



**Canadian
Manufacturers &
Exporters**

**Manufacturiers et
Exportateurs du
Canada**

Global Commerce Strategy: Priorities for Canadian Business

July 2012

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Le leadership qui fait la différence



Global Commerce Strategy - Background

- In the 2012 budget the government announced it would update its Global Commerce Strategy (GCS) originally issued in 2007 to align Canada's trade and investment objectives in specific high-growth and strategic priority markets, with an eye to ensuring that Canada is branded to its greatest advantage in those markets. The budget also states that this will be done following consultations with the business community.
- On May 29, Canada's Minister of International Trade, the Hon. Ed Fast, announced the creation of an advisory panel that will help guide the strategy – the panel's mandate is to act as a sounding board to the Minister, and provide advice to ensure the next phase of the GCS maximizes economic opportunities for Canadian businesses. CME's President & CEO Jayson Myers will be advising the Minister as a member of that panel.
- Foreign Affairs and International Trade Canada (DFAIT) will also hold consultation sessions with business and association executives in mid-August in Halifax, Montreal, Ottawa, Toronto, Winnipeg, Saskatoon, Calgary and Vancouver.





Global Commerce Strategy – Five Streams

The refreshed GCS will look at five areas:

1. Access to key markets

- Ensuring that policy instruments such as FTAs, FIPAs and Air agreements, as well as the government's advocacy efforts improve Canadian firms' access to key markets and help them properly respond to emerging economic and business opportunities and challenges.

2. Access to trade promotion and partnership development support

- Enhance support services for Canadian businesses at home and abroad to improve business outcomes. This includes maximizing the effectiveness of the Trade Commissioner Service, providing timely business intelligence to companies, and ensuring that trade promotion activities are aligned with Canadian business interests.

3. Access to capital

- Explore how Canada's investment attraction efforts can be improved to better attract capital investment, and identify opportunities to strengthen complementarity and coordination across the government's international trade portfolio (EDC, CCC, TCS).





Global Commerce Strategy – Five Streams

4. Access to technology

- Assist Canadian businesses in accessing technology and technology-related expertise by focusing on how the government's programs, Science & Technology Agreements, and support services such as research centres can best be leveraged to increase the rate of commercialization of new technologies.

5. Access to talent

- Explore how strengthened collaboration with key partners such as CIC, HRSDC and CBSA can ensure the competitiveness of Canadian firms in a global environment by enhancing the reciprocal entry of investors, executives, skilled labour and knowledge-based workers, researchers, experts, partners and service providers.
- **Branding:** finally the government notes that the impact of its updated GCS, and the achievement of the goals set by each of the work streams, will be greatly enhanced by the development and implementation of a communications strategy to ensure that Canada is branded to its greatest advantage within each of the identified priority markets and activity areas. An overall communications strategy will help bridge gaps between current branding practices and desired outcomes, and set priorities for where to invest branding resources.





Global Commerce Strategy – Key Questions

The consultation questions shared with members of the Global Commerce Strategy Advisory Panel include:

- What should be our aspirations for Canada's economic prosperity and how do we want Canada's role in global commerce to look like in five to ten years' time?
- How have changes in the global business environment impacted the ability of Canadian business to grow and pursue opportunities abroad?
- What markets will represent the best global business opportunities for Canada over the next five to ten years?
- What are the new and existing impediments faced by Canadian business in pursuing foreign markets, and specifically the new emerging markets?
- Are there specific improvements we could make to the services offered by the Trade Commissioner Service, Export Development Canada or the Canadian Commercial Corporation?





Global Commerce Strategy – Key Questions

- What is your vision for a successful partnership between industry and government for Canada's international trade under a refreshed Global Commerce Strategy?
- What objectives should we set for a refreshed Global Commerce Strategy over the next five to ten years?
- What are the key issues that the Government can address?
- How can we take advantage of the Canada brand?





