



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 130 • 1st SESSION • 42nd PARLIAMENT

EVIDENCE

Tuesday, November 20, 2018

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Chair

The Honourable Mark Eyking

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• (1140)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everyone. It's still morning.

Now that the MPs have taken their seats, welcome, everyone. Sorry for the delay here this morning. This is the time of year in Ottawa when we have a lot of legislation we have to go through, so we're called up on the Hill quite a bit. Thanks for your patience and also thanks for coming.

Our committee's been very active in the last couple of years dealing with the many trade agreements that have been put forward, whether with Europe, Asia-Pacific or South America, and of course we were very involved with the whole North American trade agreement. We visited the U.S.

Our committee has decided to do a study on how we can get businesses, especially small and medium-sized businesses, to take advantage of all these agreements. We're looking at how people like you can help us, and how we can help you take advantage of that with the small and medium-sized businesses.

Today we have witnesses from various sectors of small and medium-sized businesses. We ask you to keep it around five minutes, but if it goes over a bit, it's okay. It gives us time to have a dialogue with the MPs.

What I like to do is go right to the video conference first, because if there's a glitch, we might have to come back to you.

I think we're going to start right off the bat with the Toronto Region Board of Trade. Thank you for attending, sir. We met with your group when we did our TPP study, I think, in Toronto. Thank you for coming on here with us. We'll kick-start it with you guys. Go ahead.

Mr. Leigh Smout (Executive Director, World Trade Centre Toronto, Toronto Region Board of Trade): Thank you very much. I appreciate it. Thank you for allowing us to speak to the Standing Committee on International Trade today.

My name is Leigh Smout, and I'm the executive director of the World Trade Centre Toronto at the Toronto Region Board of Trade. We are the trade services arm for one of the oldest and largest chambers of commerce in North America, which represents, in large part, the business community for the Toronto region.

The Toronto Region Board of Trade is very pleased to see the federal government continue to seek trade deals and improve market access for Canadian businesses. The new CPTPP deal is a positive step toward greater economic opportunities. This government has also taken a proactive and aggressive approach to ensure NAFTA continues to benefit Canadians through the USMCA.

However, while signing free trade agreements is important, enabling Canadians to fully realize the benefits of these trade deals is critical as well. The board supports the government's increased investments in trade commissioner services, but we believe more can be done to educate and prepare SMEs to take advantage of Canada's extensive network of free trade agreements, and to encourage them to activate their businesses in international markets.

For instance, while European companies have already taken advantage of CETA to significantly increase their sales to Canada, Canadian companies have been much slower to grow their sales into Europe. All of us in the trade ecosystem in Canada need to seriously assess our efforts to get more Canadian companies trading.

In its pre-budget submission, the board urged the government to prioritize trade education and trade activation services to support its good work on CETA, the CPTPP and other trade agreements. With uncertainty over trade with the U.S. remaining, this need is even more pressing, and recent experience leads us to the conclusion that small and medium-sized enterprises need to be directly encouraged and supported by engaging in these and other priority markets.

World Trade Centre Toronto runs a highly successful trade accelerator program, called TAP, and during the past year, working with Export Development Canada, Global Affairs, Business Development Bank of Canada and other public and private sector trade organizations, we have trained our partners in world trade centres and in chambers across the country to also run the trade accelerator program.

More than 500 small and medium-sized enterprises have graduated from TAP to date, and as the program has grown nationally, that number is now rapidly increasing. According to our latest survey results, armed with industry-vetted strategic export plans, these TAP graduate companies are growing revenue at an average of 17% year over year as a result of increasing their export business.

With enhanced support from the Government of Canada, our national TAP network can significantly increase the number of Canadian companies that are expertly prepared to grow their exports into FTA and other markets. The best thing about TAP is that we have been able to leverage every government agency dollar that supports it into two dollars or more from the private sector. That is something that cannot be achieved by government working on its own.

With support, we could also implement programs to help train members of under-represented communities, such as programs for women entrepreneurs and indigenous entrepreneurs.

Companies also need to be supported directly in market. They need to personally experience the market into which their products and services are going to be introduced. They need to meet those with whom they will conduct business. For companies that graduate TAP or are otherwise ready to export, we take highly focused, sector-specific trade missions into priority markets with our market activation program, called MAP. Again, with support and collaboration from the federal government, we can enhance this program through our national network, creating a significant Canadian presence in priority markets, fostering the growth of international sales for Canadian SMEs, and taking advantage of all of the locations, so that the TCS is able to support us around the world.

To be successful at growing Canada's economy through increasing the international trade of our SMEs is going to take the combined effort of us all, private, public and not-for-profit organizations. Working together in true private-public partnership, we can take advantage of the government's excellent work on free trade agreements, and achieve trade growth that has, thus far, proven to be elusive. We encourage the government to help us all to grow Canadian SMEs by supporting the most practical trade development programs across the country.

Thank you once again for the opportunity to speak to the committee today.

•(1145)

The Chair: Thank you, sir.

We're going to stay with the video conferences, and go to the second individual. We're going all the way to Calgary, and we have Mr. Mintz from the University of Calgary.

Dr. Jack Mintz (President's Fellow, School of Public Policy, University of Calgary, As an Individual): Thank you very much. It's a pleasure to be here.

I thought I would start, in talking about the importance of trade to small and medium-size enterprises, by going back to a bit of theory about why we think trade is important. It's not hard to convince Canadians of that, because historically we've been an open economy. Trade has always been critical to our growth. Whether you go back

to the fur trade days or the days of selling wheat abroad or whatever, it has always been an important part of our DNA as a country.

I don't think anyone would really question the value of being an open economy and being able to export to the rest of the world. There's a lot of value to small and medium-sized businesses in being able to scale up. Given our small regional economies in Canada and the fact that we have a dispersed population along the border suggests that the best way of scaling up is through exports.

