mr. [Shawn Stebbins](#), President, Archipelago Marine Research Ltd., pointed out that his company had lost some competitive tenders in the United States to what appeared to be lesser-qualified competitors due to protectionist policies. The U.S. federal government's

¹⁰ The [Temporary Foreign Worker Program](#) allows Canadian employers to hire foreign nationals to fill temporary labour and skill shortages when qualified Canadian citizens or permanent residents are not available.

Buy America policy is one example of policies that can harm Canadian companies in international markets.

The Committee also heard that, in some markets, Canadian exporters cannot compete on a competitive basis with their foreign competitors given that the latter receive government subsidies. Representatives from Canada's aviation sector gave the example of airline companies that are subsidized by the United Arab Emirates. Mr. [Derek Vanstone](#), Vice-President, Corporate Strategy, Industry and Government Affairs, Air Canada, explained that Etihad Airways receives billions of dollars from the government of the United Arab Emirates and that Air Canada cannot easily compete with such companies.

Regarding customs duties, Mr. [John Williams](#), President, LTP Sports Group Inc., identified two initiatives that could be helpful for Canadian companies. From the standpoint of exports, Mr. Williams said that the World Trade Organization negotiations on the Green Goods Initiative, which is aimed at reducing or eliminating tariffs on a broad range of products that are good for the environment, are a positive development that would be helpful for Canadian companies that export such products. In terms of imports, Mr. Williams suggested that the elimination of tariffs for certain types of sports equipment in Canada, that was announced in the 2013 federal budget, be extended to other goods in order to reduce their cost to Canadian distributors.

A number of witnesses suggested that more focus and resources should be devoted to the development and promotion of Canadian sustainable technologies. Ms. [Céline Bak](#), Chief Executive Officer, Analytica Advisors Inc., indicated that it is in Canada's interest to position itself strategically regarding these technologies, particularly considering the actions that are being taken by other countries. She said:

Other countries in the world have made this a strategic sector. They may not be blessed with the natural resources we have, but they have actually decided that this is an important sector for them. So their chambers of commerce are engaged in value chain development. For example, they will finance demonstration projects. As another example, they will actually put forward this industry as a part of their diplomatic agenda, so it is part of engaging in discussions about energy security, for example, and about climate change and other matters like that.

Witnesses also mentioned that the way in which global production is organized has been fundamentally transformed in recent decades because of reduced communication and transportation costs, as well as the elimination of certain trade barriers resulting from free trade agreements in particular. Many companies now have production activities in several countries. In an environment of global value chains, and recognizing that companies that export their goods and/or services also import goods and/or services, witnesses said that it is also important to address barriers to imports.

Mr. [Alberto Addante](#), Chief Executive Officer, Caboo Paper Products Inc., said that his company continually faces difficulties when it tries to import product into Canada by ocean freight. He explained to the Committee that the expense and delays associated with the Canada Border Services Agency's inspection procedures have a significant impact on his company's ability to compete and succeed in international markets.

The Committee was also informed that, in this new trade environment, where barriers continue to disappear, companies that are digital leaders are more successful than their competitors. Mr. [Colin McKay](#), Head, Public Policy and Government Relations, Google Canada, explained that fewer than one half of small businesses in Canada have a website, whereas nearly all Canadians use the Internet before they make a purchase. In that context, witnesses noted the importance of increasing SMEs' knowledge about e-commerce.

CHAPTER 3: CANADA'S TRADE STRATEGY

The federal government created the GMAP to assist Canadian companies in overcoming the obstacles discussed in the preceding section, and to ensure that Canada can take advantage of the opportunities available to it in a global, competitive and constantly changing marketplace. The Committee often heard that the implementation of a commercial strategy that promotes trade is particularly important given the role of international trade in the Canadian economy, as noted previously in this report.

A. General observations

Overall, the Committee's witnesses said that they were satisfied with the approach taken by the government for its trade strategy, particularly the GMAP. Mr. [Jayson Myers](#) stated that the GMAP's most important contribution is the focus it places on the customer (i.e., on those Canadian businesses that are actively seeking new opportunities in international markets).

This focus on the customer may be explained by the consultations that preceded the plan's development. Mr. [Ed Fast](#) said that his department had consulted "virtually every industry association" in Canada before developing the GMAP, including companies that are presently exporting and some that have not yet exported. Ms. [Lorna Wright](#) highlighted the importance of these consultations and said that she hoped they will continue on a regular basis. She made the following comment:

One of the things that has impressed me about the GMAP was the amount of consultation that went into its production. Stakeholders were not only consulted, but actually listened to, and the resulting plan shows this. The consultation is to continue with the proposed advisory council and its two standing subcommittees on emerging markets and established markets. I think that's one of the strengths of this plan.

On 27 March 2015, Mr. [Ed Fast](#) held the inaugural meeting of the Advisory Council for Canada's Global Markets Action Plan. Comprising nine industry leaders and representing key sectors of the country's economy, the Advisory Council is designed to provide the Mr. [Fast](#) with "strategic insight and real-world perspectives." With these insights and perspectives, it is expected that the GMAP will continue to reflect Canadian businesses' needs and priorities.

Just as international trade is essential to Canada's economic prosperity, the importance of SMEs to the Canadian economy cannot be ignored. Witnesses commented favourably about the importance accorded to SMEs in the GMAP. Mr. [Keith Head](#), Professor, Sauder School of Business, Strategy and Business Economics Division, HSBC Professorship of Asian Commerce, University of British Columbia, who appeared as an individual, mentioned that he found the focus on SMEs in the GMAP very sensible, particularly given that — in his view — the data from different countries demonstrates that large companies face no difficulties in exporting.

Mr. [Cam Vidler](#) also shared the opinion that large companies have a better chance of succeeding in emerging markets given that they are able to distribute risk across larger

operations and can finance activities in new markets for a longer period of time while waiting for revenues to be realized. That said, according to Mr. Vidler, when the government helps large companies enter a foreign market, these large companies enable SMEs to integrate into the supply chain. He made the following comment:

Oftentimes, the objective of achieving more SME penetration in emerging markets can be equally achieved by working with some of Canada's leading companies that have supply chains here in Canada. In some cases, it may be more strategic to do so because there'll be one or two points of contact that the Canadian government can work with that will then distribute down to their SME supply chain.

Mr. [Glen Hodgson](#), Senior Vice-President and Chief Economist, Conference Board of Canada, also said that more and more Canadian companies are experiencing success when they become part of global value chains. In his view, this lesson is important for SMEs, which have more limited resources and a greater aversion to risk.

In referring to the emergence of global value chains, Ms. [Joy Nott](#), President and Chief Executive Officer, Canadian Association of Importers and Exporters, said that the GMAP tends to focus too much on exports. Ms. Nott shared the following observation:

I get why exports are important.... But all of that being said, supply chains in a modern company are circular in nature, they are not linear. By that I mean exporters import, importers export, there is manufacturing that happens at various stages along the way in various countries, things are partially manufactured in one country and move on, and a finished good to one particular chain partner is not a finished good at the end of the line. So one of the things we find is lacking with the GMAP is a comprehensive import strategy that directly ties itself to the GMAP.

