

2018 EDC Industry Stakeholder Panel

Export Development Canada's (EDC) Industry Stakeholder Panel (the Panel) gathers once a year to discuss current issues and trends in Canadian trade and investment and to provide input on how EDC can improve its services. In 2018, 17 organizations participated in the EDC Industry Stakeholder Panel, largely from industry associations representing a variety of sectors, including transportation, resources, manufacturing, IT, and other services. A full list of participants can be found in the Appendix. This summary of proceedings reflects the discussions from the 2018 panel meeting, held on May 14 and 15, 2018 in Ottawa.

HIGHLIGHTS FROM THE EVENING RECEPTION

During an evening reception on May 14, Mr. Benoit Daignault, President and CEO of EDC, welcomed participants and noted that much has changed since EDC began convening an annual stakeholder panel ten years ago. At that time, growth was slow and the strength of global financial systems was a preoccupation for participants. Now, the global context is one of synchronized economic growth and strong financial systems. However, he noted that there is an increased trend towards protectionism and negative headlines on trade, both on NAFTA and more broadly.

EDC is among the most innovative institution of its kind in the world. EDC now works both upstream and downstream, ensuring both that new export opportunities are created and that subsequent efforts are supported. Efforts to maximize its mandate include EDC's new knowledge business which enables EDC to "meet companies where they are at." EDC also emphasizes the need to leverage partnerships, both with core groups like banks (through, for example, new initiatives such as small guarantees for small companies), the Business Development Bank of Canada (BDC) (e.g. single buyer coverage) and its support for clean technology. EDC also continues to transform risk management practices, and currently maintains only one percent (1%) annual average losses. EDC now has 20 offices around the world including a new full branch office in Singapore. Its delivery model emphasizes superb relationships and partnerships. The Panel represents an excellent example of this approach as well as a key forum for annual engagement, in addition to continual engagement throughout the year.

In 2018, EDC's mandate is up for legislative review. Moving forward, EDC will continue to innovate and support companies, with the goal of doing more for Canadians and ensuring that Canadian companies maintain and grow their share of global trade.

INDUSTRY STAKEHOLDER PANEL MEETING

The Industry Stakeholder Panel Meeting, held on May 15 at EDC, was focused on two main discussions: matters related to the North American Free Trade Agreement (NAFTA) and a roundtable to provide Panel participants with an opportunity to highlight the perspectives of their members on broader issues relating to EDC's mandate.

Federal Government remarks

Chris Moran, Director General of Trade and Portfolio Strategy at Global Affairs Canada delivered opening remarks. She highlighted the value of the trade commissioner service, referencing a new study that found that companies that work with trade commissioners export to 20 to 25 percent more markets than those who do not. Ms.

Moran spoke about the Comprehensive Economic and Trade Agreement (CETA) and acknowledged that this agreement creates new systems that Canadian companies must learn to navigate. She noted that the Government of Canada is working with provincial and territorial governments, local chambers of commerce, EDC and others to offer outreach, promotion, and capacity building programs related to CETA and to share information and serve Canadian businesses in a seamless, structured, and collaborative way.

Global Economic Outlook

Peter Hall, EDC's Vice President and Chief Economist, shared his insights on global economic trends. His overarching messages were that there has been strong growth in both developed and emerging markets globally, and that opportunities in key markets are expected to persist.

Some key insights from Mr. Hall's presentation included:

- *Strong growth globally*, across developed and emerging markets (based on a survey of purchasing managers asked monthly about their outlook over the coming 6 months)
- *US labour force participation is increasing*, with unemployment down overall and greater participation by millennials in the past two years (2016 to 2018)
- *US business investment returning to normal* after five to seven years of over-investment (based on observed changes in capacity utilization)
- *Pent-up demand expected to spur growth*, as increased employment brings disposable income to segments of the population that have not been able to consume as much as they wanted since the 2008 recession (this is expected to be particularly notable in the housing market)
- *Emerging markets present opportunities for Canadian exporters*, particularly as growing middle class in China and India bolster consumer demand and increase pressures for government reforms
- *Chinese demand is expected to surpass United States*, ultimately becoming Canada's primary export market in 7 to 23 years, depending on the sector

Open Discussion – Free Trade Agreements and NAFTA

In light of the current NAFTA renegotiations, the first part of the meeting was dedicated to an open discussion on free trade agreements generally and NAFTA in particular. Panel participants were asked to share how their industries are leveraging the new agreements, whether companies are making strategic changes in their planning based on uncertainties around NAFTA, what companies' concerns are around NAFTA, and how EDC can help.