That's exactly what the data tends to demonstrate, that the companies that tend to grow faster are also the ones that tend to export. That's obviously something that could be important in terms of our standard of living and growth.

We also have to remember that there's another side of the coin, and that's foreign direct investment. Foreign direct investment can be complementary to exports, if it allows businesses to develop markets abroad for distribution of the products that they sell into those markets, given the supply chains that are created on an international basis. Foreign direct investment can also be very important for that reason, as a way of scaling up, as well, for many companies.

There is another side to foreign direct investment, which I think needs to be a concern to policy-makers. This is not to say that one should stop it, but it should be remembered as one of the constraints that could be important to the economy. It is that foreign direct investment sometimes takes place because a market trying to export could be not competitive enough. Therefore, businesses find that they must go to another market—perhaps jump over a tariff wall or non-tariff barriers—and that it might be better to establish facilities abroad rather than trying to export from Canada. Also, if we tend to be not competitive as an economy, that will encourage the flight of capital from Canada to go to other jurisdictions to export as well.

There's a flip side to foreign direct investment. It could be very positive and complementary to domestic investment, or it could be a substitute for domestic investment. We should remember that.

That raises the question of the role of government in helping small and medium-sized businesses to grow.

I think there are really two types of ways of helping small and medium-sized businesses. The first way is for governments to try to remove obstacles for exports from Canada. These are things like tariffs. We have done a very good job in trying to reduce tariffs, whether it's been through the World Trade Organization and access to the...and our membership in that. It includes the various trade treaties that we have developed, whether with the United States, the Pacific, or Europe now, and also a number of little countries such as Costa Rica, Ukraine, etc.

Those are all good things to do because they lead to some reduction in tariffs. However, often many non-tariff barriers are still in existence and that tends to encourage foreign direct investment rather than exporting from Canada. To the extent that we can try to reduce those, that will be important too.

We also have to remember that Canada has to be cost competitive to export as well. Countries get into trouble when they lose their competitiveness. As we've seen lately in the energy industry, as capital has moved south, the U.S. energy industry is growing quite well while ours is in the doldrums at this point.

The other issue that governments have a role in is to try to address various market failures. This is where just having a trade agreement is not sufficient. I think governments have to help businesses, especially smaller ones, develop the ways and means of being able to penetrate other markets. I've had some personal experience with small firms that have tried to develop markets in other countries, and it's not easy.

• (1150)

One of the problems that Canadian firms face is that they don't get the same financial backing from Export Development Canada, and other means, unlike some of their competitors, who are able to get, let's say, the European Bank or better access to the World Bank funding to penetrate third world countries especially. It's just not good enough to have a trade agreement, one also has to make sure one creates the infrastructure that can help develop that trade. I think that's a very key note for your committee to think about and talk about for the future.

The other point I wanted to make is that the third world is highly risky. I think that's where the market failure can occur because it's not easy to get internal financing for many of these third world countries, unlike advanced countries in Europe and the United States. If we do want to diversify our trade, I think that's where governments do have a role in providing some risk capital to help these companies penetrate these markets.

I think I'll stop there, and I am happy to take questions later.

• (1155)

The Chair: Thank you, sir.

We're going to move to the witnesses around the table with us.

We're going to start with the Canadian Chamber of Commerce, who's not new to us. We appreciate your coming back. You helped us out a little on the North American agreement. It's good to see you.

Go ahead, you have the floor.

Mr. Mark Agnew (Director, International Policy, Canadian Chamber of Commerce): Thank you very much. It's a pleasure to be back.

Good morning, Chair and honourable members. Thank you again for the invitation to speak with you today.

As many of you know, my name is Mark Agnew, our director of international policy. I'm joined by my colleague, Susanna Cluff-Clyburne, who's responsible for our SME file. She'll offer a perspective from her position.

Certainly trade agreements and helping our companies export is a priority at the Canadian chamber, so this is very much a topic near to our hearts.

We see trade agreements—CETA, CPTPP and others—as advantageous for Canadian companies in offering new goods and services export opportunities in new markets. Although tariff liberalization is the headline outcome that most of us tend to focus on because it's relatively easy to understand for the obvious reasons, a number of other issues are perhaps not as well understood, particularly when it comes to service exports.

One example is in the area of temporary entry, where Canadian companies have the ability to enter a market on a temporary basis to provide a service to a foreign consumer. However, even once trade negotiations are finished, similar to what has been said earlier, the work is just beginning for the government and Canadian businesses to take advantage of those FTAs. We think it requires three things for companies to be able to do that. The first is understanding the agreement and its provisions. The second is making connections with local buyers in that market, and the third is navigating the local government regulatory requirements, be they border or beyond the border.

Susanna will speak to the latter two, but I'll just touch briefly on the first one.

As I said, our negotiators do a fantastic job in negotiating them, but FTAs are by no means a cure-all for all our export problems. The barriers we face in large part might be due to regulatory measures in that country, which governments will rightly maintain for their own domestic reasons. At the Canadian chamber we feel it's vital that the government continues to work with our international counterparts on either mutual recognition or other regulatory co-operation initiatives that will make sure the benefits that companies should be receiving from these agreements, be they the liberalization of tariffs or the enhanced services market access provisions, are not nullified through other means.

A range of forums have been created in our agreements to address them, such as the regulatory co-operation forum in the EU-Canada FTA. In the case of the United States, the RCC sits as a separate organization, but nonetheless is an integral part of the overall architecture of the North American economic bloc. I think the only thing about the regulatory co-operation space is that it's a fairly bespoke service. What I mean by that is that the needs of companies in their particular sector are unique to that sector. What perhaps works in the agri-food space will not be necessarily replicated, obviously, if you're making a chair or a desk. Whenever governments are working to help our companies with those non-tariff barriers, we have to recognize that it is a fairly sector-by-sector approach.