Define Common Priorities for Canadian Business

- CME is currently consulting its members, members of the Canadian Manufacturing Coalition, and other key business councils and associations with the objective of formulating a common set of priorities and recommendations for Canadian business.
- The next few pages outline the basis on a proposed common agenda – please provide your feedback including any points or recommendations you wish to see included. We will use this and your feedback as the basis for a joint policy paper.
- CME will hold a teleconference meetings the week of July 30 to review the proposed outline, discuss what needs to be included in the policy document and define next steps. You may also provide your comments in writing at any time.
- This will help coordinate our efforts during the consultations taking place in August – we will also hold a follow up meeting with CME's President & CEO Jayson Myers prior to the next meeting of the Advisory Group.





Changing Nature of Global Business

Changes in the global business environment have brought considerable challenges and had a considerable impact on Canadian businesses' ability to take advantage of growing opportunities in global markets. These include:

- Intense competitive pressures which make it very difficult to raise prices.
- Strong & volatile Canadian dollar – reduces export sales revenue with net negative impact on profits and cash flow.
- Increasing business costs – labour, raw materials, energy, regulatory compliance, transportation.
- Corporate consolidation and intense competition for investment & product mandates – investment & product mandates being placed in lower cost, higher growth markets.
- Uncertain customer demand & weak markets for many sectors.
- Growing concern over cost & availability of credit.
- Aggressive investment incentives and export subsidies provided by other jurisdictions, especially in the US.
- Infrastructure capacity constraints.
- Growing skilled labour shortages (from management to technical skills).





Economic Context

- Economic growth has slowed down in both advanced and developing economies, with Europe showing particular weakness.
- US growth is likely to remain sluggish in comparison to a relatively resilient Canadian economy.
- Emerging economies account for a growing and now significant share of world exports, and world GDP growth.
- Despite recent record export sales levels in several fast-growing markets such as China or South America, Canada's share of exports going to fast-growing markets remains small, and Canada's exports to these markets have been growing at a slower pace than other countries.
- While exports could be counted on as a source of growth for the Canadian economy before 2000, since then Canada's export growth has been sluggish.





Economic Context

- The strength of the Canadian dollar continues to be a major challenge for Canadian businesses competing globally – this should be expected to persist in the foreseeable future.
- Canada has had the second fastest growth in unit labour costs among G7 countries in the last 10 years – both the result of an appreciating dollar and poor productivity growth. This has resulted in a loss of cost competitiveness.
- As a result, we have witnessed a persistent decline in Canada's non-resource related exports - export levels in 2011 were \$56 billion below 2000 levels.
- Canada's weak productivity performance and the strength of the dollar are hurting Canada's manufacturing competitiveness.
- Global value chains increase competition at every step of the value chain – increases the need for innovation and makes cost competitiveness even more critical.





Priorities

Canada's revised Global Commerce Strategy should aim to enhance the competitiveness of Canadian businesses competing in global markets by:

- Expanding market access for Canadian goods and services;
- Supporting Canadian exporters in taking advantage of new business opportunities and accessing financing, technology, and skilled labour;
- Enabling Canadian industry to add value and succeed in global supply chains; and,
- Ultimately improving Canada's international trade and investment performance with the goal of seeing Canada set world benchmarks.





Access to Key Markets

- Properly structured, free trade agreements (FTAs) and Foreign Investment Promotion and Protection Agreements (FIPAs) can benefit Canadian industry by addressing their market access challenges and allowing them to take advantage of market opportunities.
- To meet this goal, trade and investments agreements should abide by the following principles:
 - Net benefit – the effect must lead to an increase in the production and delivery of Canadian goods and services, lead to increased export and investment opportunities for Canadian businesses, and enable Canadian businesses to add value in global supply chains.
 - Enable Canadian business to attract investment, and improve their investment opportunities in foreign markets.
 - Improved market access must be verifiable, genuine, and substantial, including meaningful commitments to address tariff and non-tariff barriers.
 - Provide demonstrable benefits for each Canadian business sector affected by the agreement.
 - Be negotiated in close consultation with Canadian business leaders representing all business sectors with a stake in an agreement.





