

EXECUTIVE SUMMARY

2017 EDC Industry Stakeholder Panel

Introduction

Export Development Canada's (EDC) Industry Stakeholder Panel is a group of industry leaders representing companies of all sizes from a variety of sectors, including transportation, resources, manufacturing, IT, and other services. The panel gathers once a year to share insights on Canadian trade and investment and to provide input on how EDC can continuously support Canadian companies doing international business. Two new participants joined the Panel for the first time this year, Women Business Enterprises (WBE) Canada and the Canadian Bankers Association (CBA). This executive summary provides a brief account of the meeting held in Ottawa on May 15 and 16, 2017.

Highlights from the Evening Reception

During the evening reception on May 15, 2017, David Lametti, Parliamentary Secretary to the Minister of Innovation, Science and Economic Development (ISED) provided an overview of the government's progressive trade agenda. He pointed to the nature and importance of trade and investment as twin engines of economic growth for Canada. Some of the areas highlighted included: establishing Canada's new Development Finance Initiative (an EDC subsidiary that will deliver flexible and innovative solutions to commercial investments, including small and medium-sized enterprises in low and middle income countries); pursuing the 2017 budget goal of increasing goods and services exports by 30 percent by 2025; and continuing to move forward with strategic trade agreements such as the Comprehensive Economic and Trade Agreement (CETA) with Europe. Mr. Lametti also mentioned that the government is consulting with Canadians on a possible Canada-China free trade agreement and working with the MERCOSUR countries of South America to reassess the potential for a free trade agreement. Other updates included: the creation of the Free Trade Agreement Business Promotion Task Force last year, the opening of new EDC offices in London, Jakarta and Singapore; the work on finalizing a new trade and investment strategy and plans for implementing the Invest in Canada Hub by the end of this year. Mr. Lametti noted the importance of working together to show that trade can and does benefit everyone, and to ensure that the prosperity generated by the global trading system is sustainable, inclusive and widely shared.

Participants appreciated Mr. Lametti's update on the government's efforts. The discussion touched on topics such as the importance of embedding the 'whole-of-government' approach to increase Canada's export competitiveness; leveraging Canada's competitive advantage to increase exports in innovative and clean products due to our long-standing expertise in developing natural resources; and concerns about intellectual property (IP) when dealing with some foreign markets.

Opening of the Industry Stakeholder Panel

The meeting on May 16 at EDC's Head Office was facilitated by Hershell Ezrin, Distinguished Visiting Professor at Ryerson University, and included a roundtable with panel participants and a presentation from EDC, along with a special discussion on Canada-U.S. Trade.

The Industry Stakeholder Panel provides important context to help inform EDC's strategy and programs. EDC's President and CEO, Benoit Daignault, summarized EDC's key takeaways from the previous meeting and shared what actions and initiatives have been partly shaped by the insights gathered from the group. These initiatives included the creation of EDC's new Global Trade group, in response to interest in improved business matchmaking services, as well as the redefinition of how EDC views its customers to better include sectors focused on the exports of services. EDC research has focused on the broadening of the addressable market of exporters and potential exporters from 30,000 - 40,000 to around 120,000 Canadian companies when services companies are factored in, as well as those that export indirectly.

Government of Canada participants, Ailish Campbell, Assistant Deputy Minister and Chief Trade Commissioner, Global Affairs Canada (GAC) and Paul Halucha, Assistant Deputy Minister at Innovation, Science and Economic Development (ISED) provided opening remarks. They highlighted the ongoing importance of Canada-U.S. relations, including the strong goodwill towards Canada in the U.S. and the government's ongoing advocacy for Canadian industries in the U.S. They also touched on the increasing international appetite for engaging with Canadian businesses; improving the public sector's digital presence; and the finalization of design for the soon to be launched Strategic Innovation Fund to support high-growth sectors as part of the Government's Innovation and Skills Plan.

Open Discussion – Canada-U.S. Trade

In light of the United States' changing stance on trade and upcoming discussions on NAFTA, the first part of the meeting was dedicated to an open discussion on Canada-U.S. trade. Panel participants were asked to share how their industries were responding to the uncertainty around Canada-U.S. trade relations, how EDC might further help exporters, and whether there is an increasing interest among Canadian companies to diversify and leverage other free trade agreements.