Susanna will pick up some of this in her remarks, and with that I'll pass it over to her.

Ms. Susanna Cluff-Clyburne (Senior Director, Parliamentary Affairs, Canadian Chamber of Commerce): Thanks, Mark.

Several of our small and medium-sized members operate internationally. What might be surprising for some around the table is the fact that for several of these members, the vast majority of their customers are actually outside of Canada. They have almost no customers within the country. These companies are continuously looking to grow their businesses in international markets, and they appreciate programs like the CanExport program and the trade commissioner service.

We asked our members what the government could do to assist them in taking advantage of free trade agreements, and their comments back to me were based on all trade agreements, not specifically on the CETA and the CPTPP. They said that one of the things that the government could greatly assist them with is identifying explanations of the specific provisions of free trade agreements on a sector-by-sector basis rather than an agreement-by-agreement basis. This is because of the reality that small and medium-sized entrepreneurs do not have the time to read each and every trade agreement. They said that this would be very helpful. They also said that it would be helpful to have that information in a digital, searchable format.

They also told us that the trade commissioner service, while very helpful to them, could have more impact if it adopted more of a push approach to communicating its services. Several of our members told us that it behooves them to actually reach out to the TCS. A lot of small and medium-sized businesses just don't know that the trade commissioner service exists.

We believe that the Canadian Chamber of Commerce and other business associations could be of assistance to the government in doing that. For example, we have a network of 450-plus local chambers of commerce and boards of trade throughout the country, and other business associations have a network of the same type of scope. We feel that we could be of assistance in terms of acting as a conduit for communicating the services of the trade commissioner service.

Like previous speakers have said, once a business has identified an opportunity in a foreign market, it needs local partners to assist it in navigating market conditions, regulations, etc. Our members believe that the government could provide more effective assistance

to them by making available a vetted list of in-country legal, regulatory and other consultants that have expertise in these various regions.

Finally, in 2017, Export Development Canada reported that only 4% of Canadian SMEs are exporters. This compares to numbers in the 20% range for some of our G7 partners. Our members have suggested that the government could assist in increasing this number, which could greatly help, by doing three things. First, it could look at the best practices and programs offered by G7 colleagues to help their small and medium-sized businesses export. Second, it could reconsider the metrics for measuring the government's success in supporting the exports of Canadian businesses—for example, implementing the metric of the number of businesses that are exporting rather than the gross dollar amount exported. Third, it could promote the success stories of Canadian SMEs that are operating internationally.

Grant Thornton just completed a report of recent winners of the Private Business Growth Award. The one thing that each of the winners had in common was that they were exporting in markets, and most of them outside of the United States. Our members felt that if we could highlight those examples as businesses that other SMEs could aspire to emulate, that would help greatly.

Thank you again for the opportunity to meet with you this morning.

• (1200)

The Chair: Thank you. We really appreciate your perspective and especially your advice. It is good to hear.

We're going to go over to the Canadian Federation of Independent Business.

It's not your first time here. You've helped us on a couple of studies. It's good to see you.

As a member for 20 years, I filled out the forms to my MP.

Ms. Corinne Pohlmann (Senior Vice-President, National Affairs and Partnerships, Canadian Federation of Independent Business): That's good to hear.

The Chair: Now, of course, I get all those forms.

I think it's a very good thing that you are doing. Keep it up.

Anyway, you have the floor. Go ahead.

Ms. Corinne Pohlmann: Thank you, and thanks for the opportunity to be here today to share CFIB's perspective on how governments can connect small and medium-sized enterprises with trade opportunities.

I am going to walk you through a bit of a slide presentation. I'm hoping you have it in front of you, over the next few minutes.

First, CFIB is a not-for-profit, non-partisan organization that represents more than 110,000 small and medium-sized businesses across Canada. Our members represent every sector of the economy and are found in every region of the country.

To better understand our members' perspective on international trade, we conducted a survey in 2017 that got almost 4,400 responses. As you can see, 31% of the survey respondents had some experience with exporting, and 71% had some experience with importing. For some, it's only very occasionally that they engage in trade—maybe a few times a year—while others trade daily. What's important, though, is that regardless of their trade frequency, it needs to be as seamless as possible if we want them to continue to trade internationally.

It's also important to keep in mind that not all small businesses can or want to get involved in international trade. In fact, almost half claim that their products or services are not exportable, and just over one-third actually state that domestic markets are sufficient.

However, there are still some real opportunities to work with some of those who do not currently export because they lack resources or expertise to expand into foreign markets, may not have the appropriate contacts or struggle with things like currency fluctuations or financing. All of these are things we believe governments and organizations like ours can help SMEs to overcome.

For those interested in getting more involved in trade, what motivates them to do so? Most do it because they see a growing market demand for their product or service, want to expand their business or see good potential market opportunity. However, more than one-third also cited favourable free trade agreements as having an influence on their intentions to export.

More recently, the CPTPP and the USMCA agreements included SME chapters. This was done for the first time, which is a starting point in recognizing that maybe some of the challenges that SMEs face are unique. Building on these chapters, though, by introducing tools, activities and programs aimed at assisting smaller firms, may encourage more of them to trade.

How can governments best assist small firms to get involved? Looking at some of the most common challenges they face and finding ways to help them address those challenges may be one avenue to explore.

Those challenges include currency fluctuations, shipping costs and various duties and taxes, as well as understanding rules and regulations. Negotiating new free trade agreements is helping to address some of those duties and taxes, but governments could also provide tips and tools on how small businesses could better manage shipping costs and currency fluctuations, as well as help them understand all the various rules and regulations involved in trade and how to address them.