Access to Key Markets

- Multilateral trade negotiations at the WTO level should seek to provide free, open, fair and rules-based trade. At the WTO Canada should seek the elimination of market-distorting governmental intervention in international trade, promote effective and enforceable compliance to agreed-upon and transparent rules that provide a level playing field. In this process, the effectiveness of Canada's trade remedy system must be preserved.
- Due to the Doha round showing no progress, bilateral and regional negotiations now play a critical role in opening markets for Canadian firms.
- Despite this, further progress should be made at the WTO level on issues such as trade facilitation, addressing existing and new non-tariff barriers to trade, protection of IP rights, expanding membership in the Government Procurement Agreement on a reciprocal basis, and the adoption of rules governing trade in services.





Access to Key Markets

- Canada has an increasingly aggressive bilateral and regional agenda. We support the conclusion of ambitious and comprehensive bilateral and regional agreements that reduce tariff and non-tariff barriers to trade, expand trade opportunities, establish a strong set of rules, and address trade-distorting practices such as state-owned or state-invested enterprises.
- Rather than prioritizing specific markets in this strategy, due to our need to adapt to rapidly changing market conditions, our advice is for the GCS to establish a set of regional trade policy priorities to be pursued in the coming 5-10 years.





Access to Key Markets

Priorities for the Asia-Pacific region:

- Negotiate an ambitious and comprehensive **Trans-Pacific Partnership** agreement in accordance with the principles expressed earlier – seek to expand the agreement by facilitating the entry of new participants able to meet the criteria set for new entrants;
- **China:** take an incremental approach to improving economic and trade relations by first seeking to build mutual trust, reinforce WTO-accepted trade principles, commit China to commercial practices based on market forces, improve IP protection and anti-counterfeiting measures, encourage the adoption of international product standards, and make progress in other key areas by concluding sector agreements.
- **India:** conclude negotiations towards a Comprehensive Economic Partnership Agreement in line with the principles expressed earlier.





Access to Key Markets

Priorities for the Asia-Pacific region (continued):

- **Japan:** first aim for Japan to seek entry into TPP assuming it can meet the high level of ambition sought in this agreement. Conclude bilateral negotiations with Japan to the extent that Japan is willing to address the structural and non-tariff barriers to trade faced by Canadian exporters.
- **Korea:** given the impasse reached in previous negotiations with Korea, Canada should aim to restart the negotiations by seeking an outcome that provides the same level of market access as the US and EU agreements, and with similar snap back clauses in the event the agreement does not deliver expanded market access.
- **Other markets incl. Indonesia:** Canada should seek for other countries in the region to enter TPP, and should pursue investment protection and promotion agreements.





Access to Key Markets

Priorities for North America:

- Negotiate an ambitious and comprehensive **Trans-Pacific Partnership** that provides extended coverage beyond NAFTA on key issues such as the movement of people, government procurement, and other areas.
- Continue to implement the Canada-US **Beyond the Border** initiative as this will facilitate cross-border trade and reduce the regulatory compliance costs of cross-border business transactions.





Access to Key Markets

Priorities for Latin America and the Caribbean:

- Continue exploratory discussions with **MERCOSUR** with the objective of launching negotiations towards a comprehensive economic and trade agreement that would provide for open and reciprocal market access and investment protection.
- Conclude trade negotiations with **CARICOM**.

Priority for Europe:

- Conclude negotiations towards a Comprehensive Economic and Trade Agreement with the **European Union**.

Priority for Africa:

- Hold exploratory discussion with the **Southern African Customs Union** with the objective of launching trade negotiations.





Access to Key Markets

Priorities for all other trading partners:

- Negotiate bilateral FTAs, FIPAs and double taxation agreements with other trading partners committed to rules-based trade and where there is strong support from Canadian business.

Improved consultations with Canadian business:

- Finally, given the ambitious trade and investment negotiations agenda currently being pursued by the government, the expected intensification of several existing and new negotiations in the coming years, the multiplication of consultation mechanisms setup under each negotiation, and specific companies' having limited resources to provide meaningful input, DFAIT should work with leading business associations to establish an Industry Advisory Group on Trade Policy – this should be asked to review Canadian negotiating proposals before they are formally tabled.





Access to Trade Promotion and Partnership Development Support

- DFAIT and the Trade Commissioner Service play a strategic role in supporting Canadian businesses in global markets.
- With the industry's future tied to its ability to enter global supply chains and connect with growing opportunities in overseas markets, the TCS is increasingly critical to the success of Canadian companies.