Highlights:

- *Concern over NAFTA renegotiation, but recognition that a 2.0 version is needed:* Many welcomed the upcoming NAFTA renegotiations and thought Canada might benefit from a modernized agreement, especially in the areas of IP and digital commerce, among others. The uncertainty associated with the future of NAFTA, however, is still a source of concern to many sectors. The general tone was cautiously optimistic and industries are trying to remain calm considering the renegotiation process may take a few years.
- *Alignment of Canadian and American interests:* Participants pointed out that Canada-U.S. supply chains are highly integrated and difficult to disassemble. In many areas, both countries have similar interests and since bilateral trade creates jobs on both sides of the border, U.S. players may advocate for Canadian interests when the time is right.
- *Competitiveness concerns as the U.S. focuses on 'buy American':* Irrespective of the current political instability in the U.S., there is an urgent need to think about Canada's competitiveness amidst the reality of a growing U.S. sentiment of supporting American businesses first, and the likelihood of increased import taxes. There is concern that U.S. businesses are becoming less willing to do business with non-U.S. firms. Participants also raised concerns related to a potential tax reform, increased border restrictions and uncertainty related to deregulation and lack of standards.
- *Diversification and access to international markets is more important than ever:* Participants highlighted that access to international markets is critical for Canadian companies to succeed during this challenging time with Canada's number one trading partner. Aside from free trade agreements, Canada needs smart tools, strategies (especially for SMEs) and a national brand strategy – now more than ever. Some key markets mentioned included China, France and Brazil.

- *Leverage Canada's advantage as a resource-rich nation:* The U.S. has a deficit in bulk and intermediate products to Canada, particularly in the agri-food sector. How can this dependence on certain Canadian goods be leveraged in our trade negotiations?
- *CETA needs its due attention:* CETA is an exciting new opportunity to enter European markets. However, with all the focus on NAFTA and Canada-U.S. relations, CETA is underexploited and not getting enough traction and uptake from Canadian companies even though it has substantial undiscovered advantages for Canada. The government has a role to play in getting the message out. Making CETA more accessible includes simplifying the official trade agreement document, highlighting relevant information on government websites and conducting outreach to companies.

Global Economic Outlook: Peter Hall, Vice President and Chief Economist, EDC

Peter Hall shared his insights on global economic trends with a presentation, entitled “Globalization: At the Brink?” Mr. Hall’s noted that the increasing uncertainty and risk faced by businesses across Canada is a result of anti-trade sentiments and the questioning of globalization and its benefits.

Key insights from the presentation included understanding how the U.S. may be affected by anti-trade actions in terms of local employment, price increases, competitiveness in international markets, and technology, among others. He also spoke of the general state of the U.S. labour and housing markets, as well as forecasts for the Canadian economy, as well as other developed and emerging economies. EDC expects the Canadian dollar and commodity prices to remain weak for the next few years and that Canada will continue to see an overall trade surplus with the U.S.

Industry Stakeholder Panel Roundtable

Panel participants shared their perspectives on key sector international trade priorities; needs, opportunities and challenges faced by Canadian companies and actionable ideas for EDC and the government to support their members in increasing their capacity to engage in trade.

Highlights:

- *Taking a whole-of-government approach:* Applying a whole-of-government approach continues to be a key priority. During the evening reception, Mr. Lametti affirmed this point but noted that the government is still in the awareness stage and more needs to be done. This continued to be a major theme on day two, where several participants highlighted the importance of using this approach in the wake of the Canada-U.S trade negotiations and the urgency to find new markets and implement effective trade agreements.
- *A national brand strategy for Canada:* Countries like Australia and Germany are gaining competitiveness in international markets by having a strong brand strategy. Canada must follow suit and be strategic to gain and maintain access to new markets. There is a role for both EDC and the government to play – working together to create a strong discourse for the ‘Canada brand’; providing ‘export ready’ programs and tools; and providing support (e.g. through kiosks and advisors) at international trade shows to support exporters, especially SMEs, in accessing new markets. Among others, one participant made a specific suggestion for the government to take an active role in terms of ‘strategic economic diplomacy’ (i.e. being more active in selling Canadian products globally). Participants also raised the idea of promoting Canada as a global trade hub.
- *The talent gap:* Several panel participants pointed out that Canada is benefitting and can potentially continue to benefit from an increasing number of people wanting to study and work in Canada as a result of the current state of affairs in the U.S. However, the national talent gap continues to be an issue, and implementing strategies to attract skilled labour is of high priority.
- *Looking outwards:* Some participants pointed out that Canadians are sometimes too ‘inward looking’ – meaning too focused on issues and markets close to home. One suggestion was to

consider the balance and strategic choice at the national level between promoting the entry into new markets as opposed to increasing market penetration in existing markets.