Of course, there are already a number of government agencies that offer some of these services, such as the trade commissioner service and Export Development Canada. However, there is very little use of these services by SMEs. Almost half of the respondents were unaware of EDC and almost 60% were unaware of the Canadian trade commissioner service.

SMEs are also not as aware as they should be about free trade agreements themselves. For example, CETA, which has been in place for about a year, offers extensive new trade opportunities in one of the world's largest markets. However, 88% of SMEs were not that familiar with CETA. Much work remains on demystifying

international trade and building greater awareness of the opportunities and tools that already exist.

How do we get more small firms engaged and aware of trade opportunities? Based on this feedback we've heard, I would suggest communicating clearly and often about the various new trade agreements and how they may benefit SMEs. Smaller firms, as was said, will not read entire trade agreements, which can be hundreds of pages long, so governments and other groups like ourselves need to pull out those relevant parts and ensure they are communicated effectively.

We need to provide resources aimed at SMEs that give concrete steps on how to engage in trade. These should include things like guidelines on what customs processes are, what documentation they may need and what regulations may impact their specific shipments. This should be done in plain language, without having businesses consult multiple websites or go to multiple helplines to get the information.

We need to work with other countries and trade-related entities to build tools for SMEs, such as a centralized website with relevant information in plain language. Canada Border Services has talked of a single-window approach with relevant information for years, which would allow one access point to get all the information you need to import. While some progress has been made, it's not yet a reality for most smaller firms.

It would also be helpful if governments would build tools, offer advice or give guidance on how to mitigate things like currency fluctuations, which is the number one challenge they are telling us they face when dealing in international trade.

Another key tool that already exists is the tariff finder, which was recently launched by the CBSA. This is a helpful tool in understanding which codes to use when trying to import products. It would be great to see governments developing more tools like this and making sure businesses are made aware of them.

•(1205)

Finally, we need to build greater awareness of trade-related services such as EDC and the trade commissioners. Most small firms do not believe that these services, if they actually know about them, are aimed at smaller firms. Therefore, they tend to stay away from them, thinking their mandate is to work with large companies. This perception needs to change, and it starts with governments expressing their support and the value that smaller firms bring to Canada and to international trade. We also need to make sure that the various government services focused on trade are well integrated, by making sure they refer to each other.

CFIB is a strong supporter of international trade opportunities. We're ready and willing to work with the government on promoting and encouraging international trade as well as providing feedback on how we can work together to improve tools and resources aimed at small businesses.

The Chair: Thank you very much. That's good stuff.

We're going to move over to the Forum for International Trade Training. I have to confess, I'm not that familiar with your group, but Ms. Ludwig gave me a brief this morning. You do a lot of work, and you have quite an outreach, so without further ado, go ahead.

Ms. Caroline Tompkins (President and Chief Executive Officer, Forum for International Trade Training): Okay. I hope you'll be more informed about FITT after my few minutes.

Thank you. As president and CEO of the Forum for International Trade Training, otherwise known as FITT, I am pleased to be here to speak about trade from an often overlooked perspective—the human resource lens.

FITT is Canada's national standard certification and training body for international trade practitioners—people in the business, doing the business. Our core purpose is to build international trade competence. We look at trade from the perspective that, without trade-capable people, trade will not flourish.

We work with the post-secondary educational institutions in preparing the workforce for tomorrow, and we train Canadian trade commissioners so they are better able to advise their clients on how to do trade today. We also work with Export Development Canada to support businesses in upskilling their staff in the intricacies of trade.

From our experience, regardless of the number of trade agreements we have, if business does not have trade-capable people—the right workforce—they will not be able to take full advantage of the trade agreements or the government trade programs that are available to them. Those individuals who are FITT-trained know not only what needs to be done but how to do it. Therefore, the SMEs they work for are better equipped to take advantage of trade agreements and government services.

FITT does not claim that the workforce is the foremost important factor to influence trade, but rather that a trade-capable, trade-competent team is a necessary ingredient for Canadian SMEs to attain a high level of success in diversifying their markets.

Developing international business intelligence within our companies is one of the most important things we can do to drive our exports. It is critically important because the employees who are

working in international business functions often have more of a strategic role in their organizations. They make or support decisions that affect the way the company invests, how it grows and how it competes. In international business, the people working in management functions within these small and medium-sized businesses tend to be the drivers of international trade growth rather than a factor of supported growth.

Trade competencies are needed within SMEs to capitalize on the new markets that our trade agreements are creating. Although many of the same competencies are necessary to succeed locally and globally, the thousands of people that FITT has worked with over the years who are involved in trade on a day-to-day basis recognize the unique knowledge, skills and abilities required to succeed in global markets. They recognize that within exporting SMEs, there are new and different combinations of on-the-job activities, functions and responsibilities. Doing business internationally brings with it the need for new, global trade skills.

We need to support SMEs in actively building talent into their international trade-related job functions. This includes positions in, for example, business development, global marketing, logistics, sales, market research, finance, supply chains and so on. In effect, SMEs need to have an internationally astute trade team supporting their efforts, whether they be in-house employees, outsourced support services, or government and private-sector trade advisers.

From FITT's experience, a renewed vision of trade needs to consider building international trade competence. We need to ensure SMEs have the opportunity to invest in upskilling their employees who are taking on new international business roles within these companies. This way, SMEs will be export-ready, be able to capitalize on international opportunities, know how to mitigate their risks and, therefore, be equipped to support their long-term sustainability and growth in global markets.

Our recommendation includes incorporating international business talent development within the programs and services that government is offering SMEs, and supporting SMEs in every way we can to help them build their internal trade teams. We also want to ensure that the learning approaches offered are flexible and are offered by credible sources.

A renewed vision of trade requires encouraging and supporting SMEs in building competent global business teams to take advantage of the trade agreements, and to take advantage of and know when to use the government programs and services that are available.