Mr. [Duncan Cameron](#), who appeared as an individual, highlighted the importance of being able to rely on companies that have a strong presence in the domestic market. Exporting companies are often exposed to downturns in foreign market, which makes them vulnerable. Mr. Cameron also mentioned that, because Canada has traditionally exported goods that are not labour-intensive, and imported goods that are labour-intensive, its unemployment rate "has persistently been higher than it probably should have been, and certainly was, compared to the United States."

Other witnesses stressed the importance for the government of regularly collecting and publishing more detailed data on international trade by Canadian companies, notably data on exports by company size. On that subject, Ms. [Céline Bak](#) stated the following:

To publish exports by size of firm, not on a survey basis but on a quarterly basis, is a big deal. Frankly we count housing starts as though they are a huge deal and they're a key indicator of the consumer market. If we think exports are such a big deal and SME exports are 55% or 60% of exports, why wouldn't we have the same granularity and the same periodicity for the information that makes markets? Housing starts make markets. They change. Trades occur in public companies because of that information. Economists follow that information very closely. We need to think of similar types of market-making information for exports by size of firm.

Finally, Mr. [Jared Walker](#), Managing Editor, SocialFinance.ca, and Communications Associate, MaRS Centre for Impact Investing, advocated federal "benefit

corporation” legislation in Canada in order to provide a framework for the certification of socially responsible companies and to define terms that seem unclear, like social entrepreneurship, social enterprise and social procurement. Like organic verification or LEED building certification, this certification could give Canadian companies a competitive advantage in international markets. Mr. Walker also noted that 40 to 45 American jurisdictions will soon have adopted, in the context of benefit corporation legislation, a set of consistent definitions for terms that describe companies’ social accountability.

Based on the witnesses’ comments, the Committee was left with a positive overall impression of Canada’s trade promotion strategy, particularly the GMAP. However, the Committee heard that it is essential that Canada’s trade strategy constantly evolve in order to adapt to the new realities facing Canadian companies in international markets.

In the opinion of Mr. [John Curtis](#), although the GMAP is “action plan 2.0,” Canada already needs an “action plan 3.0” to reflect today’s world of innovation, creativity, knowledge, services, the Internet and electronic commerce, none of which he believed receive sufficient focus in the current plan. That said, Mr. [Jayson Myers](#) felt that the GMAP has metrics and a consultation mechanism that will enable it to adjust to the realities of Canadian companies and to readjust priorities if necessary.

B. Markets and priority sectors

As mentioned earlier, the GMAP targets three types of priority markets: emerging markets where Canada has broad interests; emerging markets with specific opportunities for Canadian businesses; and established markets where Canada has broad interests. Together, these three categories include more than 70 countries.

While few witnesses suggested that the GMAP had omitted priority markets, some questioned whether it is possible to focus on so many markets at once. According to Mr. [Karna Gupta](#), President and Chief Executive Officer, Information Technology Association of Canada, “[y]ou can’t have 76 priorities. You need to pick five, maybe ten, but you can’t go to 76 priorities. We need to narrow down where we focus on.”

Mr. [Glen Hodgson](#) felt that Canada must reallocate its finite trade promotion resources to high-growth emerging markets. He highlighted studies that have shown that Asian markets will be particularly important in the coming years. In his view, at some point, “you have to reallocate your trade development effort to reflect where the game is going, where the puck is going.”

For Ms. [Ailish Campbell](#), the success of the GMAP will depend on achieving four priority objectives with respect to certain key markets. First, Canada must maintain a strong and positive commercial relationship with the United States and, in particular, there should be improvements in the management of the border between the two countries. Second, the Canada–European Union comprehensive economic and trade agreement must be implemented successfully. Third, establishing a strategy for Asia, including a strategic partnership with China, must be a priority. Fourth, Canadian exports to emerging markets must increase.

Regarding priority markets, Ms. [Ramona Materi](#), Principal, Ingenia Consulting, suggested that, in certain cases, it could be preferable to target specific cities. In the case of China and India, for example, some cities — although second tier — have populations of 20 million and can be very attractive export markets.

The GMAP also includes a list of more than 20 priority sectors where the capabilities and expertise of Canadian companies provide Canada with a comparative advantage, or where there are opportunities for Canadian companies to grow.

Mr. [Daniel Schwanen](#), Assistant Vice-President, Research, C.D. Howe Institute, told the Committee that he had analyzed the priority sectors in the GMAP and compared them with the priority markets, and had found the two lists to be complementary. He added that the GMAP's list of priority sectors highlights that Canada's economy is becoming more diversified.

Nonetheless, other witnesses commented that Canada's trade strategy does not put enough emphasis on the services sector. For example, Ms. [Lorna Wright](#) felt that services deserve more focus in the GMAP. She said she realized that the list of 22 priority sectors in the GMAP included services but, in her view, services should have been given more prominence. Ms. [Ramona Materi](#) also stressed the importance of promoting the services sector. She said: "I think one of the things the committee could do is to consider the services. Services are a small but growing part of our exports and are very high-end jobs.... I think that's an important growth industry that we would want to consider."

C. Economic diplomacy

Another element of the GMAP's trade strategy that was discussed during the Committee's studies was the concept of economic diplomacy. According to Mr. [Ed Fast](#), the federal government decided to place economic diplomacy at the core of its foreign policy and "will also entrench the concept of economic diplomacy as a driving force behind the Government of Canada's trade promotion activities throughout its international diplomatic network." He noted that this new approach will not undermine Canada's development and humanitarian programs, nor its peace and global security initiatives.

Mr. [Daniel Schwanen](#) highlighted that the GMAP is a global markets action plan, not a human rights action plan. He did not believe that commercial concerns will override non-commercial or geopolitical concerns. Mr. Schwanen also mentioned that he did not share the viewpoint of those observers who see a conflict between economic diplomacy and more traditional foreign affairs approaches. In his opinion, economic diplomacy is intertwined with "normal" diplomacy.

Other witnesses told the Committee that an economic diplomacy approach could lead to economic spinoffs for their sectors. For example, Mr. [Jim Quick](#), President and Chief Executive Officer, Aerospace Industries Association of Canada, explained that this change in the approach to doing business diplomatically would directly benefit the Canadian aerospace sector.

Mr. [Karna Gupta](#) suggested that the government should focus on the economic diplomacy approach to be a channel between Canadian companies and potential partners abroad. He felt that this approach is more profitable than organizing large trade missions.

Based on his research, Mr. [Keith Head](#) provided a similar opinion on the economic impact of large trade missions. After analyzing numerous trade missions led by the Canadian government, he concluded that the effects of these missions were negligible, if not non-existent. Consequently, Mr. [Head](#) said that he prefers a quiet approach to promoting Canadian companies abroad. According to him, while the behind-the-scenes approach does not make any headlines, it is the more effective approach in the long run.

From the standpoint of SMEs, Mr. [Gali Bar-Ziv](#), Chief Operating Officer, Lingo Media Corporation, commented that the large trade missions organized by the government tend to be more political and to involve bigger companies. He felt that the government would be better served if it organized sector-specific activities.