- *Erosion of Canadian competitiveness:* Several participants noted their concern about the rising costs of doing business in Canada. Small but significant changes such as border inspection costs and higher shipping costs are adding up, reducing Canada's international competitiveness. This is particularly concerning since other jurisdictions are working to reduce the costs of doing business.
- *Dealing with uncertainties:* Although prospects for Canadian exports continue to look positive in many sectors (in part due to the government's efforts in revisiting old and creating new trade agreements), Canadian companies are nervous about political and economic uncertainties that may affect their business (e.g. carbon tax, tax reforms and border restrictions for goods and people).
- *Helping companies scale their business abroad:* This continued to be an important theme. In particular, SMEs increasingly need access to capital to expand abroad. A suggestion was to expand EDC's Canadian Direct Investment Abroad (CDIA) program to assist companies invest in foreign markets. There was also a call to improve financing strategies of intangible assets and the digital exports sector, including software as a service.
- *The government's role:* Some of the suggestions to the federal government were related to the harmonization of international sanctions in relation to global production and reconsidering the approach to federal government conversations with business associations which tend to be segmented by geographic area even though supply chains involve multiple markets. It was also suggested that more work is needed to help companies navigate government programs (the Industrial Research Assistance Program (IRAP) concierge model was praised).

Participants thanked EDC for its services and support in terms of matchmaking, knowledge, advice and financial services. They also thanked EDC for continuing to organize the annual Industry Stakeholder Panel as a platform for exchange and dialogue between industry players and EDC. They highlighted EDC's important role as a "thought leader" – acting as an advisor to government (based on customer insights) and also sharing trends to inform strategic conversations at the industry level.

In summary, participants suggested EDC consider the following:

- Continue to provide resources and learning opportunities to help businesses stay up to date with global trade trends (e.g. webinars and live sessions);
- Continue to connect SMEs to strategic accounts to help them become indirect exporters;
- Continue to explore EDC's risk appetite in sensitive/controversial sectors;
- Act as an integrator to increase Foreign Direct Investment (FDI) and CDIA;
- Provide more financing for intangible assets (e.g. IT);
- Augment sector-specific knowledge and expertise, especially in digital exports; and
- Continue to help in building and promoting Canada's brand strategy.

Closing

In his closing remarks, Mr. Daignault thanked everyone for their participation in creating a very valuable and stimulating discussion at one of the most strategic panels hosted to date. He noted how operating in an environment of support from participants enables EDC to be nimble and adapt to evolving trade needs. Suggestions from the panel are always well received and he looks forward to exploring themes raised in the coming year.

Appendix: EDC Industry Stakeholder Panel Participants (2017)

In attendance:

John Gamble

President and CEO
Association of Consulting Engineering Companies
(ACEC)

Dr. Iain Christie

Executive Vice President
Aerospace Industry Association of Canada (AIAC)

Flavio Volpe

President
Automotive Parts Manufacturers Association
(APMA)

Christyn Cianfarani

President
Canadian Association of Defence and Security
Industries (CADSI)

Bob Kirke

Executive Director
Canadian Apparel Federation (CAF)

Ryan McEachern

Managing Director
Canadian Association of Mining Equipment and
Services for Export (CAMESE)

David McInnes

Special Advisor to the Board
Canadian Agri-Food Policy Institute (CAPI)

Michael Atkinson

President
Canadian Construction Association (CCA)

Warren Everson

Vice President, Policy
Canadian Chamber of Commerce (CCC)

Dr. David T. Fung

Member, National Board of Directors
Canadian Manufacturers and Exporters (CME)

Joy Nott

President
Canadian Association of Importers and Exporters (IE
Canada)

Robert Watson

President and CEO
Information Technologies Association of Canada
(ITAC)

Cory Mulvihill

Lead Executive of Policy and Public Affairs
MaRS Discovery District

Mary Anderson

President
Women Business Enterprises (WBE) Canada

Corinne Pohlmann

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

Darren Hannah

Vice President of Finance, Risk and Prudential
Policy
Canadian Bankers Association (CBA)

Regrets:

- Canadian Association of Petroleum Producers (CAPP)
- Forest Products Association of Canada (FPAC)
- Marine Renewables Canada