•(1210)

The Chair: Thank you. Now we're going to our last witness who is here not for the first time.

It's good to see you here again. You've been here a couple of times, Mr. Azzopardi.

Mr. Jonathon Azzopardi (Chairman, Canadian Association of Moldmakers): Thank you.

The Chair: Do you have somebody with you?

You have the floor. Go ahead for five minutes.

Mr. Timothy Galbraith (Director, Canadian Association of Moldmakers): Good afternoon. As I reach down to push the button here, I see we have a plastic housing on our microphone. That, as well as the plastic inside your car, came from a mould. My name is Tim, and my partner Jon and I are from the Canadian Association of Moldmakers. Thank you for having us back. We make plastic injection moulds.

We are probably a good example of what's good about trade, because 80% of what we build is exported. With our affiliation with the APMA, Automotive Parts Manufacturers' Association, we represent about \$35 billion in income. We represent 230 companies that have 1,400 members along the corridor from Toronto to Windsor. We are here because you invited us. Thank you very much for doing so.

To talk specifically about trade, it's obviously very important to us, because the domestic market is not a significant market for our industry. We're very good at what we do, but we're mostly restricted to the NAFTA area of the U.S. and Mexico. We're looking for opportunities elsewhere. CETA is providing some. The CPTPP is probably not in our wheelhouse because it has a lot of emerging markets. Our industry is extremely sophisticated and capital-intensive, and as such it typically caters to well-developed markets. Mercosur is something that is on our radar, and we're watching it carefully and offering any kind of support we can because there are some developed markets that are just crying for our product, and we're restricted right now by commercial barriers. If those barriers were to come down, that would help us to expand.

I won't go into too much. Jon has a lot to talk about, so I'm going to turn it over to him at this point.

• (1215)

Mr. Jonathon Azzopardi: Good morning. Thank you again for giving us the opportunity to present.

To give you an idea of how important international trade is to our association and our industry, I'll give you my schedule for the next two weeks. As part of my job, I'm to promote our industry here in Canada. After spending six days in Germany and flying back Friday, I'm here with you this week and then I fly out to India on Friday to spend 10 days with them. International trade is very important to our association.

As Tim said, 80% of what we make will land somewhere else, in some other country. The difficulty is that our industry and our members are SMEs. You have to understand that although an FTA is good, it's delicate and difficult for SMEs because of their lack of global footprint and resources.

We believe in three pillars. The first pillar is that to be successful on a global scale SMEs must have what we call customer intimacy. What is customer intimacy? It means removing the barriers that

come with culture and trade. Anywhere the government can help SMEs to overcome those barriers is particularly important.

The second pillar, and it's a critical touchpoint, is product leadership. This comes down to innovation. Innovation is very important to us because we will never be the low-cost provider on labour. Therefore, innovation is key and, obviously, the products and services we provide have to be state of the art.

The third pillar is the one I'll spend most of my time on. Because, as I said before, we will never be the low-cost provider, competitiveness is critical. I'm bringing to your attention a letter that our partner APMA, with which we participate in providing information, has provided to Minister Morneau for the upcoming budget. I'll provide copies to anyone who doesn't have it, but in this letter there are three critical parts that we would like to see addressed.

The first objective is to restore Canada's advantage as a competitive position. The second is to protect competitiveness by creating an investment-friendly tax regime. The third is to ensure that Canada's competitiveness landscape is at least level with other jurisdictions. This is very important to SMEs. Because we are not in those other jurisdictions, we continue and are committed to producing here in Canada, but we can't do that if we can't compete.

I'll give you the highlights of the document and, again, I'll make it available afterwards. Tax reform is one. Without going into the details, obviously, we have to compete in our corporate tax rate. We will continue to employ Canadians and we will continue to generate profits in Canada, but if we're taxed at a higher rate, obviously that puts us at a disadvantage.

Personal income tax is another. Most people ask why personal income tax comes up in this discussion. Because we're in such a competitive market, because we're so close to the United States, and because we're on a global scale, we are trying to attract and retain skilled talent in Canada. However, personal income tax and personal income tax reform that doesn't promote this makes poaching very easy, especially by the United States and other countries that are willing to help our Canadian talent relocate.

The SR and ED—scientific research and experimental development—tax incentive is very important. As we said before, Canada will never, ever be a low-cost labour provider. Therefore, innovation when it comes to being more strategic, being more efficient and being able to make our products state of the art hinges greatly on scientific research and development. We believe this is a missed opportunity for Canada. We will continue to be the innovators and leaders, but we need the support of the government to be able to take the risks that come with being an innovator.

Accelerated depreciation is also very important. Because our industry is so heavily dependent on capital expenditures, the company I manage reinvests about 30% of annual revenue. Most companies reinvest between 10% and 30% of their annual sales in their business. Accelerated depreciation is huge. It actually has a twofold benefit. It helps us to be able to reinvest in our business, but it also generates activity within the economy.

The last area in which the government can provide a lot of support is grants. I will give you the example that I brought to your attention the last time I was here. Although it is intended to help SMEs, the restructuring and new design of the SIF program doesn't help SMEs because of the threshold and the difficulty and the contingencies and the categories they put on SIF. This is another example of missed opportunity with good intentions.

One simple one that I believe should also be on the docket is tax reform and consolidated tax reform. This will make doing taxes much easier and simpler for Canadian corporations.

I would like to leave you with the thought that, as Tim said, we export 80% of what we do. FTAs are very important to us, but competitiveness is equally important to us, so market access and being able to sustain jobs here in Canada are equally important.

• (1220)

Thank you.

The Chair: Thank you, sir.

We're going to move on to have dialogue with the MPs.

I'd first like to welcome the member for Brantford-Brant, Ontario.