According to Ms. [Céline Bak](#), a diplomatic commerce strategy requires, among other things, close collaboration among government departments. She stated: “What does a diplomatic commerce strategy mean? It means engagement, development, procurement, and capital markets. We need to work together across all departments and all letters of DFATD.” This statement is consistent with the GMAP’s emphasis on economic diplomacy and ensuring the existence of a strategy that evolves with global economic changes.

D. Air transport agreements

The entry into force of “targeted” and “higher-quality” air transport agreements (ATAs) was included in the GMAP as a way to improve the “international connectivity” of Canadians and to enhance market access for passenger and cargo services. The Committee paid particular attention to these agreements in the context of its study of the GMAP. To that end, it heard from stakeholders from the aviation sector with a view to identifying Canada’s ATA priorities and to determining whether changes should be made to the approach adopted by the government.

The Committee heard that, in November 2006, the federal government updated its strategic approach to negotiating ATAs by adopting the Blue Sky Policy, a strategy that comprises several objectives, including supporting and facilitating Canada’s international trade objectives. The negotiation of ATAs, notably open skies agreements,¹¹ is the primary vehicle used by the government to achieve its Blue Sky Policy objectives.

According to Mr. [Bruce Christie](#), Chief Air Negotiator, Director General of Intellectual Property and Services Trade Policy Bureau, Department of Foreign Affairs, Trade and Development, the negotiation of ATAs with other countries “helps Canadian

11 These agreements generally contain the following elements: open bilateral markets; no limit on the number of airlines permitted to operate; no limit on the permitted frequency of service or aircraft type; market-based tariff/pricing regime for bilateral and third-country services; open and flexible regime for the operation of code-sharing services; unrestricted services to and from third countries; and rights for stand-alone all-cargo operations.

carriers compete internationally by facilitating their access to new markets and supporting a stable 'doing business' environment as well as helping Canadian airports market their services to Canadian and foreign airlines.”

Mr. [Marc Rioux](#), Executive Director, Air Policy, International, Department of Transport, said that Canada has signed ATAs with 112 countries to date, and that 44 of those countries are covered by an open skies agreement.

The Committee was told that Canada’s regional airports that lack certain services, including customs and immigration, cannot serve the international market. According to Mr. Rioux, airports wishing to offer international services should contact the Canada Border Services Agency.

The Committee noted a consensus among witnesses regarding the government’s approach to negotiating ATAs and the key role that those agreements play in promoting trade and supporting important sectors of the Canadian economy, such as tourism.

To demonstrate that the negotiation of an ATA has a real impact on increasing air traffic between Canada and its trading partners, Mr. [Gerry Bruno](#), Vice-President, Federal Government Affairs, Vancouver Airport Authority, shared the following example: “Prior to having any direct service between Auckland and [Vancouver], British Columbia had about 20,000 New Zealanders visiting each year. When non-stop air service began in 2007, that number jumped to 30,000. When we gained non-stop seasonal service to Munich two summers ago, German tourists to British Columbia jumped by 15%.”

Mr. [Rob Taylor](#), President and Chief Executive Officer (Interim), Tourism Industry Association of Canada, emphasized the importance of initiatives like the GMAP, the federal tourism strategy, the Blue Sky Policy and other programs that promote trade in addressing the challenges confronting stakeholders in the Canadian aviation industry.

Mr. [Andy Gibbons](#), Director, Government Relations, WestJet Airlines Ltd., told the Committee that the Blue Sky Policy and the entry into force of open skies agreements with several Caribbean countries have been instrumental in WestJet’s success in that region. Similarly, Mr. [Mark Williams](#), President, Sunwing Airlines, explained that “open trade agreements that allow Canadian companies to compete on a level playing field with businesses around the world are in the best interests of our country.” As such, he encouraged the government to continue to pursue the GMAP and the liberalization of ATAs through the Blue Sky Policy.

Speaking on behalf of more than 100 airports in Canada, including all of Canada’s major international gateways, Mr. [Daniel-Robert Gooch](#), President, Canadian Airports Council, confirmed that the Blue Sky Policy serves as an effective policy framework to endorse the principle that the liberalization of air regimes is generally very good for Canada. Nevertheless, Mr. Gooch maintained that there are some obstacles preventing the Canadian aviation sector from taking full advantage of the opportunities afforded by ATAs. For example, according to him, some areas of visa policy could be reviewed in order to facilitate the transit of passengers through Canada.

During the Committee's study of GMAP, a number of witnesses raised the issue of visas. In the opinion of Mr. [Derek Vanstone](#), the current visa framework is hurting the ability of Canadian airports to become connection points, of Canadian airlines to become international network carriers, and Canadian businesses to benefit from increased trade opportunities. In his view, Canada's visa framework imposes a competitive disadvantage relative to other international hubs, such as the United Arab Emirates, Singapore, Amsterdam and Panama City.

Witnesses provided recommendations about how to resolve the visa situation. Several witnesses suggested implementing a mechanism that would provide transit visas in order to encourage international passengers to consider Canada when planning their routes. In that regard, the Committee was told that certain foreign nationals who would normally need a visa to enter Canada may be eligible to transit through the country without a visa if they are travelling to and from the United States. In the case of Chinese citizens, however, the Transit Without Visa Program only applies to travellers who depart from a limited number of cities. Some witnesses suggested that this list should be expanded to include more cities in China as a means of encouraging Chinese travellers to transit through Canada.

Among the other obstacles mentioned by witnesses, the Committee notes the concern about wait times at security screening, particularly in Canada's largest airports, as well as the taxes and fees imposed on Canadian airports and indirectly on travellers.

With regard to wait times at Canada's airports, Mr. [Stephan Poirier](#), Vice-President and Chief Commercial Officer, Calgary International Airport, targeted long line-ups at Calgary International Airport due to customs procedures and security screening. In his view, these wait times are unacceptable and have a negative impact on the airport's competitiveness. Mr. Poirier said that he is willing to work with the federal government, particularly the Canada Border Services Agency and the Canadian Air Transport Security Authority, to reduce wait times without changing the levels of security.

Other representatives of Canadian airports expressed similar opinions. Mr. [Howard Eng](#), President and Chief Executive Officer, Greater Toronto Airports Authority, emphasized the need to have customs and security screening procedures that are as smooth as possible to enable Canadian airports like that in Toronto to be recognized as international transfer hubs.

With regard to the cost-competitiveness of Canadian airports, the Committee was informed that, although Canada has unparalleled airport infrastructure, the situation with regard to the taxes and other charges imposed at airports is quite different. Ms. [Ailish Campbell](#) illustrated this point using the World Economic Forum's *Travel and Tourism Competitiveness Report 2013*, which rated Canada number 1 out of 140 countries for its air transport infrastructure, but number 136 for ticket prices, taxes and airport charges.

In that context, Mr. [James Cherry](#), President and Chief Executive Officer, Aéroports de Montréal, called on the federal government to "review and lighten Canada's aviation tax

regime, which is among the highest of any nation in the developed world, and [which] is negatively affecting our global competitiveness.”

