

EXECUTIVE SUMMARY

16TH ANNUAL INDUSTRY STAKEHOLDER PANEL

Date: May 14, 2021



Executive Summary - 2021 EDC Industry Stakeholder Panel

Every year, the Export Development Canada (EDC) Industry Stakeholder Panel meets to discuss trade-related matters and advise EDC on how to help companies seize opportunities, diversify their markets and expand Canada's international footprint. Panel members are drawn from national industry associations representing companies of all sizes across a variety of sectors. In May 2021, the panel engaged in a pair of 90-minute discussions on Canadian industries' approach to growth as global markets emerge from the COVID-19 pandemic—and on the barriers preventing them from trade success.

Opening Remarks

EDC President and CEO **Mairead Lavery** opened both panel sessions with identical remarks, noting many companies continue to struggle with reduced customer demand and concerns for employee safety—and that those planning to export face additional challenges of labour shortages, finite government programs, low awareness of free trade agreements (FTAs), environmental, social and governance (ESG) requirements, border closures and consolidation.

Yet more than half (56%) of Canadian businesses improved their online presences and sales capabilities during the pandemic, and more than one in four have pivoted their operations to capture new opportunities. Many have also diversified their supply chains to be resilient to future shocks. Ms. Lavery concluded that the global economic outlook has led EDC Economics to revise its own forecasts in a positive way, even though Canada is not yet out of the woods.

Summary: Canada's Uneven Recovery

Participants in both sessions commented on the uneven nature of Canada's economic recovery. They supported market diversification in theory but said long-term recovery depends on the United States. Some participants had concerns about expanding to Asia (in particular, China) preferring the U.S. and E.U. Many said they appreciated EDC's Business Credit Availability Program (BCAP) Guarantee and other federal government pandemic relief programs.

The two groups of 10 participants each were asked two identical questions:

1. How are your members approaching economic recovery and international business opportunities in the current climate?
2. What are the barriers preventing trade success for your members?

Their responses to the first question ranged from “optimistic or cautiously optimistic” to “flat/mixed” to “continuing to struggle.”

Optimistic or Cautiously Optimistic: Half the industries represented expressed either cautious or unqualified optimism, as did the Business Council of Canada and the Canadian Chamber of Commerce. They said the government's designation of mining, proteins and agri-foods kept borders open, protected supply chains and prevented shortages. Canada's housing boom and a recovering global market for oil and gas kept up demand for new construction and for forest and petroleum products, and growing global demand for biotech and clean tech products put two of Canada's newer sectors in positions to expand. Indigenous businesses said they also see increased potential through new funds for entrepreneurs and a recent export-focused event in Vancouver.

Flat/Mixed Outlook: Disrupted supply chains, labour shortages, shifting consumer trends and the diversity of their members' businesses led to a flat or mixed outlook in IT, manufacturing, retail and companies led by women. Some companies have benefitted from “essential” designations, increased demand and improved online sales; others have struggled with on-and-off again restrictions and heavy reliance on federal pandemic support programs. Many see exporting a route to recovery but expressed concern about cancelled contracts, access to capital and protectionism.

Continuing to Struggle: The slowdown in consumer spending has had disastrous results for Canada’s independent businesses (e.g., apparel, restaurants, theatres and hospitality) and their suppliers. The sector has seen thousands of bankruptcies and expects more before Canada returns to pre-pandemic conditions. The near-complete shutdown of passenger air travel has put Canada’s aerospace industry in a similar position, with only activity on its military side to keep it going. Canada’s automotive parts manufacturing sector continues to struggle with shutdowns and a shortage of microchips.

Summary: Barriers to Trade

Participants in both groups identified many cross-cutting challenges to trade and diversification that Canada needs to address:

Ongoing supply chain concerns: There is worry about signals to “Buy American,” with stories of personnel and shipments getting inconsistent treatment at the border. Near-shoring, a global shortage of shipping containers and a supply bottleneck in Asia are also concerning to participants.

Lack of national ambition and focus: Canada should pursue high-growth opportunities in industries where it can win. Federal support programs need to increase Canadian competitiveness overall.

Geopolitics: Canada needs to be more pragmatic about the geopolitical nature of international trade and more aware of the risks exporting companies can encounter. Companies in defence or that export controlled products get mixed messages from the federal government about selling to countries such as Saudi Arabia and Turkey.

Mixed regulatory signals: Canada’s inconsistent approach to free trade with other countries and inside its own borders has led to cancelled projects and discourages foreign investment. Canadian businesses themselves say they need to take better advantage on the many FTAs already in place.

Maxed-out infrastructure: Under-investment in Canada’s ports discourages foreign investment, hampers Canada’s competitiveness and slows diversification. Canadian companies will be reluctant to export to the E.U. or Asia if our ports cannot handle exporting to the U.S., which they view as the simplest option. The lack of clarity about timelines for Canada’s 5G rollout and its rural broadband strategy are ongoing sore spots.

Travel restrictions: In-person meetings are critical to building trust during complex sales. There is ongoing frustration with the lack of information from the federal government about its plan to reopen the border with the U.S.

Human capital shortages: Canada needs to make itself more attractive to talent that is now more mobile than ever. Nearly all industries expressed concerns about labour shortages.

Weak public support for Canadian business: Canadian companies continually need to remind public officials and the broader Canadian public of their contributions to the Canadian economy.

Influence of ESG: An ESG strategy is the price of entry to international trade, with companies feeling pressure to increase their communications strategies regarding emissions, diversity, relations with Indigenous peoples and green finance. This is a new area of concern for SMEs.

