



Business Council
of Canada



Remarks to the House of Commons' Standing Committee on International Trade

November 22, 2018

Remarks to the House of Commons' Standing Committee on International Trade on connecting small and medium sizes enterprises with trade opportunities

Mr. Chair committee members, thank you for the invitation to take part in your study on connecting SMEs to new markets.

The Business Council of Canada represents the chief executives and entrepreneurs of 150 leading Canadian companies, from all sectors and regions of the country. Our member companies employ 1.7 million citizens, account for more than half the value of the Toronto Stock Exchange, contribute the largest share of federal corporate taxes, and are responsible for most of Canada's exports, corporate philanthropy, and private-sector investments in research and development.

Canadians rely on international trade to prosper. Trade of goods and services represents 64 per cent of gross domestic product (GDP) and, according to Global Affairs Canada, one in every five Canadian jobs is directly linked to exports.

Recognizing the importance of trade to the Canadian economy, successive governments have negotiated free trade agreements to enable companies to access new markets around the world. Put simply, trade agreements create a level playing field for companies to compete in foreign markets. They open markets to Canadian businesses of all sizes by reducing trade barriers, such as tariffs, quotas or non-tariff barriers. They create more predictable, fair and transparent conditions for businesses operating abroad.

Canada now has 14 free trade agreements in force and is an original member of the World Trade Organization (WTO). With the implementation of the Comprehensive and Progressive Trans-Pacific Partnership Agreement (CPTPP), we will have free trade with more than 60 per cent of the global economy. This will give Canadian companies preferential access to nearly 90 per cent of existing export markets, making Canada the only G7 nation with free trade access to the U.S., the Americas, Europe and the Asia-Pacific region, including three of the world's four largest economies.

Unfortunately few small and medium-sized businesses have the capacity and resources to be the first movers into new international markets; most often, big businesses lead the way. In fact, large enterprises represent 2.6% of all exporting enterprises yet are responsible for 60% of Canada's total exports. If Canada is to improve its trade performance, we need to find ways to support SMEs and encourage them to trade, particularly in emerging markets.

Research shows that Canadian SME exporters generally have better chances of surviving in emerging markets if they are older when they enter, export to an advanced economy first, introduce new products more often, have access to financing and export to more destinations. Technology-enabled SMEs selling through online platforms are much more likely to export and to reach more foreign markets than even traditional, large multinationals, although their sales, of course, are generally much smaller.



Canada's Trade Commissioner Service (TCS) does an admirable job of promoting Canadian exports abroad and supporting SMEs going global. Yesterday's announcement in the Fall Economic Statement of an *Export Diversification Strategy* along with \$184 million new funding for the TCS is a welcome and much needed development.

To ensure the government's strategy is a success we recommend that efforts be made to better co-ordinate Export Development Canada (EDC), responsible for export financing, and the Business Development Bank of Canada (BDC), responsible for supporting small and medium-sized businesses, with the TCS. EDC and BDC service offerings in support of going global should be complementary and include a direct link to the services offered by the TCS. While progress has been made on co-ordination in recent years, there exists no explicit protocol between EDC, BDC and the TCS to ensure that Canadian exporters are made aware of the full range of services available to them.

Canada's impressive suite of free trade agreements, including CETA and the CPTPP, will be more beneficial to Canadians if there is broad awareness of the deals and there are tailor-made services available to exporters to take advantage of the preferential access negotiated.

With that I conclude my remarks.

Thank you for the opportunity to address your Committee.