Finally, Mr. [Ian Smith](#), President, Air Canada Pilots Association, expressed concerns regarding a new business model in the aviation sector: the stateless “flag of convenience” airlines. He indicated that these airlines, which do not operate transportation services in the country where they are granted an air operating certificate, can hire crews from another country and avoid domestic labour laws. In this context, Mr. Smith asked how Canadian carriers can compete on a level playing field considering that all Canadian aviation operators abide by the rules established by Canadian labour laws.

E. Agencies and programs that promote trade

The Committee heard about the various services to promote trade that are provided by different federal organizations, including the Trade Commissioner Service (TCS), EDC, and other federal agencies and departments. Provincial governments and trade associations also offer this type of service.

Several witnesses related their own experiences with the services available to help them expand into international markets. For example, witnesses discussed the TCS’s services. Ms. [Susan Bincoletto](#), Assistant Deputy Minister, International Business, Chief Trade Commissioner, Department of Foreign Affairs, Trade and Development, explained that the TCS is present in more than 160 cities in Canada and abroad, “assessing the potential of the market for the individual client and helping them prepare their expansion strategies, as well as identifying key contacts and troubleshooting as required.” Ms. Bincoletto mentioned that, with a particular focus on SMEs, the TCS offers services adapted to their needs.

Almost all witnesses commenting on the TCS said that they were satisfied with the services it offered, and praised the professionalism and knowledge of the Canadian trade commissioners working abroad and in Canada. Mr. [Jim Quick](#) commented that the TCS is one of the most essential tools available to Canadian companies wanting to export or to invest in other countries.

Ms. [Aliya Ramji](#), Director, Legal and Business Strategy, Figure 1, mentioned that the trade commissioners in the Toronto regional office were extremely helpful to her company in its first stages of globalization, putting it in contact with various professionals around the world.

Mr. [Brandon Hall](#) said that the services provided by the TCS and the Saskatchewan Trade and Export Partnership enabled his SME to expand faster and “smarter” than it could have done on its own, particularly since — like most SMEs — his company has limited resources.

Finally, Mr. [Terry Bergan](#), President and Chief Executive Officer, International Road Dynamics Inc., stated: “We’ve worked with ambassadors and trade commissioners everywhere we do business, and they are a great help in providing guidance and insight and in getting over the bureaucracy or some of the uniqueness in each of those countries.”

While Canadian companies that have used the TCS's services agreed on the high quality of those services, some of the Committee's witnesses also mentioned that the TCS is not sufficiently known. Ms. [Joy Nott](#) summarized that observation as follows:

The number of SMEs I have talked to that have never heard of the trade commissioner service, misunderstand what it is, and/or think they themselves are not big enough or important enough to use it, to me is problematic. I think a better job needs to be done in communicating what the trade commissioner service is, and who is eligible to use the services, because I think there are too many SMEs that think they're not big enough, not important enough, and would never get the appropriate amount of attention.

Mr. [Jim Reynolds](#), President and Chief Executive Officer, Padre Software Inc., shared an opinion that was similar to that of Ms. Nott, commenting that most owners of SMEs are not aware of the TCS's existence and what it can do to help them.

Most of the witnesses also commented on the usefulness of EDC's products, and its excellent service. Mr. [Terry Bergan](#), for example, said that he cannot say enough good things about EDC. He claimed that, if it were not for EDC, his company would today be American or European. Similarly, Mr. [Neil Lang](#) said that, without the support of EDC, it is unlikely that his company would have been successful in expanding its export business.

Many witnesses encouraged the TCS and other organizations that promote trade in Canada to increase their visibility, as well as to develop tools to reach out directly to SMEs, which have limited time to spend looking for and understanding the services and tools available to them. Ms. [Martyne Malo](#) described that reality, and offered the following recommendation: "As an SME, we have few resources, but a lot of work to do. We can easily get lost in the multitude of programs being offered, both at the federal and provincial levels.... If there were a one-stop shop and we could call someone to ask about a very specific need, that might help us and save us time."

According to Mr. [Normand St-Amour](#), Director, Oviva, the problem is not necessarily the many services and tools available to companies, but rather the insufficient communication between the different stakeholders, particularly between the federal government and the governments of the provinces and territories. He stated:

In my opinion there is a missing link in the chain of communication between MAPAQ and Agriculture and Agri-Food Canada. An agricultural company in Quebec will tend to go to the ministry or department that is closest to it. There is really a missing link in terms of the communication between the federal and provincial departments. Essentially, these two departments are identical, one is federal and one is provincial. They simply need to inform us that this assistance exists. That seems to be the most difficult thing.

To help SMEs overcome the difficulty of identifying resources that could be useful when they are considering international expansion, the federal government cooperated with the private sector in developing "Go Global" workshops on exporting. Mr. [Ed Fast](#) described the structure of the workshops, and the results to date, in the following way:

These workshops are a partnership between our trade commissioner service, EDC, BDC, the Canadian Commercial Corporation, and the Canadian Manufacturers and Exporters. The workshops will ensure that our SMEs are aware of the markets we have opened up for them and the tools we've made available to them so that they land successfully in those new export markets. In just a few months, the program has reached over 2,000 participants, and we expect that this program will continue.

According to Mr. [Ernie Lynch](#), President, Lynch Fluid Controls, the "Go Global" workshops are an excellent way to provide the coaching and mentoring required by companies that have never exported. Mr. Lynch noted, however, that the workshops need to be better advertised to ensure that as many SMEs as possible attend.

In the context of its study on SMEs, the Committee also held hearings on the announcements made on 18 March 2015 by the Prime Minister of Canada regarding the implementation of a new export markets development program and an expansion of the TCS.¹²

The export markets development program "would provide a total of \$50 million over five years in direct financial assistance to entrepreneurs seeking to export to emerging markets for the first time." The announcement stated that the funding would be granted in the form of "non-repayable contributions, with cost-matching by recipients," and that it would "finance activities such as participation in trade fairs and missions, and market research."

Regarding expansion of the TCS, \$42 million over the first five years and \$9.25 million in ongoing support thereafter will be added to the TCS's budget to help Canadian exporters explore emerging markets. To that end, the federal government will deploy an estimated 20 additional trade commissioners to target priority markets.

Witnesses commenting on the announcements about stimulating Canadian exports expressed support for the implementation of an export markets development program and additional funding for the TCS. Even though additional details about these measures are not yet available, these witnesses made recommendations designed to ensure maximization of the new funding.

Ms. [Joy Nott](#) indicated that the export markets development program is a positive development for SMEs which are struggling to "find their export footing." That said, Ms. Nott commented that lessons should be drawn from other similar programs. In her view, the minutiae of some of the requirements of these programs are often too complex for SMEs, which often lack in-house expertise to understand all of the rules or successfully comply with them.

Ms. [Corinne Pohlmann](#), Senior Vice-President, National Affairs, Canadian Federation of Independent Business, said she is optimistic about the announcements intended to help SMEs. Ms. Pohlmann also made some suggestions about implementation of the new export markets development program. For example, she

12 Prime Minister of Canada, "[Prime Minister Harper announces support to help boost Canadian exports](#)," 18 March 2015.

suggested that there should be a limit on the size of the businesses that can access the export markets development program to ensure that they are actually SMEs, and that the application procedures should be simple and accessible. Ms. Pohlmann also said that the program should be as open-ended as possible so as not to limit exporters to specific markets, such as emerging markets only.