Key highlights from the discussion include:

- *Continued uncertainty associated with NAFTA* is already impacting Canadian businesses, as decision-making power is shifting elsewhere. Overall, the general sense of the group is that while short term uncertainty is manageable, protracted uncertainty will negatively affect Canadian businesses.
- *Awareness and understanding of other trade agreements* (particularly the Comprehensive Economic and Trade Agreement, CETA) is low among many organizations' member companies, though there is interest in expanding into those markets.
- *Competitiveness concerns due to broader policy landscape* in Canada and abroad, as major changes in the tax and regulatory environment in the United States have created a very attractive investment climate there, in contrast to Canada's carbon taxes, federal tax changes, labour costs (including CPP and EI), and land and energy costs. While EDC does not have a policy mandate in this regard, it could play a role in highlighting the need for Canadian competitiveness.

Other comments addressed non-tariff barriers to trade, investments in infrastructure, disconnect between government messaging and industry perception, domestic (inter-provincial) trade barriers, additional challenges for small and medium enterprises and women-led businesses, the importance of imports, and the value of communications to share information about trade and exports to enable and support Canadian exporters.

Roundtable – Views from each Association

Panel participants were invited to briefly share their perspectives, focusing on two to three tangible issues that are top of mind for their members, as well as any highlights from the earlier NAFTA/FTA discussion, and any final thoughts on how EDC can support their association members.

Highlights of the discussion include:

- Reinforcing concerns about competitiveness of Canadian businesses internationally, as noted during the NAFTA discussion, and expressing frustration at a perceived lack of urgency from government to address policies that affect competitiveness and attractiveness to foreign investment
- Calling for greater alignment of policies across all three levels of government and specifically noting the need to look at policies, trade agreements, and tax credits as part of a larger ecosystem that supports or hinders trade
- Urging the government to ensure coherent policies that holistically address the entire supply chain, including imports and exports, and encouraging EDC to use its role to influence that coordination
- Suggesting EDC work closely with other agencies, including Global Affairs Canada (GAC) and the Canadian Border Services Agency (CBSA) to help ensure that the right information and messages are reaching all target audiences
- Increasing support for SMEs
- Identifying labour shortages and a need for training and education programs
- Commenting on the regulatory burden faced by companies
- Suggesting that past approaches of sectoral advisory groups on international trade be revived to inform negotiations around free trade agreements
- Noting that stagnating commodity prices have depressed investment in the mining sector
- Commending EDC on its matchmaking process and expressing appreciation for EDC's information dissemination initiatives, which both have clear benefits for member companies
- Suggesting EDC consider coaching companies one on one, especially for SMEs, which need more help
- Highlighting the importance of NAFTA for women-owned businesses, which often build and grow in the US before entering the Canadian market
- Observing that governments in other countries have been faster to ratify trade agreements, which gives companies in those countries an advantage, and encouraging Canada to move faster in this regard
- Identifying cyber security as a key threat to Canadian businesses and urging Canada to do more to address this risk
- Urging the new office of the Ombudsperson on Responsible Enterprise to focus on establishing responsible Canadian enterprise as a competitive advantage and to be careful not to penalize Canadian companies
- Pointing out the need for investment in infrastructure to help get Canadian products to markets

Summary

Key themes from the day's discussion centered around:

