CANADIAN MANUFACTURERS & EXPORTERS

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Standing Committee on International Trade
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Good afternoon. Thank you for inviting me to participate in today's discussion. It is my pleasure to be here on behalf of Canada's 90,000 manufacturers and exporters, and our association's 2,500 direct members to discuss Bill C-18, the implications for Canada's manufacturing and exporting sector, and the future of this vital industry.

Our association's members cover all sizes of companies, from all regions of the country, and all industrial sectors. We represent the majority of Canada's manufacturing output as well as Canada's value-added exports.

With over $20B in exports, the UK one of Canada's largest export markets. Canada-UK trade was one of our very first trade relationships and traditionally has been our doorway to the European market. According to CME's Management Issues Survey, a large, biennial survey of Canadian manufacturers, the European Union, and the UK in particular, is a top three market exporters see as having the most potential in the next 5 years.

As the committee knows this is a unique situation. We have had a free trade agreement with the UK for years under CETA. So, the discussion today is all about maintaining that access and then, we hope, a discussion on how Canada can take advantage of a new bilateral Canada-UK trade pact. We therefore fully support the Canada-United Kingdom Trade Continuity Agreement and we urge swift passage of Bill C-18. This interim measure is required while our negotiators hammer out a permanent Canada-UK agreement.

But beyond these mechanical trade agreement issues lies an even bigger problem that I must raise. That is the problem of our declining value-added export performance. A decline that has been accelerating despite signing more and more free-trade agreements across the globe.

Let me explain what I mean. Two-thirds of Canada's value-added exports, the type of exports that Canada makes the most money off of, are manufactured goods. In other words, Canadian manufacturers take raw ingredients, transform them into something of higher value, then sell these goods abroad. This, "bigger-bang-for-your-buck" type of trade has been declining for years.

In fact, with the UK, manufacturing exports have been declining steadily for five years, even after we signed CETA. Canada can no longer afford to ignore the lost economic potential the decline in value-added exports represents. It is simply not sustainable.

So, how do we fix it?

Simply put, Canada's manufacturer exporters are too small, and, at full capacity. Generally speaking, Canada has a higher proportion of its businesses being small SMEs than most of our global competitors. From a fundamental, structural perspective then, we need to get our companies to invest in their businesses and help them to grow and scale up. Larger companies are simply better positioned to take advantage of global trade.

CME's manufacturing survey results backs this up. When asked what is holding them back from exporting to new markets they told us that the risks are too high because they lack a competitive edge with foreign companies. They simply feel they can't compete, and don't bother.

It is important that we agree that this structural, domestic business problem is driving our export underperformance. Landing new global customers through FTA's is rather pointless if we cannot produce the goods to sell to them at competitive prices.

Now, you may ask yourselves, isn't this the point of EDC, BDC, CCC, and the Trade Commissioner Service? Aren't they supposed to help de-risk exporting and help SMEs get out there? The answer is yes, and we would argue, they are all quite good at doing that. The problem is the disconnect between these great programs and exporters knowing they exist.

When we polled manufacturers, we found that those who used these agencies and programs loved them. But a majority of respondents couldn't even identify some agencies, let alone the programs they offer. This is a big problem.

So, we have the dual challenges of our exporting companies being small, underinvested in, and uncompetitive, AND, a big gap between government assistance and companies using that assistance.

Here are some concrete actions to address them:

Number 1: Create a manufacturing and export strategy for Canada that focuses on modernizing and growing our industrial sectors. It needs to help companies invest in the technology that will help them scale up and truly become global players. We happen to have such a plan that we discussed with many of you, and I will leave a copy with the clerk.

Number 2: Launch a Made in Canada branding exercise at home and in international markets to celebrate our manufactured goods. This will boost awareness of Canadian capabilities and technologies as well as sales and exports. The Maple Leaf is a global brand with a sterling reputation that we don't take advantage of enough.

Number 3: Bridge government export agencies and exporters by leveraging the vast networks of business trade associations. This can be done by investing in Canada's trade associations' capacity to link the two sides and act as a concierge service for exporters. The government used to support these types of initiatives to great effect, and we think they should again.

Lastly, Number 4: Expand our efforts on SME exporter mentorship. Organizing and managing private, peer mentoring networks is another way Canada's trade associations can be used to maximize company to company learning.

All these actions are table stakes if we want Canada to play a bigger role in global trade. They will also go a long way to helping current manufacturers maximize their export potential for years to come. However, while we at CME believe these solutions are something we need to work on now, the priority of course is ensuring we maintain current global market access.

Let me reiterate that CME fully supports Bill C-18 as we need a transitional agreement is in place between Canada and the UK as soon as possible. And in time, a permanent trade agreement between our two nations.

Thank you again for inviting me, I look forward to the discussion.