



**Canadian
Manufacturers &
Exporters**

**Manufacturiers et
Exportateurs du
Canada**

**Senate Standing Committee on
Foreign Affairs and International Trade
An Act to implement the Comprehensive Economic and Trade Agreement
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Good morning Madame Chair and Honourable Senators.

I am pleased to be here on behalf of Canada's 90,000 Canadian manufacturers and exporters and our association's 2,500 direct members to discuss and fully support the Act to implement the Comprehensive Economic and Trade Agreement between Canada and the European Union.

Canadian Manufacturers & Exporters is Canada's largest industry and trade association with offices in every province, and is the chair of the Canadian Manufacturing Coalition, which represents 55 sectoral manufacturing associations. More than 85% of our members are small and medium-sized enterprises representing every industrial sector, every export sector, and all regions of the country.

Manufacturing is the single largest business sector in Canada. Manufacturing sales surpassed \$600 billion in 2016 for the 3rd consecutive year directly accounting for 11% of Canada's total economic output. Manufacturers employ over 1.7 million Canadians in highly productive, value added, high paying jobs.

Manufacturers are also directly responsible for the majority of Canada's exports. In fact, in 2015 and 2016 manufactured goods exports reached nearly \$350 billion, an all time record high, accounting for almost 70% of all Canadian exports. These exports create and sustain millions of direct and indirect jobs and are critical for the wealth generation that sustains the standard of living of each and every Canadian.

The reason that exports and international trade in general are so important is because Canada's domestic market is simply too small. In fact, more than half of Canada's industrial production is directly exported – either as part of global supply chains and

integrated manufacturing or as finished consumer goods in almost every product category.

In 2016 CME embarked on an ambitious task to consult with domestic industry on an action plan to double manufacturing output and value-added exports by the year 2030. This initiative – called Industrie 2030 – connected with roughly 1250 business executives from coast to coast to ask their opinions and seek their direction on how we could help grow their companies. While the reports and recommendations stemming from this exercise cover a wide range of issues including skills, technology adoption, and investment climate a major pillar is focused directly growing exports and helping companies find new customers in domestic and foreign markets.

From an export sales growth perspective, the US market remains the priority for most of Canada's industry. However, a growing share of our members are looking to take advantage of new and emerging opportunities beyond NAFTA, especially those countries represented in the EU. In fact, the EU market was deemed the second most promising growth market for the over 550 companies who responded to the online survey that was conducted as part of Industrie 2030 – with 24% of respondents. This is ahead of Mexico at 19% and China at 18% in terms of export sales growth potential.

Furthermore, as part of our study, we asked directly about their support for the CETA and other free trade agreements. 34% of respondents believed the agreement would be positive for their company with only 3% stating it may have a negative impact.

The reason there is this level of support for CETA, and the reason why CME has supported CETA since its earliest stages, is because we believed the deal was between equal partners. CME has always clearly stated that no trade agreement is worth signing unless that deal meets three objectives:

- It creates a fair and level playing field for Canadian manufacturers and exporters to ensure that they have an equal opportunity to export to foreign markets as our competitors have to import into Canada;
- It allows value added exports from Canada, and not just the export of natural resources; and
- It does not undermine the existing integrated manufacturing supply chains developed through previous FTA's, especially the NAFTA.

It is a principled approach to trade agreements that we continue to support and believe that the CETA agreement follows. We also think the structure of the deal is a model for future trade agreements, including a potential NAFTA renegotiation, as it deals with many of the real issues of trade – the non-tariff barriers – including labour mobility, standards and regulations, and government procurement to name a few critical areas.

However implementing the CETA agreement is only part of the issue that needs to be addressed. The other part is the preparedness of Canadian companies to take advantage of the deal.

To be blunt, Canada has a poor history of success in free trade agreements. Aside from the Canada-US FTA, very few, if any agreements, have led to long-term increases in Canadian exports. And honestly, there is little point in signing deals if Canadian companies are not leveraging them for growth. Even when asking about support for the CETA agreement, 31% of respondents said they didn't know enough information about the Agreement – this despite years of media coverage, endless webinars, seminars and workshops.

This is not pointing the finger at government. It is however a direct recommendation to increase support for Canada's exporters and to partner with the private sector and take aggressive, coordinated action to support exporters.

In our Industrie 2030 consultation asked specifically about the support network and areas for improvement – including EDC, the Trade Commissioner Service, BDC, CanExport funding and direct trade missions. The majority of these services were either unknown to exporters or were seen as not beneficial. As such, while our trade support network is broad and strong, it can and should be significantly strengthened if we are going to take advantage of FTAs like the CETA.

To start with, we need to do a better job of educating Canadian companies of offshore potential and the services that are available to them. Despite our success and high level of exports, very few Canadian companies are looking internationally. We need to set up programs to educate companies on new market opportunities and to increase their internal capacity and expertise in global trade. An export-intensive accelerator program similar to what's available in other markets would be a good start in this regard. Expanded foreign trade missions to connect companies with foreign buyers should also be supported with better funding models that support SME participation. Exporters also need better foreign markets intelligence and improved connections to international business partners that an expanded Trade Commissioner Service could provide. Additional support should also be made available for private sector initiatives such as the Enterprise Canada Network – a service that links Canadian and European companies through a global network called Enterprise Europe Network.

CME believes that with the right support network in place for CETA, and other foreign markets, Canada can double manufacturing output and value-added exports by 2030 – the ultimate goal for our Industrie 2030 initiative – and in line with the governments' own stated goal for a 30% increase by 2025.

In conclusion, I want to thank you again for having CME here today to express our support for CETA implementation. We applaud the government's leadership in helping Canadian manufacturers and exporters grow their business in global markets through agreements like CETA. And we must ensure that we now invest in and establish an effect trade support network that will enable Canadian manufacturers to take advantage of these new market opportunities. I look forward to the discussion.