Recommendations for EDC

Participants across the two sessions suggested EDC consider the following recommendations:

Promote and protect trade infrastructure: EDC should review FTAs to identify where benefits can be maximized and where implementation work remains. EDC can also continue to uphold the global rules-based trading system, which

protects Canadian companies when exporters in other countries change commitments without notice. A continued focus on diversification and open borders—including with Mexico—can help protect the integrity and functioning of the North American supply chain.

Increase business capacity: EDC can help SMEs alleviate the burden on large enterprises in addressing pent-up consumer demand by helping them scale up. Indigenous-owned companies have ongoing difficulties accessing capital to develop the natural resources they control.

Improve communication and collaboration: Better relationships with Canada's Trade Commissioner Service can prevent minor trade issues from becoming major problems and protect Canadian exporters in countries where our reputation is being undermined. EDC can also help reduce disruption on exporters by helping Canada Border Services Agency understand the impact of the changes it requests to technical specifications and help companies prepare for upcoming trade missions by letting them know which sectors the federal government will prioritize.

Additional recommendations

- EDC should expect a surge in applications for accounts receivable insurance and other supports as the U.S. economy recovers.
- EDC can help SMEs overcome their hesitancy to diversify with thought leadership, success stories and educational information regarding taxation, legal issues and data privacy in new and/or unfamiliar markets.
- EDC can make Canadian companies more attractive to investors by helping them address concerns about their emissions intensity, relations with Indigenous peoples, green finance and disclosure.
- EDC can encourage SMEs to diversify by helping Canada's large enterprises succeed abroad as well

Closing Comments

Mairead Lavery thanked all participants for their honesty and the depth of their answers, noting both the scope of the challenges that remain and the size of the opportunities that are emerging. She repeated their concern that protectionism and the integrity of the North American supply chain were major concerns for all industries, and acknowledged the balance that EDC must strike between supporting large enterprises and SMEs, and appreciated the view that Canada needs to be more focused and ambitious in its overall business posture. She also noted that although a country cannot change its trade posture in just one year, EDC's new 10-year strategy contains elements that will help Canadian exporters become more focused.

Her key takeaways for the EDC Board of Directors were as follows:

- Diversification is still important over the long term even as Canada focuses on recovery in the next two years.
- Canada needs to continue to diversify but it's difficult to get companies to go down that path.
- Canadian companies need to think about Asia but the U.S. market still exerts an immense pull.
- EDC has always supported big companies, but is also hearing it needs to move the needle for SMEs as well.
- Canada needs a trade-related infrastructure. A piece-by-piece approach won't work.
- An integrated supply chain shouldn't just help just one sector. It needs to help Canada overall.
- Canada needs to continue to get the ESG message out.

Attendees

Industry Stakeholder Panel Members	
<p>Mark Agnew Vice-President Policy and International Canadian Chamber of Commerce</p>	<p>Ben Brunnen Vice-President, Oil Sands and Fiscal Policy Canadian Association of Petroleum Producers</p>
<p>Andrew Casey President and CEO BIOTECanada</p>	<p>Ben Chalmers Senior Vice-President Mining Association of Canada</p>
<p>Claire Citeau Executive Director Canadian Agri-Food Trade Alliance</p>	<p>Dennis Darby President and CEO Canadian Manufacturers and Exporters</p>
<p>Stephanie Fontaine Canada Country Director WEConnect International</p>	<p>Nevin French Vice-President, Policy TECHNATION</p>
<p>Bill Greuel CEO Protein Industries Canada</p>	<p>Goldy Hyder President and CEO Business Council of Canada</p>
<p>Dan Kelly President, CEO and Chair Canadian Federation of Independent Business</p>	<p>Bob Kirke Executive Director Canadian Apparel Federation</p>
<p>Denis Leclerc Chairman CanadaCleanTech Alliance President and CEO, Écotech Québec</p>	<p>Karl Littler Senior Vice-President, Public Affairs Retail Council of Canada</p>
<p>Ryan McEachern Managing Director Mining Suppliers Trade Association</p>	<p>Paul-Emile McNab Director, Business Development and Strategic Initiatives Canadian Council for Aboriginal Business</p>
<p>Mike Mueller President and CEO (Interim) Aerospace Industries Association of Canada</p>	<p>Derek Nighbor President and CEO Forest Products Association of Canada</p>

<p>Darrell Schuurman</p> <p>Co-Founder and CEO</p> <p>Canadian Gay and Lesbian Chamber of Commerce</p>	<p>Mary Van Buren</p> <p>President</p> <p>Canadian Construction Association</p>
<p>Flavio Volpe</p> <p>President</p> <p>Automotive Parts Manufacturers' Association</p>	

Export Development Canada Representatives	
<p>David Bhamjee</p> <p>Vice-President of Public Affairs and Corporate Secretary</p>	<p>Carl Burlock</p> <p>Executive Vice-President and Chief Business Officer</p>
<p>Mairead Lavery</p> <p>President and CEO</p>	<p>Todd Winterhalt</p> <p>Senior Vice-President, Communications and Chief Strategy Officer</p>
Government of Canada Representatives	
<p>Frances McRae</p> <p>Assistant Deputy Minister, Small Business and Marketplace Services</p> <p>Innovation, Science and Economic Development Canada</p>	<p>Samuel Millar</p> <p>Director General, Corporate Finance, Natural Resources and Environment</p> <p>Department of Finance Canada</p>
<p>Chris Moran</p> <p>Director General, Trade and Portfolio Strategy and Coordination</p> <p>Global Affairs Canada</p>	