



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

# **CANADA'S SMALL AND MEDIUM-SIZED ENTERPRISES: FEDERAL SUPPORT FOR THEIR INTERNATIONAL TRADE ACTIVITIES**

**Report of the Standing Committee on International Trade**

**Honourable Mark Eyking, Chair**

**JUNE 2019  
42<sup>nd</sup> PARLIAMENT, 1<sup>st</sup> SESSION**

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Chair**

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## **NOTICE TO READER**

### **Reports from committee presented to the House of Commons**

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.



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# **THE STANDING COMMITTEE ON INTERNATIONAL TRADE**

has the honour to present its

## **SEVENTEENTH REPORT**

Pursuant to its mandate under Standing Order 108(2), the Committee has studied the Government of Canada's support for the international trade of small and medium-sized businesses and has agreed to report the following:





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## LIST OF RECOMMENDATIONS

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*As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.*

### **Recommendation 1**

**That the Government of Canada take actions designed to enhance further the domestic competitiveness of Canada's small and medium-sized firms. To this end, the Government should:**

- **continue to assess whether there is a need for changes to the country's federal corporate and personal income tax regimes;**
- **consider the extent to which complex regulations and certification requirements that may be limiting the international trade activities of Canada's small and medium-sized enterprises could be simplified and better communicated;**
- **enhance the efficiency of customs processing for goods that are exported from, or imported into, Canada;**
- **ensure that the country's small and medium-sized enterprises are able to access federal support for research, development and innovation;**
- **improve domestic rail, road, port, airport, broadband and cellular infrastructure;**
- **ensure that the design of federal supports meets the needs of small and medium-sized enterprises; and**
- **increase support for small businesses seeking to enhance their e-commerce capabilities for domestic or international purposes. .... 29**

**Recommendation 2**

That the Government of Canada, in both negotiating international trade agreements and considering changes to existing agreements, prioritize the removal of non-tariff and regulatory barriers, and make a commitment to substantive, systematic and thorough outreach and consultations with the country’s small and medium-sized enterprises. As well, the Government should enhance these enterprises’ awareness of Canada’s international trade agreements and the opportunities that they provide, and collect data that would assist with these efforts. .... 29

**Recommendation 3**

That the Government of Canada develop a strategy to improve awareness, among Canada’s small and medium-sized enterprises, of the programs and services that its departments, agencies and Crown corporations provide to help these firms trade internationally. As part of this strategy, the Government should ensure that these supports are promoted and communicated, including through its Innovation Canada website (currently, [innovation.canada.ca](http://innovation.canada.ca)). As well, the Government should intensify its efforts to provide these firms with—or direct them to—financial and informational resources that would support their international trade. Concerning financing, the Government should work with Export Development Canada to reduce approval timelines for financing to ensure that these enterprises do not miss opportunities to secure sales in foreign markets..... 30

**Recommendation 4**

That the Government of Canada, in providing international trade assistance to Canada’s small and medium-sized enterprises, take actions to ensure that the supports provided by its departments, agencies and Crown corporations are integrated. Moreover, the Government should coordinate export-oriented marketing activities across federal and provincial governments. As well, the Government should try to establish new—and deepen existing—partnerships with such entities as provincial/territorial and local governments, trade associations, chambers of commerce and providers of trade-related services, including training. Regarding trade missions, the Government should promote enhanced networking opportunities by involving more small and medium-sized enterprises in government-led trade delegations that meet with foreign business and political leaders. .... 30



# CANADA'S SMALL AND MEDIUM-SIZED ENTERPRISES: FEDERAL SUPPORT FOR THEIR INTERNATIONAL TRADE ACTIVITIES

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## INTRODUCTION

Most of Canada's firms are small or medium-sized enterprises (SMEs).<sup>1</sup> Often referred to as the country's "engines of growth," these firms make significant contributions to Canada's economy, and enhancing their contributions would benefit people and communities throughout the country.

At present, certain challenges are limiting the ability of Canada's SMEs to trade internationally, which can negatively affect their growth and economic contributions. For instance, a 2016 [report](#) by the World Trade Organization mentions that these firms are more "sensitive" to trade barriers than are their larger counterparts, and notes regulatory standards that "[l]ack ... transparency" or differ across countries, "costly" certification procedures and "cumbersome" customs processes.<sup>2</sup> Furthermore, a 2018 Organisation for Economic Co-operation and Development [discussion paper](#) asserts that SMEs have difficulties accessing financing, information, skills and technology, which reduces their international competitiveness.<sup>3</sup>

Recognizing that Canada's SMEs have needs that differ from those of large firms, on 30 October 2018, the House of Commons Standing Committee on International Trade adopted a [motion](#) to study the ways in which the Government of Canada can help the country's SMEs to pursue international trade opportunities.

Consequently, the Committee held seven meetings between 8 November 2018 and 28 February 2019 during which it heard from 34 witnesses, including the Minister of Small Business and Export Promotion, Government of Canada officials, academics, and

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1 According to [Innovation, Science and Economic Development Canada](#), small and medium-sized enterprises [SMEs] are business establishments that each have between 1 and 499 paid employees.

2 The World Trade Organization's report does not appear to provide a definition of "SME." At least some of its findings are based on various surveys that categorize results by the size of the responding firm, as measured by the number of employees. However, the number of employees that determines whether a respondent is an SME varies across the surveys.

3 The [Organisation for Economic Co-operation and Development](#) notes that SMEs employ fewer than 250 people.



representatives of SMEs, chambers of commerce, trade and business associations, and organizations that provide trade-related and other services to firms and entrepreneurs. In addition, the Committee received 13 briefs, three of which were submitted by witnesses appearing before the Committee, and 10 of which were submitted by individuals, chambers of commerce, economic development organizations and firms that did not appear.

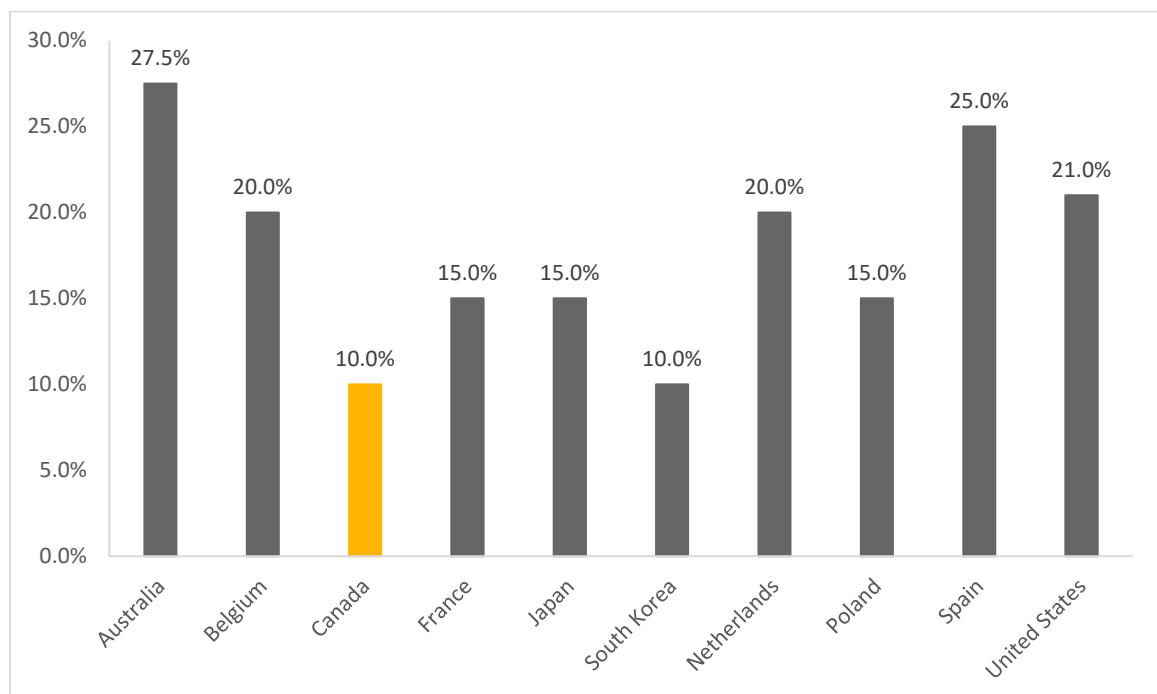
This report summarizes some of the witnesses' comments made to the Committee in person or in a brief. The first section provides their perspectives about policies concerning taxation and regulations, innovation and infrastructure that support the competitiveness of Canada's SMEs, and that might be viewed as prerequisites for their export success. The second section outlines their observations about trade agreements and trade opportunities, federal measures that support international trade, and partnerships and collaborations that facilitate trade, all of which might be considered requirements for the country's SMEs to attain their export goals. The last section contains the Committee's thoughts and recommendations.

## PREREQUISITE: A “BUSINESS-FRIENDLY” DOMESTIC ENVIRONMENT

In their appearances and briefs, the Committee’s witnesses made comments about a “business-friendly” domestic policy environment as a prerequisite for ensuring the competitiveness of Canada’s SMEs. They focused on domestic taxation and regulations, support for research, development and innovation, and export-enabling infrastructure.