Mr. McColeman, it's good to see you again.

Mr. Phil McColeman (Brantford—Brant, CPC): It's good to see you.

The Chair: We are kind of pushed for time, but we can get a lot done in the time we have. We're going to do one round. I recommend to the MPs to keep your questions tight, and witnesses, keep your answers brief, then we can get lots of dialogue in.

Without further ado we're going to kick-start with the Conservatives.

Mr. Carrie, you have the floor.

Mr. Colin Carrie (Oshawa, CPC): Thank you very much, Mr. Chair.

I want to thank the witnesses for being here.

It's unfortunate that it's a short timeline that we have with you. I come from Oshawa where we're big in cars and manufacturing. We're just finishing up a study on steel and aluminum tariffs but I think that's going to be an ongoing thing.

Mr. Mintz, I think you brought up an issue about being competitive. We've had good Canadian companies that are right at the precipice here because they do business not only in Canada but other countries as well. Some of their comments are that the best support the government can give to them is to be competitive. We have an American trading partner. Most of our trade goes down there. They're very aggressive with the taxes.

Mr. Azzopardi brought up the accelerated depreciation and things along these lines. We have uncertain regulations in Canada. The big one on the floor right now is Bill C-69. We have this new carbon tax that is coming in, and we have a lot of different things that are unique to Canada.

If Canadian SMEs aren't competitive internationally, for these support programs that the government taxes businesses for and then gives it back through programs, how relevant are they? What do you need to see in Wednesday's economic update to address competitiveness and education for these different programs to say that it will actually help SMEs on the ground?

Dr. Jack Mintz: I'll try to keep my answer brief, but as you can imagine I could probably spend an hour talking about this in a reply.

I want to start with the point about tax reform. I do think we need tax reform. We had a major tax reform back in 1972 in the wake of the Carter report and the discussion that ensued afterwards. When I chaired the committee on business taxation, Paul Martin was the Minister of Finance at the time. That report led to a lot of corporate tax changes, which I think actually did Canada well in that we did establish a business tax advantage that I think was very important for us.

I have the philosophy that governments are actually not very good at picking winners from losers, but losers are very good at picking governments. I think what's really important is to get the macroeconomic environment right. I think tax reform does that, because you stand back and you ask what we can do to generate more growth, have a fair tax system and simplify it.

I can tell you right now that one of the things that would not be done is expensing capital or accelerated depreciation. I think that is actually quite wrong to do because it tends to favour companies with short-life assets that turn over quickly and, therefore, they get the benefits from it. In fact, if we sat down and had a real tax reform, that would not be a direction that one would go in unless one wanted to eliminate interest deductibility on debt, and no one ever argues that when they're talking about accelerated depreciation.

Instead, we have to remember that Canada has a corporate income tax rate that's close to 27% now. We think it's in the middle of the pack, but that's no longer true. The top OECD rate now is in Japan at 31%, which could be bought down with employment. France is going to 25%. Belgium is going to 25%. There are only a few countries above us now. We're actually getting near the top.

Tax reform is very complicated, but it's not just a matter of investment. It's also where your workers are going to be. High personal tax rates are a problem, as pointed out by one of the witnesses. We also have to worry about our high corporate income tax rate now, because we're going to be a patsy for companies around the world putting costs into Canada because of our high corporate tax rate. We need to start thinking a little bit more about a serious reform, and I'm afraid that expensing is not going to do the trick in order to have a better system.

In fact, we've used accelerated depreciation for manufacturing, and expensing won't do very much for the industry because of that. We've had that going back to 1972 to 1989, then from 2006 on, and it hasn't necessarily done the trick that we think it's done. That's because in the end a lot of profitable companies end up having tax losses and can't use the incentive.

I'm afraid everyone has gotten on to this bandwagon of accelerated depreciation, but I can tell you right now that it's a big mistake. We did that in the 1970s, and I'm afraid we're going to start repeating it again right now.

• (1225)

Mr. Colin Carrie: Thank you very much for your answer.

The Chair: You have a half a minute.

Mr. Colin Carrie: Mr. Agnew, maybe I could ask what you would like to see in Wednesday's update that you could say is going to be increasing our ability to compete but also educating our SMEs about how to diversify their trade.

Mr. Mark Agnew: In terms of the high-level chamber priorities, I'll preface it by saying that I'm not our chief economist. I know that calling for a comprehensive review of the tax system is something we are hoping to see, as well as something on reducing the regulatory burden.

Susanna, I don't know if you have anything else to add.

Ms. Susanna Cluff-Clyburne: Specifically to SMEs, I guess it would be some of the measures that we outlined earlier in our presentation that would be of specific help to get SMEs that are either thinking about or have made that step to go internationally to continue to grow internationally.

The Chair: Thank you very much.

We're going to go to the Liberals now.

Madam Ludwig, you have the floor.

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

Thank you all for your excellent testimonies today.

I'm going to start with Ms. Tompkins. I'm very proud of maintaining my certified international trade professional designation through FITT.

One of the things you mentioned—and I think it's very clear from witnesses we have heard in this committee for the last three years—is that when we're looking at international trade, we need champions. In really small businesses, the person is either making payroll or there are four or five employees. They know their domestic market,

but in having the experience to take that risk, how do we develop champions?

If you look at the products and services that you've been involved with over the last 20 years, how have they been evolving to be more adaptable to industry?

Ms. Caroline Tompkins: With respect to creating champions in SMEs, a lot of it is informing them of the opportunities that international trade will bring them, but at the same time informing them of the risk and helping them know how to mitigate those risks. A lot of that is training.

In most SMEs, the employees have finished post-secondary education, and they don't really think about lifelong learning. If a business wants to do something new in terms of getting involved in international trade, it's like learning a new instrument. You have to put the time in to train yourself.