Mr. [Philip Turi](#), General Counsel and Director, Global Business Services, Canadian Manufacturers & Exporters, repeated some of the recommendations described earlier, i.e., to ensure that financing is available to “companies with less than 50 employees, less than half a million in revenue, and little or no export experience.” In his view, SMEs’ export growth potential should be the primary funding criterion for financing the expansion projects of SMEs that submit an application. Mr. Turi also emphasized the importance of implementing a program that is easy to access. With a view to ensuring the most efficient use of federal services that are already available, Mr. Turi suggested that funding should be structured so as to encourage the uptake of existing services from organizations like the TCS, EDC and BDC by awarding points to applicants that are existing clients of those agencies, or are on their way to becoming clients.

Finally, the Committee heard repeatedly that it is essential that the export markets development program be evaluated on a regular basis to determine its effectiveness in helping SMEs to access new markets, with subsequent adjustments where necessary.

CONCLUSION

Based on the evidence heard in the course of its studies of the GMAP and SMEs, and given the relatively small size of the Canadian market, the Committee believes that it is not surprising that part of the business development strategy of Canadian companies is identifying opportunities in international markets. The Committee found that Canadian companies are dynamic and entrepreneurial, and have enormous growth potential.

Canadian businesses, particularly SMEs, are confronted with certain challenges when it is time to enter international markets. Among these challenges are the small size of Canadian firms, which means that the majority of them have limited resources. The Committee found that access to financing, including to venture capital, is the main obstacle to Canadian businesses going global.

The federal government adopted an action plan, the GMAP, to assist Canadian companies in overcoming the obstacles they face in entering international markets, and to ensure that Canada can take advantage of the opportunities available to it in a competitive and constantly changing global marketplace. The GMAP intends to prioritize the government's actions, and enable Canadian companies to succeed in global markets and increase their competitive advantage.

The Committee's overall impression of the GMAP is positive. The Committee is particularly pleased that the plan appears to be the result of extensive consultations, and that it is focused on Canadian companies. The Committee notes, however, that the GMAP should be evaluated regularly to ensure that it continues to meet the evolving needs of Canadian companies and the realities of international trade.

While the many tools and services available to support Canadian companies in their globalization efforts are useful, the Committee believes that they must be better advertised in order to reach SMEs directly. In that regard, the "Go Global" workshops, organized by the federal government in cooperation with the private sector, represent a step in the right direction.

The Committee therefore recommends:

Recommendation 1

That the Government of Canada increase the visibility of the services and tools it makes available to Canadian companies, particularly small and medium-sized enterprises, seeking to extend their activities to international markets.

Recommendation 2

That the Government of Canada continue to facilitate closer interaction and collaboration between its export support agencies.

Recommendation 3

That the Government of Canada expand trade promotion tools, like the “Go Global” Workshops, with a focus on priority markets and priority sectors as identified in the Global Markets Action Plan.

Recommendation 4

That the Government of Canada continue to consult with stakeholders and advisory panels regarding its trade agenda.

Recommendation 5

That the Government of Canada conduct ongoing economic analysis of priority markets to facilitate the potential entry of Canadian businesses.

Recommendation 6

That the Government of Canada consider the manner in which imports could be integrated into its Global Markets Action Plan in order to take full advantage of global value chains.

Recommendation 7

That Government of Canada diplomatic assets be optimally utilized to help Canadian companies and investors succeed in key foreign markets.

Recommendation 8

That the Government of Canada increase the length of stay of trade commissioners at their respective posts to better serve the needs of Canadian exporters looking to do business in those markets.

Recommendation 9

That the Government of Canada begin to hire more locally engaged staff in its trade offices abroad, with specific attention paid to hiring staff who have established business contacts, and knowledge of the local market.

Recommendation 10

That the Government of Canada examine the possibility of extending the Scientific Research and Experimental Development Tax Incentive Program to the commercialization of innovative products in international markets.

Recommendation 11

That the Government of Canada consider providing a second passport to Canadian business people who travel abroad regularly.

Recommendation 12

That the Government of Canada examine the possibility of assisting small and medium-sized enterprises to increase their presence on the Internet and take advantage of electronic commerce.

Recommendation 13

That the Government of Canada explore the possibility of publishing trade data that assess the progress of small and medium-sized enterprises in international markets.

Recommendation 14

That the Government of Canada continue its proactive approach to concluding new air transport agreements and expanding existing agreements, where doing so is in Canada's overall interest.

Recommendation 15

That the Government of Canada continue to expand the requirement for stakeholder consultations in relation to air transport agreements.

Recommendation 16

That the Government of Canada, through the liberalization of air transport agreements, continue to improve market access for passenger and cargo services, where doing so is in Canada's interests.

APPENDIX A

POSITIVE EFFECTS OF THE GLOBAL MARKETS ACTION PLAN

LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>As an individual</p> <p>John Curtis, Senior Fellow, C.D. Howe Institute (Toronto) and the International Centre for Trade and Sustainable Development (Geneva), Adjunct Professor, Queen's University</p>	2014/05/06	27
<p>C.D. Howe Institute</p> <p>Daniel Schwanen, Assistant Vice-President, Research</p>		
<p>Canadian Association of Importers and Exporters</p> <p>Joy Nott, President and Chief Executive Officer</p>		
<p>Canadian Manufacturers and Exporters</p> <p>Jayson Myers, President and Chief Executive Officer</p>		
<p>Aerospace Industries Association of Canada</p> <p>Jim Quick, President and Chief Executive Officer</p>	2014/05/13	28
<p>As an individual</p> <p>Duncan Cameron</p>		
<p>Canadian Council of Chief Executives</p> <p>Ailish Campbell, Vice-President, Policy, International and Fiscal Issues</p>		
<p>North-South Institute</p> <p>Pablo Heidrich, Senior Researcher, Governance of Natural Resources program</p>		
<p>As individuals</p> <p>Keith Head, Professor, Sauder School of Business, Strategy and Business Economics Division, HSBC Professorship of Asian Commerce, University of British Columbia</p> <p>Lorna Wright, EDC Professor of International Business, Director, Centre for Global Enterprise, Schulich School of Business, York University</p>	2014/05/15	29
<p>Canadian Chamber of Commerce</p> <p>Cam Vidler, Director, International Policy</p>		