Canadian Business Priorities:

- Support Canadian businesses by engaging in economic diplomacy at the highest political levels – this is especially critical in emerging markets and highly politicized sectors where strong government-to-government relations are critical for market entry and where state regulators, state-owned and state-invested enterprises play an important economic role.





Access to Trade Promotion and Partnership Development Support

Canadian Business Priorities (continued):

- Focus the Trade Commissioner Service's mandate on the provision of the following services:
 - Provide economic diplomacy and advocacy on behalf of Canadian business
 - Attract and retain Foreign Direct Investment
 - Providing market intelligence
 - Provide support finding local partners, buyers, suppliers, financing, technology providers, etc.
- Strengthen the Trade Commissioner Service by:
 - Increasing its funding to meet growing demand.
 - Better coordinate the TCS with Canada's trade, foreign and international cooperation policies – this includes leverage new trade and investment agreements.
 - Playing a more aggressive role in attracting FDI to Canada





Access to Trade Promotion and Partnership Development Support

- Strengthen the Trade Commissioner Service by (continued):
 - Being more actively engaged in enabling outward Canadian investment, in identifying technology transfer opportunities, and in identifying international supply chain opportunities.
 - Leverage business associations and increase funding for the Global Opportunities for Associations (GOA) program to communicate commercial intelligence to Canadian firms.
 - Ensuring that internal resource reallocation measures minimize any negative impact on the TCS's foreign presence - the TCS delivers most of its value to Canadian businesses through its network of Trade Commissioners posted in foreign markets.
 - The value provided by Trade Commissioners stems increasingly from the building of strong relationships with Canadian businesses. The rotation of Trade Commissioners every four years is a major impediment to building such strong relationships. As a solution DFAIT should increasingly rely on locally-engaged staff.





Access to Capital

Canadian business priorities:

- With other jurisdictions intensifying their efforts to attract Foreign Direct Investment, Canada needs to significantly boost its efforts to attract and retain FDI by creating a one-stop shop for foreign direct investors in Canada modeled on SelectUSA.
- This should also be done:
 - In close coordination with provincial and local government initiatives.
 - By engaging Canadian businesses seeking to attract and retain product and investment mandates in Canada to understand their needs and provide them with improved tools.
 - By leveraging EDC's growing role in financing foreign projects to open procurement opportunities for Canadian exporters.





Access to Technology

Canadian business priorities:

- Provide a single point of contact for Canadian or foreign businesses looking to access technology, partner with universities, colleges or research centres, and looking to leverage existing programs and Science & Technology agreements.
- Improve the rate of commercialization of new technologies by making S&T Agreements and government programs demand-driven, and reallocating resources towards programs and services focused on helping businesses access new research and commercialize new technologies.





Access to Talent

Canadian business priorities:

- Facilitate the movement of business people to Canada by establishing a program for trusted Canadian companies that provides expedited 48-hour visa processing (modeled after the Business Express pilot program).
- Improve the efficiency of Canada's visa issuance system and speed up processing times to prevent other countries from imposing retaliatory delays on the treatment of visas for Canadians travelling abroad.
- Facilitate the recruitment of temporary foreign workers as a stopgap solution to meeting skilled labour needs, and continue to improve the efficiency of the Temporary Foreign Workers program.
- Continue to open new Canadian Visa Application Centres abroad.
- Continue to work with universities and colleges to attract foreign students to Canada, especially in areas where there is high demand in the Canadian labour market.





Next Steps

- Please send your comments and feedback on key issues you wish to see addressed in the Global Commerce Strategy to: jean-michel.laurin@cme-mec.ca.
- CME will hold a teleconference meetings with member companies and association partners the week of July 30th to review this proposed common agenda, discuss what others wish to see included in the policy document, and coordinate our efforts going forward.
- Please let us know if you wish to be invited to attend one of DFAIT's consultation sessions to be held in mid-August in Halifax, Montreal, Ottawa, Toronto, Winnipeg, Saskatoon, Calgary and Vancouver.
- CME will draft a joint policy document in early August, and organize a follow up meeting with CME's President & CEO Jayson Myers prior to the next meeting on the Global Commerce Strategy Advisory Panel.





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