### A. Taxation and Regulations

Central Government Corporate Income Tax Rate for Small Firms,  
Selected Countries, 2018



**Note:** The central government corporate income tax rate for small firms is a preferential rate that is applied on firms having a designated size; the size thresholds vary among countries. In Canada, the size threshold is based on the value of a firm’s taxable capital. As of 1 January 2019, the Government of Canada reduced its corporate income tax rate for small firms from 10.0% to 9.0%.

**Source:** Figure prepared using data obtained from: Organisation for Economic Co-operation and Development, “[Table II.2. Targeted statutory corporate income tax rate](#),” OECD.Stat (database), accessed 21 January 2019.

Witnesses spoke about corporate and personal income taxes, carbon taxes and surtaxes. In addition, they made general comments about the domestic regulatory environment,





and specifically discussed customs administration and import certification processes, and electrical standards.

The [Canadian Federation of Independent Business](#) claimed that it is increasingly difficult to operate a business in Canada, and highlighted the importance of tax and regulatory reform for the country's small firms. With a focus on corporate income taxes, a brief submitted to the Committee by the [Calgary Chamber of Commerce](#) indicated that reducing the small business tax rate will lower SMEs' operating costs, "allowing them to reinvest in production, wages, and job growth while ultimately contributing to scaling up and expanding to new markets."

Similarly, in a brief submitted to the Committee, the [Windsor-Essex Regional Chamber of Commerce](#)<sup>4</sup> maintained that any corporate tax reforms in Canada should reduce the income tax rate applied on the country's manufacturers, and on its SMEs, to enable them to "scale-up" and "perform stronger domestically," which would help them to expand internationally. As well, a brief submitted to the Committee by [PayPal Canada](#) stated that Canada's small firms have "concerns" about taxes and regulations, and commented that income tax rate reductions for these firms can enhance their growth.

The [Canadian Association of Moldmakers](#) pointed out that higher corporate income tax rates would reduce the competitiveness of Canada's mould makers, which often are small or medium in size.<sup>5</sup> The [Business Council of Canada](#) said that the country's "combined statutory corporate tax rate" is above the Organisation for Economic Co-operation and Development's average, and believed that the Government of Canada should review the federal corporate tax system. Likewise, the University of Calgary's [Jack Mintz](#)—who appeared as an individual—mentioned that the Government should consider undertaking tax reform, and emphasized the importance of a "fair" and simplified tax system that promotes the growth of Canada's firms.

In commenting on mould makers' capital investments, the [Canadian Association of Moldmakers](#) highlighted the importance of an "investment-friendly tax regime" and accelerated depreciation for such investments. According to the Canadian Association of Moldmakers, accelerated depreciation provides a "twofold benefit" because it helps firms to reinvest and it generates economic activity. As well, the [Windsor-Essex Regional Chamber of Commerce](#) remarked that the accelerated depreciation for equipment that

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4 The Windsor-Essex Regional Chamber of Commerce both appeared as a witness and submitted a brief to the Committee. In this report, future references to this organization may reflect its comments that were made when appearing as a witness or in its brief.

5 During its appearance, the Canadian Association of Moldmakers mentioned a letter sent to Canada's Minister of Finance in which the Automotive Parts Manufacturer's Association referred to tax reform.

was announced in the 2018 Fall Economic Statement will help firms to “access ... resources” and “reinvest capital into their businesses.” [Mr. Mintz](#) opposed accelerated depreciation, suggesting that this measure tends to favour firms that have “short-life assets that turn over quickly.”

With a focus on personal income taxes, the [Canadian Association of Moldmakers](#) indicated that U.S. and other foreign firms find it “very easy” to “poach” workers who make moulds when Canada’s personal income tax rates are unfavourable. Similarly, in describing high personal income tax rates as “problematic,” [Mr. Mintz](#) observed that these rates affect “where your workers are going to be.”

The [Coalition of Concerned Manufacturers and Businesses of Ontario](#) suggested that cap-and-trade and carbon pricing policies create costs for Canada’s firms, and make them uncompetitive. In stressing that Canada’s “high” labour, safety and environmental standards lead the country’s SMEs to experience—unintentionally—“regulation[s] and additional costs,” [Northern Cables Inc.](#) called for carbon taxes to be applied on imported materials and finished goods, such as electrical cables. Also, Northern Cables Inc. advocated the use of the *Special Import Measures Act* to apply duties on imported electrical cables.

In claiming that free trade allows SMEs to grow, the [Calgary Chamber of Commerce](#) urged the Government of Canada to rescind its surtaxes on certain U.S. goods that were adopted in response to U.S. tariffs on some Canadian steel and aluminum products.<sup>6</sup> Likewise, [Andrew Tepperman](#)—who submitted a brief to the Committee on behalf of his firm—believed that the Government should remove these “retaliatory tariffs,” which are “punishing” consumers and forcing his firm to obtain its inputs from outside of North America.

Concerning regulations, the [Calgary Chamber of Commerce](#) noted that a 2017 World Economic Forum survey found that “inefficient government bureaucracy” is the “most problematic factor for doing business in Canada,” and stated that the Government of Canada should address regulatory “inefficiency” and “lagging productivity” in an effort to promote the growth of the country’s SMEs. [Canadian Manufacturers & Exporters](#) characterized the measures announced in the 2018 Fall Economic Statement, which included a commitment to address regulatory barriers, as “only first steps.”

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6 On 17 May 2019, Canada and the United States announced that the United States will eliminate the tariffs that it applied – by virtue of section 232 of the *Trade Expansion Act of 1962* – on certain Canadian steel and aluminum products, and that Canada will remove the countermeasure surtaxes that it applied on imports of certain U.S. products.



As well, the [Fédération des chambres de commerce du Québec](#) mentioned a need to monitor regulations, including customs obligations and certification processes. [PayPal Canada](#) remarked that customs and other duties, as well as paperwork, are “disproportionately complex” for small firms, and maintained that “[s]implifying and digitizing” these procedures could result in “enhanced growth and trade” for them. The [Coalition of Concerned Manufacturers and Businesses of Ontario](#) described purchasing new equipment or expanding a firm’s “current footprint” as a “nightmare” because it is “very difficult” for Canada’s firms to import and certify “world-class equipment.”

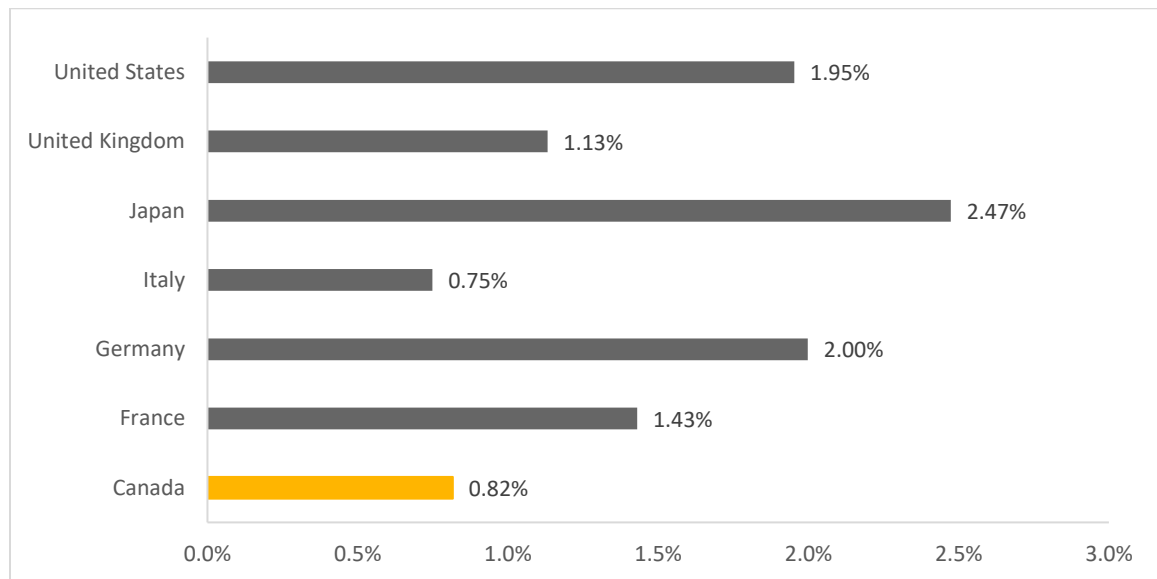
[Northern Cables Inc.](#) suggested that the *Canadian Electrical Code, Part I* and provincial electrical codes impede the international trade activities of Canada’s SMEs by “only specifying [American Wire Gauge] sizes,” while other jurisdictions use the metric sizes of the International Electrotechnical Commission<sup>7</sup> in their standards for conductors of insulated cables. Consequently, Northern Cables Inc. identified a need to add metric conductor sizes to the *Canadian Electrical Code, Part I*.

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7 The International Electrotechnical Commission is a not-for-profit, quasi-governmental organization that develops international standards and operates conformity assessment systems in the field of electrotechnology.