Organizations and Individuals	Date	Meeting
Information Technology Association of Canada Karna Gupta, President and Chief Executive Officer	2014/05/29	31
Department of Foreign Affairs, Trade and Development Susan Bincoletto, Assistant Deputy Minister, International Business, Chief Trade Commissioner		
House of Commons Ed Fast, Minister of International Trade		
Department of Foreign Affairs, Trade and Development Bruce Christie, Chief Air Negotiator, Director General of Intellectual Property and Services Trade Policy Bureau	2015/02/02	43
Department of Transport Marc Rioux, Executive Director, Air Policy, International		
Air Canada Pilots Association Ian Smith, President	2015/02/04	44
Air Transport Association of Canada Les Aalders, Executive Vice President Wayne Gouveia, Vice President, Commercial General Aviation		
Air Transport Association of Canada John McKenna, President and Chief Executive Officer		
Tourism Industry Association of Canada Rob Taylor, A/ President and Chief Executive Officer		
Vancouver International Airport Authority Gerry Bruno, Vice President, Federal Government Affairs		
Air Canada Derek Vanstone, Vice President, Corporate Strategy, Industry and Government Affairs David Waugh, Director, International Regulatory Affairs and Facilitation	2015/02/16	45
Calgary Airport Authority Stephan Poirier, Vice President and Chief Commercial Officer		
Canadian Airports Council Daniel-Robert Gooch, President		

Organizations and Individuals	Date	Meeting
<p>Canadian Manufacturers and Exporters Jayson Myers, President and Chief Executive Officer</p>		
<p>Greater Toronto Airports Authority Howard Eng, President and Chief Executive Officer Lorrie McKee, Director, Public Affairs and Stakeholder Relations</p>		
<p>Aéroports de Montréal James Cherry, President and Chief Executive Officer</p>	2015/02/23	47
<p>Consider Canada City Alliance Mike Darch, President</p>		
<p>Halifax International Airport Authority Jerry Staples, Vice-President, Air Service, Marketing and Development</p>		
<p>WestJet Airlines Ltd. Andy Gibbons, Director, Government Relations</p>		

APPENDIX B

COMPETING GLOBALLY - OPPORTUNITIES FOR SMALL AND MEDIUM-SIZED BUSINESSES

LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Business Development Bank of Canada (BDC) Michel Bergeron, Senior Vice-President, Marketing and Public Affairs</p> <p>Canadian Commercial Corporation Anthony Carty, Vice-President, Corporate Services and Chief Financial Officer</p> <p>Department of Foreign Affairs, Trade and Development Susan Bincoletto, Assistant Deputy Minister, International Business, Chief Trade Commissioner</p> <p>Department of Industry Shereen Benzvy Miller, Assistant Deputy Minister, Small Business, Tourism and Marketplace Services</p> <p>Export Development Canada Todd Winterhalt, Vice-President, International Business Development</p>	2015/03/09	48
<p>Corvus Energy Neil Lang, Chief Operating Officer</p> <p>Figure 1 Aliya Ramji, Director, Legal and Business Strategy</p> <p>MaRS Centre for Impact Investing Jared Walker, Communications Associate, Managing Editor, SocialFinance.ca</p> <p>Padre Software Inc. Jim Reynolds, President and Chief Executive Officer</p>	2015/03/23	49
<p>Alpha Technologies Ltd. John Kalbfleisch, Chief Operating Officer</p> <p>Lynch Fluid Controls Ernie Lynch, President</p> <p>Rotman School of Management Rebecca Reuber, Professor of Strategic Management, University of Toronto</p>	2015/03/25	50

Organizations and Individuals	Date	Meeting
Acadian Seaplants Limited Jean-Paul Deveau, President	2015/03/30	51
CanAgro Exports Inc. Sheila Kehler, Owner and Senior Advisor Melissa Vencatasamy, Director of Finance		
Novadaq Technologies Inc. Arun Menawat, President and Chief Executive Officer		
Oviva Normand St-Amour, Co-Owner		
Enzyme Testing Labs Martyne Malo, Chief Executive Officer and Vice-President of Operations	2015/04/01	52
LTP Sports Group Inc. John Williams, President		
Solar Global Solutions Ltd. Charles Cartmill, Chief Executive Officer		
Archipelago Marine Research Ltd. Shawn Stebbins, President	2015/04/20	53
Conference Board of Canada Glen Hodgson, Senior Vice-President and Chief Economist		
Deebee's SpecialTea Foods Ltd. Stephen Baker Dionne Laslo-Baker, Owner and Chief Executive Officer		
Lingo Media Corporation Gali Bar-Ziv, Chief Operating Officer		
123 Certification Claude Choquet, President and Chief Executive Officer	2015/04/22	54
Analytica Advisors Inc. Céline Bak, Chief Executive Officer		
Cravo Equipment Ltd. Anne Jackowetz, Vice President, Finance		
Ingenia Consulting Ramona Materi, Principal		

Organizations and Individuals	Date	Meeting
<p>Écotech Québec Guy Drouin, Co-President, Taxation Committee</p> <p>Écotech Québec Denis Leclerc, President and Chief Executive Officer</p> <p>Emovi Inc. Michelle Laflamme, President and Chief Executive Officer</p> <p>Fumoir la Fée Des Grèves Nicolas Letenneur, Vice-President</p> <p>Prairie Machine and Parts Brandon Hall, Operations Manager, Electric Vehicle Division</p>	2015/04/27	55
<p>Caboo Paper Products Inc. Alberto Addante, Chief Executive Officer Kevin Yu, Director</p> <p>Canadian Association for Mold Makers Mike Hicks, Vice-President</p> <p>Google Canada Colin McKay, Head, Public Policy and Government Relations</p> <p>International Road Dynamics Inc. Terry Bergan, President and Chief Executive Officer</p>	2015/04/29	56
<p>Canadian Association of Importers and Exporters Joy Nott, President and Chief Executive Officer</p> <p>Canadian Federation of Independent Business Corinne Pohlmann, Senior Vice-President, National Affairs</p> <p>Canadian Manufacturers and Exporters Philip Turi, General Counsel, Director, Global Business Services</p>	2015/05/04	57

**APPENDIX C
POSITIVE EFFECTS OF THE GLOBAL MARKETS
ACTION PLAN
LIST OF BRIEFS**

Organizations and Individuals

Canadian Business Aviation Association

**APPENDIX D
COMPETING GLOBALLY - OPPORTUNITIES FOR
SMALL AND MEDIUM-SIZED BUSINESSES
LIST OF BRIEFS**

Organizations and Individuals

Canadian Chamber of Commerce

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response to this Report.

A copy of the relevant Minutes of Proceedings for the study of the positive effects of the Global Markets Action Plan ([Meetings Nos. 27 to 29, 31, 43 to 47, 59 and 60](#)) is tabled.

A copy of the relevant Minutes of Proceedings for the study on small and medium size enterprises ([Meetings Nos. 48 to 60](#)) is tabled.

Respectfully submitted,

Randy Hoback

Chair

**Supplementary Report
Official Opposition
New Democratic Party of Canada**

The New Democratic Party (NDP) is pleased that the Standing Committee on International Trade (Committee) approved our Motion to undertake a study of the development of trade policies to better support Canadian small and medium-sized enterprises (SMEs). During the many days of testimony, the Committee heard from a diversity of stakeholders including academics, business association leaders, think tank researchers, and small business owners. The testimony proved very instructive for Committee members, and we hope that this Report and the recommendations herein provide guidance for future Canadian governments in their efforts to stimulate international success for Canada's SME sector.