The good thing with SMEs, though, is that you can spread out that training. If an SME wants to look at comprehensive training, the FITT programs have comprehensive training for that. They're also now broken down into workshops. There are tons of resources available that talk about, not what you need to do but how you need to do it.

I think there are tons of resources available for these companies about what needs to be done. We need that champion to get them moving to how they do it. If it's a small company of four or five people, the accountant and the bookkeeper should understand international trade financing and transactions.

Ms. Karen Ludwig: Okay, thank you.

Certainly over the years, my experience in education and post-secondary teaching is that we still have a division between domestic business...a BBA versus an international BBA. Really, when we look at the Canadian market, we should be looking at them as one in terms of the experience.

Ms. Tompkins mentioned knowledge, skills and abilities. If I may ask the Canadian Chamber of Commerce, when you heard what Ms. Tompkins was commenting on, how are you able to get that information to your members?

A party talked about their experience going to India next week. When you're working with your members, do you try to connect them with other members who have had experience in different markets?

In terms of the possibility for training, I think it is important to look at sector by sector, but also a comprehensive set of standards.

• (1230)

Mr. Mark Agnew: The ways that we communicate our information to members probably won't surprise you. It's webinars, round tables, teleconferences, etc.

When it comes to talking about specific opportunities represented by trade agreements, I'll go back to an earlier comment I made that it's a very highly segmented product you're promoting. Certainly, if one person wants to hear about exporting apples but the other person wants to hear about exporting aerospace parts, there's only a certain level of overlap between the two. Otherwise, you're almost giving two separate presentations.

As far as the Canadian chamber's resources, there is always the capacity constraint we have that constrains us from really giving that tailored piece to members. I think the trade commissioner service has probably faced a similar constraint as well.

Ms. Karen Ludwig: What do the products look like? If we, as a government, were to put forward something in the budget to do with developing products for education and training, what might they look like? I'm not saying to standardize everything, but what could the products possibly look like? What would they include, if you were able to disseminate that amongst your membership and encourage increased training and awareness?

Mr. Jonathon Azzopardi: Maybe I can speak to what I'll be doing next week.

I will be meeting with the Indian government, the Canadian government and probably six different manufacturers in India. Then I will take that with a market research package, and I'll be creating a package that we'll hand to Canadian companies to be able to look at India, not only for export opportunities but also for establishing in India.

That's very expensive. It's time consuming. We do it because we're promoting our industry, but if the Canadian government could acquire that information on a sector-by-sector basis and be able to provide a road map for Canadian companies, instead of our having to deliver it to our members, that would be helpful. We're happy to do so, but it takes time.

Ms. Karen Ludwig: The only thing I will add to that, Jon, is that you're offering that information. Sometimes it's better coming from you.

Mr. Jonathon Azzopardi: Or working in conjunction with us... yes.

Ms. Karen Ludwig: That's right. Thank you.

The Chair: Thank you.

We'll go to the NDP.

Ms. Ramsey, you have five minutes. Go ahead.

Ms. Tracey Ramsey (Essex, NDP): Thank you so much.

Thank you to all of our witnesses today.

I'll pick up on my colleague's thread. There is a role for industry associations and SMEs to play on their own, but the resources that it requires, to your point, are quite significant. Hopefully there will be something that will connect those pieces and allow resources to go to all of your groups so that you can continue to research.

I know, Ms. Pohlmann, you've been here on several occasions with different datasets reflecting not a huge trend. Things are kind of staying exactly where they are year after year. We're not able to see movement on some of the things that we'd like to see.

We had the minister here last week. The concerns that we're raising and, I think, that we're hearing from companies across the country are that, yes, we're signing these trade agreements, but are we improving trade? There were some really discouraging.... A report that came out of National Bank last week on the Canada-EU trade deal said that we now have a deficit of 46% after signing it, over 10 months. How is it that we're signing agreements that are supposed to open doors for all of the SMEs, but they're not getting across that threshold? It sounds like even the big players are not getting across in the way that maybe they used to.

Something else that's come up at the committee—and a lot of you mention this in your comments—is the importance of SMEs combining export-oriented programs with industrial domestic strategies. These things don't sit independently. They have to work together and be under one piece.

How can we create this? I would like your thoughts, but before I go to them—because we'll probably run out of time—I would like it if you could all submit your recommendations to the committee and be as specific as possible about what you think will work going forward for SMEs to see opportunities in international trade. That's really the crux of what we're doing here, to have a report to provide to the government.

I'd like your thoughts on how we really need to look at these pieces together and not in isolation.

Mr. Jonathon Azzopardi: We believe that one comes before the other. We believe that, if the foundation isn't here in Canada.... We are committed to creating Canadian jobs. We're committed to paying Canadian corporate taxes, but we can't do that if we don't have an environment suitable for that. We believe that cleaning house in Canada needs to come first before taking on these agreements, because the reverse could happen if you sign a FTA such as CPTPP when we're not really ready. If you take a low-cost country like Malaysia, which will beat us on costs, infrastructure and supporting their SMEs, and go up against Canada, which is not prepared, the opposite may happen.

We believe that taking care of your house here should come first.

● (1235)

Ms. Caroline Tompkins: With respect to the export-oriented programs, from our perspective, there are foundational international trade skills every SME needs, regardless of what product or service they have, what they are exporting or to which country they are going. Those are foundational international trade competencies that everybody within the company should have.

Programs that support that are critical to ensure that those standards, that foundational know-how, is within the company, and if not, if it's a small business, at least it's within the people they are outsourcing services to so that they have foundational international trade knowledge, whether it's trade financing, global value chains, market entry strategies, etc.

Ms. Tracey Ramsey: That's so difficult to do with the SMEs. On our study about the tariffs, SME after SME has been before this committee saying they don't even have someone they can assign to this. They're dealing with such a loss and have no resources to put in.