## B. Support for Research, Development and Innovation

### Business Expenditures on Research and Development as a Percentage of Gross Domestic Product, G7 Countries, 2016



Source: Figure prepared using data obtained from: Organisation for Economic Co-operation and Development, "[Main Science and Technology Indicators](#)," OECD.Stat (database), accessed 21 January 2019.

In speaking about federal support for research, development and innovation in the context of Canada's SMEs, witnesses discussed access to federal support for innovation. They also mentioned the scientific research and experimental development tax incentives program, as well as an "innovation checklist" and "digital roundtables."

According to the [Windsor-Essex Regional Chamber of Commerce](#), Canada's small firms are "often" not eligible for support from most federal innovation programs. Specifically, the Windsor-Essex Regional Chamber of Commerce indicated that recent changes to the Strategic Innovation Fund have led to "missed opportunities for [research and development] and innovation," and commented that the country's SMEs would benefit from innovation programs that they can access easily.

Similarly, the [Canadian Association of Moldmakers](#) claimed that recent changes to the Strategic Innovation Fund do not help Canada's SMEs, including because of the eligibility thresholds that make some of them ineligible for funding. The Canadian Association of Moldmakers urged the Government of Canada to help its members accept the risks that

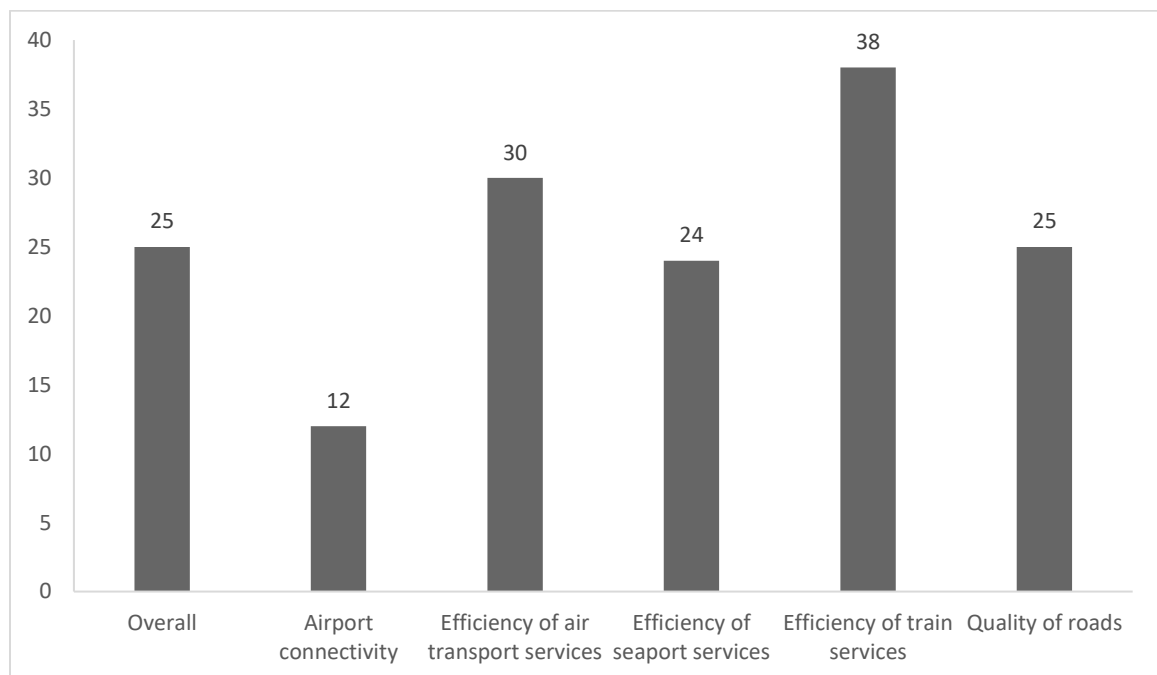


are associated with innovation, and noted the importance of the scientific research and experimental development tax incentives program.

[Startup Canada](#) stated that it is interested in working with Government of Canada officials to develop an “ecosystem innovation checklist” that could be used by Global Affairs Canada’s Trade Commissioner Service. As well, Startup Canada said that it would like to “facilitate digital roundtables” with “global Trade Commissioner Service innovation systems and their Canadian counterparts.”

## C. Infrastructure

Canada’s Infrastructure Ranking, Selected Types of Infrastructure, 2018  
(out of 140 countries)



Note: The overall ranking is based on the indicators that appear in the chart, and on indicators that are not in the chart.

Source: World Economic Forum, [The Global Competitiveness Report 2018](#), 2018.

Witnesses spoke about the need for domestic infrastructure that could enhance the ability of Canada’s SMEs to export their products.

According to the [Minister of Small Business and Export Promotion](#), Canada's SMEs have identified infrastructure, including in relation to trade corridors and broadband Internet, as an area where the Government of Canada could provide more support to enable goods and services exports. In this regard, the Minister noted that the "Trade Corridors to Global Markets" theme in the Government's Transportation 2030 initiative aims to improve Canada's transportation system "to get products to market" and expand the country's economy.

The [Calgary Chamber of Commerce](#) believed that poor-quality infrastructure leads to higher costs for SMEs, which reduces their international competitiveness. Moreover, the Calgary Chamber of Commerce encouraged the Government of Canada to identify the areas in which it intends to accelerate infrastructure spending on ports, and on trade transportation corridors to Asia and to Europe, thereby allowing firms to develop "long-term plans" and providing those that want to expand their operations with "certainty that export capacity will be available" for their products.

The [Saskatchewan Trade and Export Partnership](#) suggested that the Government of Canada should construct and maintain export-enabling infrastructure, notably railways, ports and pipelines. Likewise, in its brief submitted to the Committee, [Edmonton International Airport](#) said that the Government could help Canada's SMEs to enter foreign markets by ensuring that infrastructure at and near airports supports the efficient movement of people and goods. [Mr. Tepperman](#) urged the Government to disallow strikes in the rail and port sectors.

The [Cape Breton Partnership](#) claimed that inadequate rail, road, maritime, broadband and cellular infrastructure limits firms' ability to "connect with the ... world," and rural communities' ability to attract and retain residents. Accordingly, the Cape Breton Partnership called on the Government of Canada to continue to address infrastructure gaps. To illustrate the impact of Internet infrastructure gaps on Canada's SMEs, the [Cape Breton Partnership](#) spoke about a seafood firm that had difficulty booking plane tickets online for a trade show in China because its Internet service did not function "long enough to hit the submit button." Finally, the Cape Breton Partnership described the Connect to Innovate program<sup>8</sup> as "not particularly helpful."

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8 Through the [Connect to Innovate](#) program, the Government of Canada will invest \$500 million by 2021 to bring high-speed Internet to 300 of Canada's rural and remote communities.



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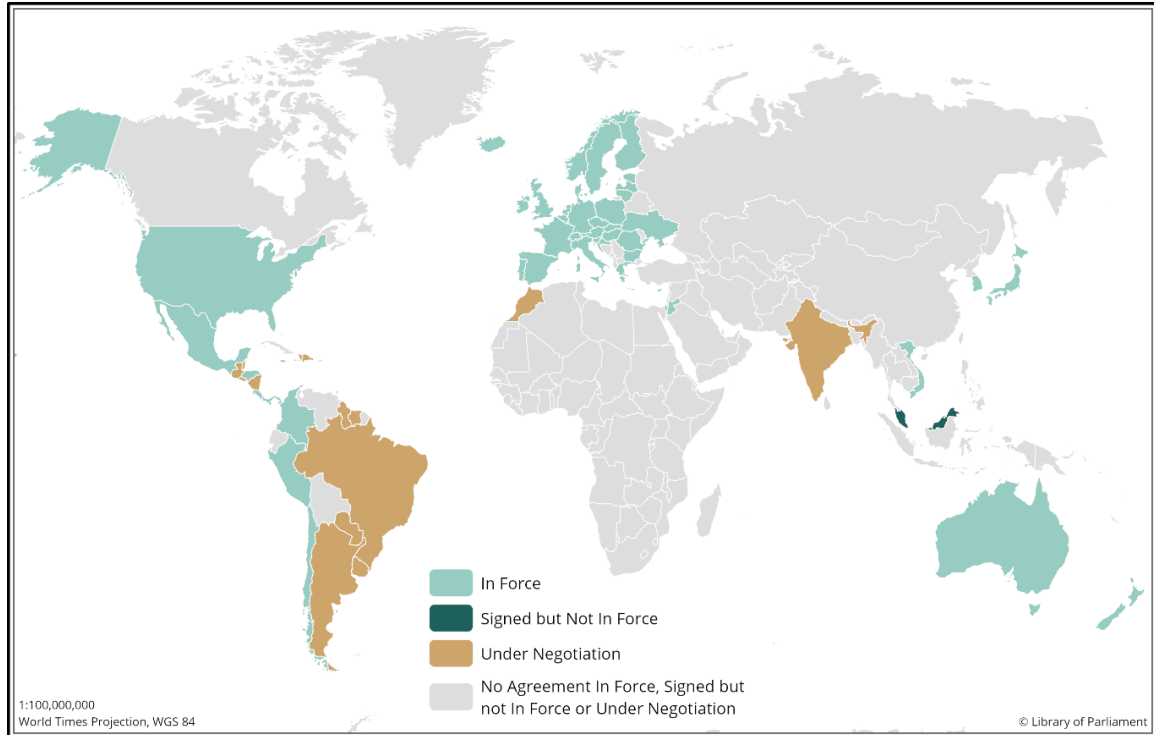
## **REQUIREMENTS REGARDING TRADE: AGREEMENTS AND OPPORTUNITIES, FEDERAL SUPPORTS, AND PARTNERSHIPS AND COLLABORATIONS**

The Committee's witnesses identified trade agreements and trade-related opportunities, existing and desired federal supports, and partnerships and collaborations that facilitate trade as requirements in order for Canada's SMEs to enhance their international trade activities.