Our motion was motivated by our belief in the critical importance of SMEs to Canada's economy and the potential for growth on the international commercial stage. Small businesses make up 98.1% of Canada's 1.2 million businesses. While over half of Canadian businesses have less than 5 employees, the SME sector has been responsible for the creation of the vast majority of jobs in Canada over the last decade. Small and medium-sized businesses build our communities, support our families and drive our economic prosperity. It is clear that to the extent that Canada's economy depends on international trade, so too does the prosperity of SMEs. Supporting SMEs in their efforts to meet their international potential will be an important driver of economic growth in Canada, across multiple sectors. Accordingly, the Government of Canada must pursue consistent and ambitious policies, in partnership with the private sector, to secure further SME success in international markets.

Yet, the international footprint of Canada's SMEs has not reached its potential, and the study brought attention to some of the weaknesses in Canada's SME export performance. First, not enough SMEs in Canada engage in export. According to Statistics Canada, only 10.4% of Canadian SMEs exported their goods or services in 2011. Second, among those SMEs that do engage in exports, trade ties are heavily concentrated in the United States, while emerging markets in Asia and Latin America have seen comparatively lower penetration.

Notably, the sectors with the highest SME export propensity are manufacturing and knowledge-based (30% and 27% respectively), whereas resource-based sectors are significantly lower (8.5%). SME export growth can therefore contribute to a more balanced Canadian economy and enhance stability in the event of abrupt commodity price fluctuations. Further, data suggests that exporting can also be a pathway to higher wages for Canadian employees. According to a 2011 Statistics Canada report, which is based on data from the 1999 Annual Survey of Manufacturers and the 2001 Census of Population, manufacturing companies that export paid wages that were, on average, 14% higher than those paid by non-exporting manufacturing companies.

The study also served to highlight key and entrenched weaknesses in Canada's recent record on trade, particularly over the last decade. Canada's current account (the sum total of all imports and exports in goods, services and investment) went from a surplus of some \$19 billion in 2006 to a deficit of \$62 billion in 2014. Indeed, February and March, 2015, were the two worst months of trade deficit in Canada's history. Qualitatively, Canada's export ratio of value-added

to raw and barely-processed products has also declined markedly, a concerning trend inconsistent with the development of a modern industrial economy. In 2014, manufactured goods accounted for 63.8% of the value of Canada's exports, with resource-based goods representing 36.2%. This composition has changed dramatically since 1994, when manufactured goods and resource-based goods accounted for 84.0% and 16.0%, respectively, of the value of Canada's exports.

Canada's penetration of the highest-growth markets has also been less than optimal. The Conference Board of Canada has expressed its concern about Canada's dropping market share in key Asian economies to the benefit of international competitors, including Australia and the European Union. For example, while Canada was the 15th largest exporter of goods to Asia in 1993, we have fallen to 23rd place in 2013. It is obvious that Canada, as a trading nation, can and must do better on both the import and export sides. It is also clear that the SME sector is a critical part of the path forward in this regard.

In our view, the Government of Canada must do more to help SMEs achieve international trade success. This requires a comprehensive and multi-faceted approach to fill the gaps in capacity, build partnerships, promote Canadian growth-oriented firms, and reduce unnecessary barriers to the trade in goods and services and in the movement of people across borders. Key themes were identified that address the needs and gaps in Canada's SME trade policy landscape, and which require concrete action. While we agree with the recommendations in the main body of this Report, we have added a number of recommendations herein which we believe are necessary to help our SMEs reach their full potential.

Many small business owners told the Committee about the challenges they face accessing capital, especially during the expansion phase into international markets. Meeting the high growth demand in foreign markets during the initial international expansion phase can overwhelm the resources available to a small business. Concerns were also raised about the lack of working capital, particularly where building up inventory is concerned.

“[Sometimes] we can hardly put food on the table because we're pushing so hard to meet the demand that is there... I think it would be very beneficial to have assistance both at the beginning to access what's there, but also assistance in growing financially...”

– **Dionne Laslo-Baker, Deebees Special Tea, April 20, 2015.**

“Often the Canadian banks are great at supporting us in Canada, but as soon as our working capital needs for international expansion go beyond a certain comfort zone, it's difficult for them to provide financing. We use EDC to insure our foreign receivables, but that doesn't really help with working capital, particularly for inventory.”

– **John Williams, LTP Sports Group Inc., April 1, 2015.**

A number of witnesses identified a need for deeper and more expansive international trade support. Canadian SMEs are particularly reliant on trade commissioner services because of their limited resources. The federal government must therefore prioritize meeting the needs of SMEs

in export markets with expert and well-resourced “boots on the ground”. Many witnesses also expressed satisfaction with the high quality of service delivered by Canada’s trade commissioners – something Canadians can be proud of. However, a recent report by the Chamber of Commerce highlighted Canada’s low relative investment in trade commissioner services when compared to competitor nations such as Australia and the UK. This is concerning considering the strength of Australian market penetration into key emerging Asian economies. The Chamber also noted the flat investment by the Government in trade commission services.

Many SMEs reported experiencing difficulties and inefficiencies with border clearance when they import goods. Since Canada’s economy is intimately woven into the global supply chain, export success also depends on efficient access to imports. Moreover, many Canadian SMEs are import-oriented, providing services and goods to Canadian consumers originating in foreign markets. Some witnesses spoke about the need to update procedures at Customs to align with market realities.

“Our first point concerns the challenges we are continually facing with CBSA policy when clearing product into the country by ocean freight. The expense and delays we face have a significant impact on our ability to compete and succeed in this market.”

– **Albert Addante, Caboo Paper Products Inc. April 29, 2015.**

“DFATD should be tasked with maintaining some sort of an inventory of all these export-focused regulations, and working with the red tape reduction initiative to streamline and remove domestic barriers wherever possible.”

– **Joy Nott, Canadian Association of Importers and Exporters, May 4, 2015.**

A clear and important issue is emerging about the impact of work visa delays and other barriers to the movement of personnel on businesses. Labour mobility impediments can be costly for businesses and can slow the delivery of their good or service to market. Some witnesses complained about growing red-tape in recent years, and experienced difficulties moving senior managers, executives and specialized technical support staff across borders in a timely manner. We believe that better and more efficient processes can be developed in this regard, while taking care to ensure work in Canada is reserved first for available Canadian employees.

“From 1973 to 2013, a labour market impact assessment (LMIA) was free. After 2013, a fee of \$215 was required. Since June 2014, that amount has been increased to \$1,000, plus \$155 for the permit and an amount of \$346 for Quebec. If my need is for, say, 15% of my workforce to be foreign and if they must have a temporary work permit in order to work on the projects, it is going to cost me about \$80,000 to get 52 employees, which is 15% of 350 employees.”

– **Martyne Malo, Enzyme Testing Labs, April 1, 2015**

With the rise of the digital age, e-commerce was identified as a game-changing phenomenon. Traditional methods of developing foreign market expertise and building business relationships are no longer always required. The Committee heard from Google Canada and others about the potential of e-commerce to foster new international business partnerships, promote trade growth

and land sales. Moreover, small businesses in remote locations of Canada can now find international customers for their products at the click of a button. The Government of Canada must help optimize SME digital connectedness in order to help them reap the benefits.