I think, Corinne, on your point about the one window, I hope to see this reflected in your recommendations as a way to serve the needs of SMEs.

Ms. Corinne Pohlmann: Yes, to your first point, I agree with everyone that the competitiveness is absolutely key.

We're taking a different approach to it. It's about affordability for small businesses in Canada right now. Being able to afford to run a business today is becoming more and more difficult. If you can't make it work domestically, then the chances that you're going to take it internationally are probably even less likely.

I think getting the domestic house in order, as some people have positioned it, is really important. That to me is not just on the taxation side, which is absolutely key and I could start talking about all the different taxes we're worried about coming at us in the next few months.

In addition to that, it's also dealing with regulations. Red tape continues to be a huge issue for small companies. That triples when you go into international markets. That is another area where we need to figure out how we can get at them. While trade agreements address that to some degree through things like regulatory co-operation councils and so forth, that tends to focus on big business regulations and not so much on the little irritants that really bother small companies. I think that's what's important in trying to deal with what's going on at home.

The last point I want to make is that internal trade is still an issue in this country. If you can't trade among provinces, how are you expecting them to try to go into international areas? We'd love to see some progress on that front. There's been very little out there since the signing of the Canadian Free Trade Agreement.

Those I think are the areas that we have to address first, if we really expect small businesses to be able to go out internationally.

The Chair: Thank you.

We're going to wrap up with one more MP.

Mr. Sheehan, you have the floor.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you, Mr. Chair.

Thank you for all your presentations. They're very helpful as we're kicking off this study. The minister was here recently. We asked her a lot of questions. She's told me she wants to try to pull out how the federal government can use these new trade deals to expand.

My first question is to the Toronto export folks. I used to work in economic development for the Soo many years ago. When you were testifying, one of the things I wanted to ask you is, who's using your services now? Could you give us a profile of what that business would look like? Are they a small business, a medium business, a microbusiness? Where are they on the spectrum? Are they start-ups, within the first three to five years, or beyond five years?

I think we want to figure out who's doing it, who's using it, who isn't and why not? Could you answer that?

Mr. Leigh Smout: The profile varies significantly, from quite small companies.... For instance in our trade accelerator program, our criteria starts at doing half a million dollars of annual business revenue. However, on average in the Toronto region those companies that have gone through TAP have been between \$9 million and \$10 million in annual average revenue. Not quite the start-ups obviously, a little more established.

It varies, especially by sector. I've heard sectors mentioned a couple of times. If you're looking at tech for instance, a lot of start-up companies are not even thinking domestic. They're looking at building some software so that we'll be able to push a button and deploy internationally. Whereas if you're a food and beverage or a consumer packaged-goods company, you have to reach a certain size before you're going to address selling into the U.S. or China, for instance.

We've had this great range, again, a bit by sector. The profile is of companies that we have found a way to encourage to attend. That's one of the things that I think is very interesting. A lot of these companies are trading internationally. They've gotten there by happenstance, because they thought it was the thing to do, but not by strategy. Our job is to bring them in.

We bring them in through our partners, and that includes Export Development Canada, Business Development Bank of Canada, but also the private sector, RBC, UPS and so on. All these organizations nominate these companies into this. There are amazing stories of companies that didn't think they were going to trade, they were doing \$3 million and selling LED lights and thought they'd be fine, and then were convinced to come by their bank, in this case, and a year later have two big international contracts out of the U.S. worth \$12 million a year out of the program.

Those are the kinds of folks we need to find a way...and the government needs to support us and all this ecosystem, as you're hearing, in getting out to them and encouraging them that there's great opportunity out there and resources are available. We bring the resources together.

● (1240)

The Chair: Mr. Fonseca.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): This will be to all the witnesses, and thank you very much for your testimonies.

Where Canada punches well above its weight is when you look at the mining sector and entertainment. PDAC is the biggest world's fair. We get all the miners from around the world coming, a lot of the financing, etc. It's the same thing we get with TIFF. You have a lot of small businesses, directors, writers, bringing all that business here.

Is that something in terms of exposure branding that your organization is talking about? Is that where the government could help in terms of creating that cluster to be able to provide exposure to many of your members, so that people from India and elsewhere would be able to travel here and see what we have available to world markets?

Should we look at more fairs, so we can expose our businesses, because it's very difficult for them to go out? We heard about the costs, here in Canada, to attract global markets to come and see what Canada has to offer, especially for small businesses.

Mr. Leigh Smout: Very much so. We support inbound trade missions. We think there's great value in bringing groups here to interact with our businesses. It works for both parties. Trade is a two-way street, especially where you have agreements such as CETA. The more that can be done to support those kinds of fairs here the better from my perspective.

Mr. Mark Agnew: It's a qualified yes, in the sense that you have to bring the right people who are ultimately going to be buyers of

these goods or services. The other qualifier would be that you're not showing preference in terms of the government going out and tracking the potential Canadian sellers on the other end. As long as it's done in an inclusive manner across geographic regions, that could potentially be a model to follow.

The Chair: That wraps up our dialogue with the MPs. Thank you very much for coming and joining us.

This study is going to continue on for a few more meetings yet. Just before you go, you folks have such a big outreach with so many small and medium-sized businesses and we're probably going to have submissions coming in until the middle of December. We don't have the exact date, maybe until the end of December. I encourage you to reach out to your members. If they have their own individual perspectives that they would want to put in our report, we would appreciate them. If we receive their submissions, we can incorporate them. Many things will be the same, but there may be a perspective from an individual business. You're welcome to have a copy of the report when it is done, probably in February.

Thanks very much.

We're just going to go in camera for a minute. We're going to deal with some future business.

[Proceedings continue in camera]

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