## A. Agreements and Opportunities

### Status of Canada's Existing and Potential International Trade Agreements (as of 3 April 2019)



**Note:** Chile, Colombia, Japan, Mexico, Peru and the United States each have one or more free trade agreements with Canada that are in force, as well as one or more free trade agreements with Canada that are either “signed but not in force” or “under negotiation.” For these six countries, the map above does not indicate the status of the free trade agreements with Canada that are not in force.

**Source:** Map prepared by Library of Parliament, Ottawa, 2019 using data from the Food and Agriculture Organization of the United Nations, *Global Administrative Unit Layers (GAUL)*, [GeoNetwork](#), 2015 and Government of Canada, “[Trade and investment agreements](#),” accessed 4 February 2019. The following software was used: Esri, ArcGIS PRO v. 2.3.0.

In discussing the extent to which Canada’s international trade agreements provide the country’s SMEs with opportunities to increase their exports, witnesses made general comments, noted specific agreements, and spoke about firms’ awareness of the country’s trade agreements. As well, they described sector-specific trade opportunities and noted Canada’s internal trade agreement.



The [Minister of Small Business and Export Promotion](#) observed that the international trade agreements that Canada has signed to date provide the country's SMEs with preferential access to markets that collectively represent 60% of global gross domestic product. The [Business Council of Canada](#) made a similar remark, and also commented that these agreements help Canada's firms—including those that are small or medium in size—to access markets by addressing trade barriers, such as tariffs, and by ensuring “more predictable, fair and transparent conditions” for firms that operate abroad. Likewise, the [Canadian Federation of Independent Business](#) mentioned that trade agreements help to address duties and taxes that negatively affect small firms.

In highlighting that the Government of Canada has helped the country's SMEs by reducing tariffs, including through international trade agreements, [Mr. Mintz](#) emphasized the importance of addressing non-tariff barriers, which provide these firms with an incentive to invest in foreign operations instead of investing in—and exporting from—Canada. According to the brief submitted to the Committee by [XPM Global Consultants Ltd.](#), foreign affiliates are an effective alternative to exporting services from Canada because they allow the country's services providers to circumvent foreign governments' restrictive trade practices. XPM Global Consultants Ltd. suggested that the Government of Canada should update its international trade agreements by negotiating new provisions that would enhance labour mobility and thereby facilitate services exports.

The [Windsor-Essex Regional Chamber of Commerce](#) claimed that non-tariff barriers impede the growth of small and medium-sized agricultural firms in the Windsor-Essex region. As examples of such barriers that affect Canada's exports, the [Saskatchewan Export and Trade Partnership](#) mentioned sanitary and phytosanitary measures, and stated that some of its members have had problems obtaining product certifications for the goods that they wish to export to Europe.

According to [Futurpreneur Canada](#), some young Canadian entrepreneurs have difficulty “understanding and adapting to” health, safety and other foreign regulations that differ from those in Canada. To address “persistent” regulatory barriers in foreign markets and to maximize the benefits of the country's international trade agreements, Futurpreneur Canada thought that the Government of Canada should both provide entrepreneurs with easily accessible resources that explain regulatory differences across countries and increase regulatory cooperation with the country's trade partners. The [Canadian Chamber of Commerce](#) encouraged the Government to continue working with foreign governments on “mutual recognition” and other “regulatory co-operation initiatives,” while the [Calgary Chamber of Commerce](#) urged Canada and its trade partners to harmonize their “regulations for exporters.”

In suggesting that “[r]ed tape” continues to be a “huge issue” for Canada’s small firms that want to trade internationally, the [Canadian Federation of Independent Business](#) contended that the regulatory co-operation mechanisms that are established by Canada’s international trade agreements tend to focus on “big business regulations” instead of on irritants that “really bother” small firms.

With a focus on specific international trade agreements, the [Minister of Small Business and Export Promotion](#) stressed that—collectively—the Canada–United States–Mexico Agreement, the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* and the *Canada–European Union Comprehensive Economic and Trade Agreement* would provide Canada’s SMEs with preferential access to foreign markets that have a total population of 1.5 billion people. The [Saskatchewan Trade and Export Partnership](#) described these three agreements as “critically important.”

According to the [Minister of Small Business and Export Promotion](#), the Canada–United States–Mexico Agreement would ensure that the signatories continue to not apply tariffs on most products that they trade with each other, with this continuation of duty-free trade resulting in “economic stability, future job growth and opportunities for Canadian small and medium-sized companies.”

The [Canadian Federation of Independent Business](#) characterized the chapters in the Canada–United States–Mexico Agreement and in the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* that are focused on SMEs as a “starting point” in recognizing that these firms might have unique challenges. However, [Canadian Manufacturers & Exporters](#) commented that trade agreement provisions designed to assist such firms are of limited usefulness if governments fail to provide “actual support.”

The [Canadian Federation of Independent Business](#) asserted that the *Canada–European Union Comprehensive Economic and Trade Agreement* provides Canada’s SMEs with “extensive” opportunities to trade with “one of the world’s largest markets.” As well, the [Canadian Association of Moldmakers](#) highlighted that this agreement will provide some opportunities for its members, which predominantly export to markets in developed countries.

In discussing a possible Canada–Mercosur free trade agreement, the [Canadian Association of Moldmakers](#) indicated that trade barriers that currently limit its members’ exports to the Mercosur countries should be reduced. Similarly, the [Windsor-Essex Regional Chamber of Commerce](#) said that lowering trade barriers in certain markets outside of North America would help small and medium-sized manufacturing firms in the Windsor-Essex region to expand. That said, [Iafrate Machine Works Ltd.](#) identified its



concerns about pursuing trade opportunities that result from Canada's trade agreements with countries outside of North America.

The [Canadian Federation of Independent Business](#) thought that Canada's SMEs are not as knowledgeable as they could be about the country's international trade agreements, and maintained that the Government of Canada should communicate—clearly and often—the ways in which new agreements can benefit such firms. The [Chambre de commerce de l'Est du Montréal](#) stated the Government should communicate simplified information to SMEs when such agreements are signed.

Similarly, the [Fédération des Chambres de Commerce du Québec](#) mentioned the need to enhance awareness about the business opportunities created by international trade agreements. In suggesting that large firms generally have a better understanding of “global trade issues” than do their smaller counterparts, the Fédération des Chambres de Commerce du Québec noted that poorly informed firms can miss opportunities created by such agreements or be “taken aback” by new competitors in the domestic market following these agreements' entry into force.

The [Chamber of Commerce of Metropolitan Montreal](#) said that the best way to inform Canada's SMEs about international trade agreements is to have them learn from other firms. [ventureLAB](#) remarked that entrepreneurs will not consult government websites to obtain information about such agreements, and highlighted its role in providing relevant information to firms by collaborating with its partners, including the National Research Council of Canada through the Industrial Research Assistance Program.

The [Canadian Chamber of Commerce](#) noted that SMEs do not have time to read all of the international trade agreements that the country signs, and encouraged the Government of Canada to provide sector-specific information—in a digital and searchable format—about particular agreements.

In agreeing that the Government of Canada should inform the country's SMEs about international trade agreements, [Futurpreneur Canada](#) suggested that the Government should also be aware of these firms' perspectives when it negotiates such agreements. Likewise, the [Chambre de commerce de l'Est de Montréal](#) commented that the Government should consult SMEs, and organizations that work with them, including to identify countries with which Canada should pursue trade agreements. The [Women's Enterprise Organizations of Canada](#) emphasized that the Government should also involve women entrepreneurs in the “development” of such agreements, and should ensure the availability of gender-disaggregated data, including to permit measurement of the extent to which procurement contracts are allocated in a way that ensures gender parity.

To enhance young entrepreneurs' awareness of opportunities to trade internationally, and to help them prepare for such opportunities, [Futurpreneur Canada](#) advocated the creation of "easily digestible electronic tools and guides." Futurpreneur Canada stated that such tools and guides should both discuss young entrepreneurs who are successful exporters and be available through media that are relevant to those who are under the age of 40, such as Instagram.

Similarly, the [Canadian Chamber of Commerce](#) thought that the Government of Canada should promote the "success stories" of the country's SMEs that operate internationally. In addition, the Canadian Chamber of Commerce encouraged the Government to examine the best practices and programs used by other G7 countries to help their SMEs export. As well, the Canadian Chamber of Commerce suggested that the Government should examine whether the success of its supports for Canada's exports should be based on the number of firms that export, rather than on the dollar value of their exports.