- *Concerns about competitiveness of Canadian companies:* Canadian policies and regulations, Indigenous relationships, and high cost of energy, labour, and land contribute to making Canada less attractive to businesses – particularly in contrast to the United States, where recent tax reform has created an environment that is very attractive to businesses. Companies urge the Government of Canada take action to align with its public statements of support for Canadian exporters.
- *Importance of NAFTA:* While the United States is Canada's largest trading partner, NAFTA is a critical instrument for many Canadian exporters. Canadian companies are keen to see this agreement finalized; while the negotiations are underway, uncertainty is leading to decision migration and a dampening of investment in Canadian operations.
- *Opportunities in other markets:* The TPP and CETA enable Canadian exporters to expand into Asian and European markets, but awareness and understanding of these agreements remains low within many of the organizations represented at the Panel. EDC's information dissemination programs can help Canadian businesses identify and capitalize on these opportunities.
- *Value of communications from EDC:* Briefings, webinars, etc. from EDC are a key source of information to help Canadian companies understand and capitalize on opportunities within trade agreements. Panel participants urged EDC to continue these efforts, to specifically target SMEs and women-led businesses, and to continue face to face offerings, in addition to its web-based offerings.

As a closing exercise, Lisa Kimmel, moderator for the day, asked participants what specific actions they would implement based on the day's discussions. Responses included:

- Inviting Peter Hall, EDC's Chief Economist, to present to member organizations (CAMESE)
- Communicating to members about EDC's offerings (e.g. webinars) (CFIB)
- Working with trade commissioners (ITAC)

Closing

In his closing remarks, Mr. Daignault thanked everyone for their participation and emphasized that his priority is ensuring that EDC remains relevant to its community of stakeholders. He noted that recent years had seen a trend of stable or falling membership, but that that has turned around and he is heartened to see that companies perceive value in what EDC offers. He expressed appreciation for the feedback shared throughout the Panel and communicated his intent to think about this feedback on Canada's engagement in the global marketplace. He reiterated comments from others throughout the day regarding the need to control steps within the supply chain so that products are made *by* Canada, not just *in* Canada. He commented that the future of Canada's industry is based on our ability to invest, not just trade, and encouraged a proactive approach to capital investment and acquisitions, noting a need for a vision in that regard.

APPENDIX: LIST OF EDC INDUSTRY STAKEHOLDER PANEL PARTICIPANTS

John Gamble

President and CEO
Association of Consulting Engineering Companies
(ACEC)

Vincent Guglielmo

Vice President
Automotive Parts Manufacturers Association
(APMA)

Claire Citeau

Executive Director
Canadian Agri-Food Trade Alliance (CAFTA)

Nicolas Todd

Vice President, Policy, Communications and
Government Relations
Canadian Association of Defence and Security
Industries (CADSI)

Bob Kirke

Executive Director
Canadian Apparel Federation (CAF)

Ryan McEachern

Managing Director
Mining Suppliers Trade Association (Canada)
*[formerly Canadian Association of Mining
Equipment and Services for Export (CAMESE)]*

Francesca Iacurto

Senior Advisor, Government Relations
Canadian Association of Petroleum Producers
(CAPP)

Neil Parmenter

President and CEO
Canadian Bankers Association (CBA)

Mary Van Buren

President
Canadian Construction Association (CCA)

Perrin Beatty

President and CEO
Canadian Chamber of Commerce (CCC)

Corinne Pohlmann

Senior Vice President, National Affairs
Canadian Federation of Independent Business
(CFIB)

Dennis Darby

President
Canadian Manufacturers and Exporters (CME)

Joy Nott

President
Canadian Association of Importers and Exporters
(IE Canada)

Andre Leduc

Vice-President, Government Relations & Policy
Information Technologies Association of Canada
(ITAC)

Ben Chalmers

Vice President, Communications and Policy
Mining Association of Canada (MAC)

Denis Leclerc

Chair and President and CEO of Écotech Québec
Canada Cleantech Alliance

Silvia Pencak

President
Women Business Enterprises (WBE) Canada

Government of Canada Participants:

Chris Moran

Director General, Trade Portfolio Strategy and
Coordination
Global Affairs Canada (GAC)

EDC Participants:

Benoit Daignault, President and CEO

Bruce Dunlop, Vice-President, Risk
Management and Acting Chief Risk Officer

Catherine Decarie, Senior Vice-President,
Corporate Affairs

Peter Hall, Vice President and Chief Economist

Regrets from:

- Dr. Iain Christie, Aerospace Industry
Association of Canada
- Derek Nighbour, Forest Products
Association of Canada