“The most important thing you can do to help Canadian small and medium-sized businesses compete globally is to get them online quickly. The Bank of Canada recently forecast that our economy is expected to grow by less than 2% this year. Meanwhile, the global digital economy is growing at more than 10% a year – and in emerging markets, it’s growing at 12% to 25% per year.”

– **Colin McKay, Google Canada, April 29, 2015.**

In our view, Canada must focus and increase our efforts to promote technology, environmental and other sustainable sectors of the Canadian economy. Witnesses told the Committee about the enormous global growth potential of these sectors over the coming decades.

“We need a strategy for international development and climate change, which has to be both multilateral and bilateral. International development and climate finance have been the foundations for important industries, both in the G-8 and in the G-20. Multilateral finance must deliver climate mitigation. We absolutely must ensure that, but it has also served to build industrial capacity, and this will continue in the future.”

– **Celine Bak, Analytica Advisors, April 22, 2015.**

New Democrats believe that achieving SME trade success also requires the deployment of domestic policy tools to strengthen the competitiveness of SMEs in the Canadian domestic economy. Strong, growth-oriented, Canadian SMEs are well-positioned to successfully jump into international markets. To this end, New Democrats believe that companion proposals to strengthen Canada’s SME sector, including an SME tax cut, and restoring SME hiring credits, are important policies that will translate into international SME trade success.

To reach our full SME trade potential, the Government of Canada must combine domestic policies that spur SME success and competitiveness with coherent, ambitious, and forward-looking export support policies to optimize SME success on the international stage. The NDP is committed to forging meaningful partnerships with the SME sector to realize these objectives.

NDP Recommendations:

1. That the Government of Canada coordinate export marketing support activities across federal and provincial governments, departments and agencies.
2. That the Government of Canada work with the Export Development Canada to shorten approval timelines for financing to ensure SMEs don't miss opportunities to secure foreign market sales.
3. That the Government of Canada study new ways to assist SMEs to obtain foreign registrations for their products or services.
4. That the Government of Canada study new ways to improve SME access to working capital during the international expansion phase, particularly for inventory.
5. That the Government of Canada join the Asia Infrastructure Investment Bank to secure Canada's presence at the table of the world's next big international financial institution, and as part of a more comprehensive strategy to deepen Canadian commercial relationships with emerging Asian countries.
6. That the Government of Canada study Canada's weakening market footprint in emerging Asian markets, report to Parliament on the results, and develop a comprehensive strategy to ensure our trade development strategy focuses on improving Canada's presence in important Asian markets.
7. That the Government of Canada study pursuing an equivalency agreement for trade in organic products with the EU to facilitate export of Canadian manufactured organic products.
8. That the Government of Canada facilitate partnerships between university business schools and small businesses in need of support during export growth phase.
9. That the Government of Canada develop a plan to monitor the export promotion policies of competitor countries to ensure the Canadian public service is equipped with the information necessary to deploy strategic, effective and world-class export promotion policies.
10. That the Government of Canada and the Canadian Border Services Agency tie the cost of container inspections at customs to the value of the cargo inside the container, in order to prevent the imposition of disproportionately burdensome fees on high volume and low value import products.
11. That the Government of Canada include more SMEs in government trade delegations to promote enhanced networking opportunities between start-up Canadian enterprises and foreign business and political leaders.

12. That the Government of Canada increase Canadian government support for small businesses seeking to enhance their e-commerce capabilities.
13. That the Government of Canada expand the Transit Without Visa program at all appropriate Canadian international airports.
14. That the Government of Canada pursue reciprocity when negotiating Air Transport Agreements to ensure that countries which do not permit fair access in their domestic airspace or which employ anti-competitive, sub-standard labour policies in the airline sector do not receive an unfair advantage in Canada.
15. That the Government of Canada foster more efficient customs clearance for exported and imported goods.
16. That the Government of Canada examine strategies and policies to move more business people across borders quickly and efficiently, to facilitate access customers and the pursuit of new business opportunities.
17. That the Government of Canada adopt a comprehensive strategy, including policies and incentives, to encourage the import and export of sustainable technologies.
18. That the Government of Canada establish and coordinate a One Stop Shop where SMEs would have access to the range of resources dedicated to them.

SUPPLEMENTARY REPORT OF THE LIBERAL PARTY OF CANADA

Throughout the Committee's study of small and medium-sized enterprises (SMEs), many witnesses provided important and informative testimony about their experiences in running a SME that is either exporting or planning to export in the foreseeable future. We also heard from expert witnesses, and industry representatives, who provided important context and background information about the current state of international trade in Canada, particularly with regard to SMEs.

Despite rhetoric from the current Government, a number of recent statistics and studies have shown a weakening trade position for Canada in the world.

The [most recent Statistics Canada report on international merchandise trade](#), released in June 2015, showed that March and April had the two largest trade deficits in Canadian history, at \$3.9 billion and \$3.0 billion, respectively.

A [Conference Board of Canada report from March 2015](#) concluded that Canada's share of exports in Asia had fallen from 2% in 1993 to just 1% in 2013. That fall took Canada from being the 15th largest exporter in the world to Asian markets down to 23rd.

An important figure omitted from Committee's final report is [the large shift in the composition of Canadian goods for export in the last 20 years](#). In 1994, resource-based goods made up only 16% of total exports, with manufactured goods accounting for the remaining 84%. By 2014, this had shifted to resource-based goods and manufactured goods accounting for 36.2% and 63.8% respectively of the total value of Canada's exports.

Another important statistic which was not included in the Committee's report relates to the wages paid by Canadian manufacturing companies that export. According to [a 2011 Statistics Canada study](#), wages paid by manufacturing companies that export were, on average, 14% higher than those paid by manufacturing companies which do not export.

Prior to the Committee's focus on SMEs, a number of witnesses testified on the status of Canada's Air Transport Agreements (ATAs) and Canada's air transportation system more broadly.

A number of witnesses, including [Ailish Campbell](#) of the Canadian Council of Chief Executives and [Stéphane Poirier](#) of the Calgary International Airport, pointed to the growing wait times at security checkpoints at major international airports in Canada.

It was suggested that these increased wait times were a result of Canadian Air Transport Security Authority (CATSA) checkpoint capacity not keeping pace with the growth in the volume of air passenger traffic flowing through Canadian airports.

[Daniel-Robert Gooch](#), from the Canadian Airports Council, presented to the Committee his organization's [submission to the Canada Transportation Act review](#). The report

shows the [Air Travellers Security Charge \(ATSC\)](#), which is a fee levied on nearly all commercial air tickets purchased for flights originating in Canada, is not functioning as originally intended. While revenue from the ATSC is meant “to sustain and strengthen Canada’s air security system”, figures show that it is operating at a surplus and that this profit will increase over the next few operating years.

The Liberal Party of Canada believes strongly in the importance of international trade to Canadian workers and businesses and we acknowledge its positive impact on the broader Canadian economy.

However, Canada must face the facts of our gradually shrinking position in the global trade landscape and redouble exiting efforts in reaching new and emerging export markets, particularly in Asia and Africa.