In highlighting sector-specific international trade opportunities, the [Canada China Business Council](#) pointed out the importance of Chinese tourists, and urged the Government of Canada to provide support that would help the country's SMEs "benefit from tourism," both generally and between Canada and China. Similarly, the [Edmonton International Airport](#) believed that the Government should ensure "tourism growth" through such actions as increasing the number of international students that study in Canada. The [Canada China Business Council](#) indicated that some Chinese students who want to remain in Canada as permanent residents use their knowledge of their country's business culture and language to help its members expand their business in China.

In a brief submitted to the Committee on her own behalf, [Carrie Watson](#) called for the Government of Canada to "steer the nation toward producing what the world wants" by making the country a leader in sustainable organic agriculture production. A brief submitted to the Committee by [Annette Wionzek](#) on her own behalf mentioned federal support for Canadian bottled water exports, and maintained that the Government should not contribute to the development of export markets for Canadian water.

With a focus on internal trade, the [Chamber of Commerce of Metropolitan Montreal](#) contended that the Government of Canada and the country's provincial governments lack a strategy that could make Canada's SMEs benefit from the *Canadian Free Trade Agreement*, and described internal trade as a "springboard" that helps SMEs to export to foreign markets.



## B. Existing and Desired Federal Supports

**In 2017, the percentage of Canada’s small and medium-sized exporting firms that identified “market knowledge issues” as a minor, moderate or major obstacle to their exports was 19.3%, 9.5% and 4.0%, respectively.**

Source: Innovation, Science and Economic Development Canada and Statistics Canada, [\*Survey on the Financing and Growth of Small and Medium Enterprises, 2017\*](#), 1 January 2019.

Witnesses provided comments about the Government of Canada’s support for the country’s SMEs that trade internationally or that want to do so—with a specific focus on Global Affairs Canada’s Trade Commissioner Service, the CanExport program, Export Development Canada and the Business Development Bank of Canada—and about their awareness of these supports. They also discussed desired federal assistance for these firms’ international trade activities.

The [Minister of Small Business and Export Promotion](#) mentioned that, to help Canada’s SMEs enhance their understanding of “how businesses work” in countries outside of North America, the Government of Canada launched the CanExport program and, through the Trade Commissioner Service, provides these firms with market intelligence and helps them to make international “connections.” The [Minister](#) stated that the CanExport program helps the country’s firms that want to export to new markets, and pointed out—for example—that the program can provide funding to support firms’ participation in a foreign trade mission.

[Global Affairs Canada](#) observed that, according to its survey of the country’s SMEs that have used the Trade Commissioner Service, respondents gained information, insight and confidence that helped them to export to a new market. In the view of Global Affairs Canada, the Trade Commissioner Service promotes Canada’s new international trade agreements to develop these firms’ awareness of—and enthusiasm for—exporting.

In mentioning that few of Canada’s SMEs have the capacity “to be first movers into foreign markets,” the [Business Council of Canada](#) maintained that the Trade Commissioner Service supports such firms’ international business activities and promotes their exports. Likewise, the brief submitted to the Committee by [John Treleaven](#) on his own behalf described the Trade Commissioner Service as a “potent asset” for Canada’s firms that either export or wish to do so. Mr. Treleaven suggested that the Trade Commissioner Service should prepare short, customized market research reports at the request of exporters, should provide services to all “serious and prepared”

exporters, and should not prioritize its services on the basis of sector or market of interest.

The [Women's Enterprise Organizations of Canada](#) said that, through such programs as Business Women in International Trade and CanExport, the Trade Commissioner Service helps Canada's SMEs to maximize international trade opportunities. The Women's Enterprise Organizations of Canada urged the Government of Canada to increase the amount of funding provided for trade missions, and for export advisors and coaches who could help female-owned firms to export to foreign markets.

According to [Manna International Inc.](#), entrepreneurs who wish to export to Asia and Europe need assistance with obtaining expertise in relation to shipping, logistics, pricing and culture. [Manna International Inc.](#) thought that Canada's trade commissioners can help firms to "understand culture in a different country."

In advocating trade commissioners who are salespeople, rather than diplomats, the [Coalition of Concerned Manufacturers and Businesses of Ontario](#) believed that the Government of Canada should increase the effectiveness of the Trade Commissioner Service, which was unable to schedule a meeting with the Royal Australian Navy that could have helped one of Canada's firms to sell a patented product.

The [Chambre de commerce de l'Est de Montréal](#) maintained that the number of trade commissioners in Quebec, and the number of exporting firms in that province that are served by them, are small. The [Chambre de commerce de l'Est de Montréal](#) suggested that the Government of Canada could help its members by increasing the "availability" and "presence" of trade commissioners in Quebec.

The [Business Council of Canada](#) commented that the Government of Canada's export diversification strategy, which was announced in the 2018 Fall Economic Statement, includes \$184 million for the "underfunded" Trade Commissioner Service and other trade-related services. According to the Business Council of Canada, the new funding will help Canada's firms of all sizes. The [Canada China Business Council](#) thought that some of the funds should be dedicated to helping trade commissioners identify the "right partners" for Canada's firms.

[Canadian Manufacturers & Exporters](#) claimed that various measures that were announced in the 2018 Fall Economic Statement, including new funding for the Trade Commissioner Service and the CanExport program, will help Canada's SMEs. As well, Canadian Manufacturers and Exporters emphasized the importance of what it described as "priority actions" in that statement, such as funding for the following: the training and





hiring of “outside expertise”; trade-related infrastructure; and entities that provide export accelerator services.

The [Chambre de commerce et d’Industrie de Dolbeau-Mistassini](#) remarked that a lack of funds and of time are barriers that affect SMEs’ exports. [Manna International Inc.](#) stated that it can be difficult to receive financing from Export Development Canada, and [Mr. Mintz](#) contended that Export Development Canada does not provide the country’s firms with the same amount of financing that foreign competitors can receive from other financial services providers. [XPM Global Consultants Ltd.](#) noted its involvement in more than 100 “international business development projects,” and pointed out that “only one project qualified for trade assistance funding.”

Regarding awareness about available trade-related supports, the [Minister of Small Business and Export Promotion](#) mentioned that Canada’s SMEs have indicated that they do not know how to obtain the assistance that they need to do business internationally. The [Minister](#) acknowledged that the Government of Canada could enhance the information that it provides about the various programs and services that are available to these firms.

As well, the [Minister of Small Business and Export Promotion](#) spoke about the Government of Canada’s Innovation Canada portal, which is designed to help the country’s firms obtain information about programs, services and other resources provided by Canada’s governments. According to the Minister, a firm that accesses the portal can, within two minutes, complete a questionnaire and obtain a customized list of supports. The [Minister](#) also said that the Government has innovation officers who can “guide” the country’s SMEs through the supports that they need.

[Futurpreneur Canada](#) characterized the Innovation Canada portal as a “great website,” and highlighted a need to help entrepreneurs find the aspects of the website that are relevant for them. The [Chambre de commerce de l’Est de Montréal](#) contended that entrepreneurs do not have time to read the information available on Government of Canada websites in order to learn about the differences among federal programs.

In discussing a recent survey of its members, the [Canadian Federation of Independent Business](#) observed that nearly 50% and 60% of respondents were unaware of Export Development Canada and the Trade Commissioner Service, respectively. The Canadian Federation of Independent Business commented that the Government of Canada should increase awareness about these and other trade-related services.

In agreeing that some of Canada’s SMEs are unaware of the Trade Commissioner Service, the [Canadian Chamber of Commerce](#) advocated “more of a push approach” to

communicating relevant services. The [Business Council of Canada](#) claimed that the funding that was announced in the 2018 Fall Economic Statement will allow the Trade Commissioner Service to hire people to increase awareness about its services.

In the view of [Startup Canada](#), the country's SMEs are not aware of the opportunities for enhanced trade resulting from international trade agreements and the efforts of the Trade Commissioner Service. [Futurpreneur Canada](#) maintained that some young entrepreneurs also lack this awareness, and identified a need to enhance their knowledge of trade agreements and federal services that promote firms' international trade.

The [Chambre de commerce et d'industrie de Dolbeau-Mistassini](#) remarked that its members are not sufficiently aware of the Government of Canada's services, including those offered by the Business Development Bank of Canada and Export Development Canada, that can help them to trade internationally. The [Chambre de commerce de l'Est de Montréal](#) mentioned a need for enhanced clarity about the different roles of these two Crown corporations, and about other federal entities, including the Economic Development Agency of Canada for the Regions of Quebec.<sup>9</sup>

According to [Communitech](#), Canada's small firms have problems becoming aware of—and accessing—the assistance that is provided by some of the Government of Canada's departments and Crown corporations in the following areas: market intelligence and analysis; support for travel to meet with customers and investors; advice from experienced business leaders who understand regulations, business cultures and supply chains; and training and other supports that allow them to participate in such programs and initiatives as Techstars, Y Combinator and the Canadian Technology Accelerator.<sup>10</sup>

[Communitech](#) advocated “embedding” trade commissioners, Business Development Bank of Canada advisors and other federal representatives in regions throughout Canada to “engage” with local firms. The [Cape Breton Partnership](#) made a similar proposal, and the [Chambre de commerce et d'industrie de Dolbeau-Mistassini](#) thought that the Economic Development Agency of Canada for the Regions of Quebec's services and

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9 The [Economic Development Agency of Canada for the Regions of Quebec](#) is part of the [Innovation, Science and Economic Development Canada portfolio](#). Among its other responsibilities, it provides guidance to small and medium-sized firms in Quebec to help them become more innovative, productive and competitive.

10 [Techstars](#) is a start-up accelerator for technology firms. [Y Combinator](#) provides seed funding to start-up firms. According to [Global Affairs Canada](#), the Canadian Technology Accelerator initiative helps Canada's firms that have a technology, product or service to “explore opportunities” in foreign markets through such activities as mentorship, office space that is shared with other entrepreneurs and innovators, and access to potential investors.



resources should be more accessible to firms in the Dolbeau-Mistassini area, most of which are small in size.

With a focus on desired supports for the international trade activities of Canada's SMEs, the [Canadian Federation of Independent Business](#) remarked that the Government of Canada should develop guidelines that provide these firms with plain-language information about such subjects as customs procedures, international shipment-related regulations, and strategies for mitigating the risks arising from currency fluctuations.

The [Edmonton International Airport](#) believed that the Government of Canada should continue to provide educational seminars to help the country's SMEs to enter foreign markets. As well, a brief that [David Wallace](#) submitted to the Committee on his own behalf suggested that a one- or two-day seminar should be developed for these firms that would address Incoterms,<sup>11</sup> required shipping information, customs documentation, foreign languages and cultures, and other basics of "cost, insurance and freight" exports.<sup>12</sup>

In claiming that Canada's SMEs would benefit from locally or regionally accessible export-related training, the [Windsor-Essex Regional Chamber of Commerce](#) said that—across all sectors—these firms often lack "experience and market intelligence in culture, legal and business norms" that could help them to export. The [Canada China Business Council](#) noted that "staying current" with China's national and local regulations, as well as understanding Chinese culture, are factors that determine firms' success in that country's market. The [Canadian Chamber of Commerce](#) observed that, in the opinion of its members, the Government of Canada should provide lists of "legal, regulatory and other consultants" that have expertise in foreign markets.

A brief submitted to the Committee by the [Forum for International Trade Training](#)<sup>13</sup> maintained that Canada's "internationally oriented" SMEs will "underperform" if they do not have skilled trade professionals. The Forum for International Trade Training believed that the Government of Canada should increase awareness about international trade competencies, incorporate international business talent development into federal

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11 According to the [International Chamber of Commerce](#), "Incoterms" comprise internationally accepted definitions and interpretations of commercial terms that are used in contracts for the sale of goods.

12 The [2010 edition of the Incoterms rules](#) indicates that, when the term "CIF"—or "cost, insurance and freight"—appears in a merchandise sales contract, the seller's responsibilities include contracting for and paying all costs and freight to ship the good to the port of destination, as well as contracting for insurance that mitigates the buyer's risk of losing the shipped goods or receiving them in a damaged state.

13 The Forum for International Trade Training both appeared as a witness and submitted a brief to the Committee. In this report, future references to this organization may reflect its comments that were made when appearing as a witness or in its brief.

programs and services that support these firms' export-related activities, help such firms assess their employees' "trade competence" and identify training needs, and work with educational authorities and providers, as well as with curriculum developers and "professional bodies," to "instill knowledge of international trade and opportunities" in undergraduate business programs.

To help Canada's SMEs raise capital and compete internationally, [ventureLAB](#) thought that, when undertaking any procurement, the Government of Canada should consider Canadian-made "solutions." As well, ventureLAB said that the Government should be the first purchaser of innovative and globally competitive technologies that are created by some of these firms.

### C. Partnerships and Collaborations

**According to a 2017 survey of small and medium-sized firms that have an active Facebook business page, 48% of exporting respondents mentioned that "selling to foreign countries" was an important challenge. Of these firms, 63% identified "finding business partners" as a specific export related challenge.**

Source: [Future of Business Survey: Trade Report](#), July 2017. Respondents to the Future of Business Survey are small and medium-sized enterprises that have a Facebook business page and are located in one of 42 countries.

Witnesses spoke to the Committee about the ways in which partnerships and collaborations can affect the ability of Canada's SMEs to trade internationally. In particular, they focused on a variety of partnerships and collaborations between and among such entities as the Government of Canada's departments and Crown corporations, other levels of government, non-governmental providers of trade-related and other services, firms and employees.

The [Canadian Federation of Independent Business](#) stated that some of Canada's SMEs believe that the Government of Canada's trade-related services are designed to help larger firms, and suggested that the Government could change this perception by ensuring that its services are "well integrated."

The [Business Council of Canada](#) called for enhanced communication and coordination among Export Development Canada, the Business Development Bank of Canada and the



Trade Commissioner Service, and advocated the creation of a single window to allow Canada's firms to access the "suite" of available services.

According to the [Fédération des Chambres de Commerce du Québec](#), the Government of Canada should work closely with its provincial counterparts both to ensure that export-related services are "well integrated," and to enhance the communication of these services to Canada's firms. [Canadian Manufacturers & Exporters](#) said that, in developing a system of coordinated support for such firms, the Government should involve provincial and some local governments, as well as private-sector organizations. The [Cape Breton Partnership](#) called on "federal partners" to work with provincial governments and organizations like itself, among others, to coordinate and communicate business support programs and services "directly to the private sector."

Concerning partnerships and collaborations between the Government of Canada on one hand, and providers of trade-related and other services on the other hand, [Canadian Manufacturers & Exporters](#) noted that connecting firms to federal support programs is "critically important," and urged the Government to "leverage" and "empower" trade associations and chambers of commerce, including through giving them "direct resources" to work with Canada's small firms.

[Communitech](#) claimed that the Government of Canada's departments and agencies cannot have an "on-the-ground relationship" with all of the country's "promising" technology firms, and asserted that regional boards of trade, chambers of commerce and innovation hubs have those relationships. Communitech added that "closer collaboration" between the Government and these entities would create "a more seamless experience" for firms through "local training, coaching and preparation in advance of their global sales efforts," and "a coordinated hand-off to in-market experts and resources." As well, Communitech maintained that "regional partners" can both direct certain small firms "to the right opportunities," and ensure that they are aware of the resources and supports available to them.

The [Toronto Region Board of Trade](#) discussed its trade accelerator program, and noted its collaboration with Export Development Canada, Global Affairs Canada, the Business Development Bank of Canada, and other public- and private-sector organizations to train partners across the country so that they too can provide such a program. The Toronto Region Board of Trade believed that, with enhanced support from the Government of Canada, these programs could significantly increase the number of Canada's firms that are "expertly prepared" to increase their exports. The [Chamber of Commerce of Metropolitan Montreal](#) encouraged the Government to provide a level of financial

support that would establish an expanded trade accelerator program that could provide services across the country.

The [Forum for International Trade Training](#) stated that, with the goal of expanding its “scope, capacity and reach,” it recently partnered with Export Development Canada. According to [Global Affairs Canada](#), the training that the Forum for International Trade Training provides to the country’s SMEs enhances their success relative to firms that have not received such training. [XPM Global Consultants Ltd.](#) suggested that the Government of Canada should enhance its use of such “established professional associations” as the Forum for International Trade Training.

The [Saskatchewan Trade and Export Partnership](#) mentioned its work with a number of institutes in Canada and in Europe that is designed to help its members find resources that they can use to certify their products prior to being exported to Europe, and added that any Government of Canada assistance “would certainly provide a better pathway” for its members’ exports to Europe.

In maintaining that the Government of Canada should increase the export-related services provided to firms in the eastern region of Montreal, the [Chambre de commerce de l'Est de Montréal](#) urged the Government to refer any Montreal-based firms that it cannot help to chambers of commerce and similar organizations, and to participate in events that are hosted by these organizations. The [Canadian Chamber of Commerce](#) identified its willingness to help the Government promote the Trade Commissioner Service by serving as a “conduit for communicating” available supports for Canada’s SMEs.

[Futurpreneur Canada](#) highlighted its partnership with Global Affairs Canada that is designed to help young Canadian entrepreneurs maximize business opportunities in the G20 countries. Futurpreneur Canada believed that its “extensive networks and expertise” enable it to be a “key partner” for the Government in its efforts to inform and support young entrepreneurs who want to export.

[Startup Canada](#) indicated its desire to work with such partners as Global Affairs Canada and Export Development Canada to reduce the extent to which the country’s SMEs perceive exporting to be a “difficult, expensive and frustrating” activity. [ventureLAB](#) discussed its capital investment program, which receives funding from the National Research Council of Canada’s Industrial Research Assistance Program, and which helps the country’s SMEs to attract investment, create jobs and export to new markets.

In observing that digital literacy is a challenge for Canada’s small firms, and that selling online creates export opportunities for such firms, [PayPal Canada](#) remarked that



establishing digital education partnerships between governments and technology firms could result in “tremendous benefits.”

Regarding partnerships between or among firms, the [Windsor-Essex Regional Chamber of Commerce](#) stated that the Government of Canada should support the country’s SMEs that wish to export to a particular country by referring them to firms that are already doing so. [Canadian Manufacturers & Exporters](#) commented that the 2018 Fall Economic Statement announced support for “mentorship networks,” which “get exporters talking to exporters to actually help them build up their capacity at a local level.” Canadian Manufacturers and Exporters emphasized that mentorships do not have to be managed by the Government and could instead be arranged by trade associations.

According to the [Coalition of Concerned Manufacturers and Businesses of Ontario](#), Canada’s SMEs that have patents need help to connect with “global partners,” and with “large companies that have a footprint” and could sell the patented products internationally on their behalf.

The [Canada China Business Council](#) pointed out that a major challenge for Canada’s SMEs that are trying to enter China’s market is finding a “reliable local partner.” As well, the [Canada China Business Council](#) stressed the importance of foreign trade missions, while the [Toronto Region Board of Trade](#) advocated federal support for trade missions from other countries.

[Startup Canada](#) commented that trade missions comprised entirely of women have resulted in “opportunities for collaboration” that are “more extensive” than those that have occurred during trade missions that involve both women and men. [Futurpreneur Canada](#) thought that the Government of Canada should facilitate “international opportunities for young entrepreneurs,” such as by considering “stand-alone youth-focused” trade missions to priority markets.

With a focus on firms and employees, the [Chambre de commerce de l’Est de Montréal](#) said that, because of labour shortages, some of Canada’s SMEs cannot operate at full capacity, increase their production or export to countries where they do not yet have sales. The [Chambre de commerce et d’industrie de Dolbeau-Mistassini](#) made a similar comment.

The [Forum for International Trade Training](#) advocated changes to the collection, analysis and reporting of workforce data to consider “new occupational areas,” and to inform policies, programs and initiatives that can “strengthen” Canada’s “international trade workforce.” The Forum for International Trade Training believed that the Government of Canada and other governments, as well as “education and professional development



bodies” and firms, should research the “future needs” of the Canadian “international trade workforce.” Moreover, in noting that Canada’s occupational codes do not reflect the “skills required in a global economy,” the Forum for International Trade Training suggested that the occupational profiles of the National Occupation Codes should be revised to include profiles for the country’s “existing and emerging occupations” that relate to international trade.



## THE COMMITTEE'S THOUGHTS AND RECOMMENDATIONS

Canada's SMEs face unique challenges that can affect their ability to trade internationally. In particular, these firms may lack economies of scale, as well as time, trade expertise and other resources. Unless policy makers address these challenges, it is unlikely that these firms will be able to maximize their contributions to the country's international trade and to its economy.

The Committee believes that policies that help Canada's SMEs to be competitive domestically will also enhance their ability to trade internationally. For example, this outcome could result from policies that lead to investments in product development, an expansion in firms' operations, and access to the information and other resources that facilitate exports.

Moreover, a country's trade policy directly affects the ability of its firms, including those that are small or medium in size, to trade internationally. Canada's international trade agreements should provide the country's SMEs with a variety of trade opportunities. In the Committee's view, future trade negotiations should continue to expand market access for Canada, reduce—and, if possible, eliminate—tariff and non-tariff barriers, and reflect the priorities identified by the country's SMEs. Firms that are unaware of Canada's trade agreements may be forgoing opportunities for enhanced trade, and improved awareness might result in an increase in the value of their exports.

Recognizing that Canada's SMEs do not always use the trade-related supports that the Government of Canada's departments, agencies and Crown corporations provide, the Committee feels that these firms' awareness of appropriate resources should be increased. Moreover, the country's SMEs could enhance their international trade if the Government were to ensure that they have access both to financing and to information that helps them to address challenges in such areas as shipping, currency fluctuations, regulatory requirements, customs procedures, and foreign legal systems, cultures and languages.

Finally, the Committee is of the opinion that—to the extent possible—the Government of Canada's departments, agencies and Crown corporations should integrate their support for the international trade activities of the country's SMEs, and should coordinate this support with that provided by provincial/territorial governments. As well, the Government should make greater efforts to create new—and enhance existing—partnerships and collaborations with a variety of entities. The goal of these efforts should be more effective support for the country's SMEs that trade internationally or that wish to do so, including in relation to export-oriented marketing activities. In addition, increasing the number of SMEs that are involved in government-

led trade missions would help these firms to find foreign partners and potentially increase their exports.

In light of the foregoing, the Committee recommends:

#### **Recommendation 1**

**That the Government of Canada take actions designed to enhance further the domestic competitiveness of Canada's small and medium-sized firms. To this end, the Government should:**

- **continue to assess whether there is a need for changes to the country's federal corporate and personal income tax regimes;**
- **consider the extent to which complex regulations and certification requirements that may be limiting the international trade activities of Canada's small and medium-sized enterprises could be simplified and better communicated;**
- **enhance the efficiency of customs processing for goods that are exported from, or imported into, Canada;**
- **ensure that the country's small and medium-sized enterprises are able to access federal support for research, development and innovation;**
- **improve domestic rail, road, port, airport, broadband and cellular infrastructure;**
- **ensure that the design of federal supports meets the needs of small and medium-sized enterprises; and**
- **increase support for small businesses seeking to enhance their e-commerce capabilities for domestic or international purposes.**

#### **Recommendation 2**

**That the Government of Canada, in both negotiating international trade agreements and considering changes to existing agreements, prioritize the removal of non-tariff and regulatory barriers, and make a commitment to substantive, systematic and thorough outreach and consultations with the country's small and medium-sized enterprises. As well, the Government should enhance these enterprises' awareness of Canada's**



**international trade agreements and the opportunities that they provide, and collect data that would assist with these efforts.**

### **Recommendation 3**

**That the Government of Canada develop a strategy to improve awareness, among Canada's small and medium-sized enterprises, of the programs and services that its departments, agencies and Crown corporations provide to help these firms trade internationally. As part of this strategy, the Government should ensure that these supports are promoted and communicated, including through its Innovation Canada website (currently, [innovation.canada.ca](http://innovation.canada.ca)). As well, the Government should intensify its efforts to provide these firms with—or direct them to—financial and informational resources that would support their international trade. Concerning financing, the Government should work with Export Development Canada to reduce approval timelines for financing to ensure that these enterprises do not miss opportunities to secure sales in foreign markets.**

### **Recommendation 4**

**That the Government of Canada, in providing international trade assistance to Canada's small and medium-sized enterprises, take actions to ensure that the supports provided by its departments, agencies and Crown corporations are integrated. Moreover, the Government should coordinate export-oriented marketing activities across federal and provincial governments. As well, the Government should try to establish new—and deepen existing—partnerships with such entities as provincial/territorial and local governments, trade associations, chambers of commerce and providers of trade-related services, including training. Regarding trade missions, the Government should promote enhanced networking opportunities by involving more small and medium-sized enterprises in government-led trade delegations that meet with foreign business and political leaders.**

## APPENDIX A

### LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee's [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Hon. Mary Ng, P.C., M.P., Minister of Small Business and Export Promotion	2018/11/08	129
<b>Department of Foreign Affairs, Trade and Development</b>	2018/11/08	129
Chris Moran, Director General Trade Portfolio Strategy and Coordination		
<b>Department of Industry</b>	2018/11/08	129
Paul Halucha, Senior Assistant Deputy Minister Industry Sector		
Frances McRae, Assistant Deputy Minister Small Business and Marketplace Services		
Paul Thompson, Associate Deputy Minister Office of the Deputy Minister, Innovation, Science and Economic Development Canada		
<b>As an individual</b>	2018/11/20	130
Jack Mintz, President's Fellow School of Public Policy, University of Calgary		
<b>Canadian Association of Moldmakers</b>	2018/11/20	130
Jonathon Azzopardi, Chairman		
Timothy Galbraith, Director		
<b>Canadian Chamber of Commerce</b>	2018/11/20	130
Mark Agnew, Director International Policy		
Susanna Cluff-Clyburne, Senior Director Parliamentary Affairs		

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Canadian Federation of Independent Business</b> Corinne Pohlmann, Senior Vice-President National Affairs and Partnerships	2018/11/20	130
<b>Forum for International Trade Training</b> Caroline Tompkins, President and Chief Executive Officer	2018/11/20	130
<b>Toronto Region Board of Trade</b> Leigh Smout, Executive Director World Trade Centre Toronto	2018/11/20	130
<b>Business Council of Canada</b> Brian Kingston, Vice-President Policy, International and Fiscal Issues	2018/11/22	131
<b>Canada China Business Council</b> Graham Shantz, President	2018/11/22	131
<b>Canadian Manufacturers &amp; Exporters</b> Mathew Wilson, Senior Vice-President Policy and Government Relations	2018/11/22	131
<b>Coalition of Concerned Manufacturers and Businesses of Ontario</b> Jocelyn Bamford, Founder Vice-President of Automatic Coating Limited	2018/11/22	131
<b>Saskatchewan Trade and Export Partnership</b> Chris Dekker, President and Chief Executive Officer	2018/11/22	131
<b>Cape Breton Partnership</b> Carla Arsenault, President and Chief Executive Officer	2018/11/27	132
<b>Communitech</b> Avvey Peters, Chief Strategy Officer	2018/11/27	132
<b>Fédération des chambres de commerce du Québec</b> Philippe Noël, Director Strategy and Economic Affairs	2018/11/27	132
<b>Northern Cables Inc.</b> Shelley Bacon, Chief Executive Officer Todd Stafford, President	2018/11/27	132

<b>Organizations and Individuals</b>	<b>Date</b>	<b>Meeting</b>
<b>Chambre de commerce et d'industrie de Dolbeau-Mistassini</b> Audrey Jobin, Chief Executive Officer	2019/02/19	138
<b>Futurpreneur Canada</b> Karen Greve Young, Chief Executive Officer	2019/02/19	138
<b>Startup Canada</b> Richard Rémillard, Interim Chief Executive Officer	2019/02/19	138
<b>Windsor-Essex Regional Chamber of Commerce</b> Rakesh Naidu, President and Chief Executive Officer	2019/02/19	138
<b>Chambre de commerce de l'Est de Montréal</b> Christine Fréchette, President and Chief Executive Officer Raphaëlle Mandelbaum, Director Export Assistance	2019/02/26	139
<b>Iafrate Machine Works Ltd.</b> Gary Stepien, Finance Manager	2019/02/26	139
<b>Manna International Inc.</b> Gerald Fowler, President and Owner	2019/02/26	139
<b>Chamber of Commerce of Metropolitan Montreal</b> Guy Jobin, Vice-President Business Services	2019/02/28	140
<b>ventureLAB</b> Melissa Chee, President and Chief Executive Officer	2019/02/28	140
<b>Women's Enterprise Organizations of Canada</b> Sandra H. Altner, Chair	2019/02/28	140





## APPENDIX B

### LIST OF BRIEFS

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The following is an alphabetical list of organizations and individuals who submitted briefs to the Committee related to this report. For more information, please consult the Committee's [webpage for this study](#).

**Calgary Chamber of Commerce**

**Edmonton International Airport**

**Forum for International Trade Training**

**Iafrate Machine Works Ltd.**

**PayPal Canada**

**Tepperman, Andrew**

**Treleaven Consulting Group Ltd.**

**Wallace, David**

**Watson, Carrie**

**Windsor-Essex Regional Chamber of Commerce**

**Wionzek, Annette**

**XPM Global Consultants Ltd**



## 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* ([Meetings Nos. 129 to 132, 138 to 140 and 146 to 148](#)) is tabled.

Respectfully submitted,

Hon. Mark Eyking, P.C., M.P.  
Chair



## **Supplementary Report New Democratic Party of Canada**

The New Democratic Party (NDP) appreciates the efforts of the Standing Committee on International Trade (Committee), staff, analysts, and witnesses who participated in the study of the ways in which the Government of Canada can help Canada's small and medium-sized firms to pursue international trade opportunities.

The NDP supports small and medium-sized enterprises (SMEs) and recognizes their importance in our communities. They provide 90% of jobs in the private sector, contribute more than 50% of Canada's Gross Domestic Product, and they have created over 95% of the new jobs in Canada over the last decade. SMEs are the leaders of human-resource innovation and often emulated by larger employers. A countless number of Canadians employed by SMEs receive traditional benefits that compare with those of bigger companies and organizations—support for long-term savings, career development, flexible health plans, and parental leave. Moreover, SMEs are invested in community-building. Three-quarters of small firms make financial donations to charities or other non-profit activities and about the same proportion donate goods and services. About 60% sponsor local sports teams, and half promote local charities and donate their own time.

While SMEs are thriving within Canada, we know that they have not reached their full potential due to their inability to access foreign markets and negotiated trade agreements. Throughout this study, the committee however heard from witnesses that that these firms are more “sensitive” to trade barriers than are their larger counterparts and it was noted that regulatory standards pose difficulty or “[l]ack ... transparency”, they differ across countries, and SMEs face “costly” certification procedures and “cumbersome” customs processes when trying to establish lines of trade. It was often noted that SMEs have difficulties accessing financing, information, skills and technology, which reduces their international competitiveness.

One of the key overriding messages however that New Democrats felt important to highlight, is that overall, past trade deals have not benefitted Canada's SMEs. This was clearly stated by Jocelyn Bamford, the Vice-President of Automatic Coating Limited and Founder of Coalition of Concerned Manufactures and Businesses of Ontario, when she said, “You can negotiate all the trade deals you like, but if we're not competitive, we're not going to be able to compete with those trade deals, and it will just be a vehicle for other countries dumping their product into ours”.

Matthew Wilson, the Senior Vice-President, Policy and Government Relations for the Canadian Manufacturers and Exporters expanded on this when he said, “Canada's export performance has been near the bottom in the world. Average annual export growth has been about 2.5%. However, once you remove crude oil exports, Canada's export performance has been at or below inflation for almost 20 straight years. Meanwhile, global trade has expanded at a rate of over 6% a year. Our closest competitors are expanding much closer to global averages. U.S. export growth has been 4% annually and Germany is nearly at 6%. Since 2000, actually only

Japan has had a worse export performance across the G7. This is despite signing FTAs with most major markets around the world. Clearly we need a different approach besides just signing free trade agreements.”

New Democrats believe that the Government of Canada must strengthen its exports foundation and focus on building and improving our existing infrastructure domestically, while taking advantage of already existing free trade agreements. We believe that the current government is in an extraordinary rush to sign as many trade agreements as possible, without having comprehensively analyzed the national cost-benefit, without studying the overall impact on women, indigenous people, our environment or on working people. It is clear that the government has not adequately funded the systems that could support SMEs in their desire to expand globally and they have not focussed on what will truly benefit smaller groups/companies in Canada. Instead, free trade agreements are negotiated solely to benefit the traditional multi-national corporations who already profit a great deal from trade agreements.

Many witnesses pointed to the already existing trade commissioners, CanExport, Export Development Canada (EDC) and many regional export organizations throughout Canada that could be bolstered to help SMEs expand their exporting practices. Mr. Wilson was smart to note that, “we must scale up SMEs by developing stronger support programs to encourage domestic investment and expand international growth opportunities”.

New Democrats believe we must fill the resource gap for SMEs. This means additional funding for the expansion of the trade commissioner service, and the CanExport program; in addition, the creation of a mentorship program, and supports for companies to train staff on how to access these resources and deal with international trade agreements and international partners. This need was also emphasized by Caroline Tompkins, President and Chief Executive Officer of the Forum for International Trade Training (FITT) when she stated, “[f]rom 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”.

A perfect example of a group working for its SME-type members to expand their trading relationships globally is the Canadian Association of Moldmakers. In their testimony to the committee, witnesses Jonathan Azzopardi and Timothy Galbraith explained how the government can promote their members and their industry through product innovation and capital expenditure cost recovery programs. They, and other witnesses, including Rakesh Naidu, the President and Chief Executive Officer for the Windsor-Essex Regional Chamber of Commerce, emphasized a need for the government to help SMEs grow through funding scientific research and experimental development and said that Canadian products are some of the best in the world, but in order to be leaders and innovators, “we need government

support”. Mr. Azzopardi also stated, “[a]ccelerated 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”.

Both Mr. Azzopardi and Mr. Naidu also spoke of the limitations of the government’s Strategic Innovation Fund program stating that most SMEs are simply too small to take advantage of this government program.

In conclusion, the NDP believes the supports of Canadian small and medium-sized enterprises are of great significance. In fact, that was the reason, in 2015 the NDP put forward a motion at the Standing Committee for International Trade (CIIT) requesting a study of this exact subject. In 2015 the CIIT reported to the House of Commons on “Connecting Canadians Companies to International Markets: The Global Markets Action Plan and Small and Medium-Sized Enterprises.”

The NDP must express our disappointment that this very similar study and report was at the Standing Committee on International Trade only four years ago and despite the excellent work done on this report, the time and effort put in by witnesses and the government funds allocated to this study, the current government failed to either read the report or act upon any of the recommendations. While this is a consistent position for the current government - to re-study issues they already have studied in previous Parliaments - it does very little to actually provide the help and solutions needed by Canadian SMEs. The NDP would therefore like to re-submit the study from 2015 to our supplementary report. The link to this study can be found here:

<https://www.ourcommons.ca/Committees/en/CIIT/StudyActivity?studyActivityId=8326593>.

### NDP Recommendations

1. That prior to the conclusion or signing of any future trade agreements, the Government of Canada commission an independent study of the agreement's expected costs and benefits, a jobs assessment, ensure that gender-based analysis is applied and that a gender impact assessment is undertaken.
2. That the Government of Canada prioritize SMEs when negotiating free trade agreements.
3. That the Government of Canada address the resource gap for SMEs additional funding for the expansion of the trade commissioner service, and the CanExport program; in addition, the creation of a mentorship program, and supports for companies to train staff on how to access these resources and deal with international trade agreements and international partners.
4. That the Government of Canada provide support companies that deal with accelerated depreciation with funding for research and development.