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Chair

The Honourable Rob Merrifield

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• (1100)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I call the meeting to order.

This is a continuation of our trade commission service study. We want to thank our witnesses for being here.

In the first hour we have Glen Hodgson, from the Conference Board of Canada. He is the senior vice-president and chief economist. We also have Murad Al-Katib, from the Small and Medium-Sized Enterprises Advisory Board, via video conference.

We'll start with Mr. Hodgson and then we'll go on to Mr. Al-Katib.

The floor is yours, Mr. Hodgson.

Mr. Glen Hodgson (Senior Vice-President and Chief Economist, Conference Board of Canada): Thank you very much, Mr. Chairman.

Good morning, members of the committee.

I want to make four key points, based on my own experience. I was at Finance Canada and I spent 10 years at Export Development Canada, where I was the VP of policy. I've been with the Conference Board for eight years.

We have a centre at the Conference Board that does pretty deep original research around Canada's fit into globalization. It's called the International Trade and Investment Centre. We've not studied the Trade Commissioner Service per se, but I've had experiences along the way and I thought I would share that with you this morning.

Point number one is that it's really important that Foreign Affairs and International Trade, and the Trade Commissioner Service in particular, have the right conceptual model for what trade is today. If you're going to do trade promotion, you have to know what you're promoting.

I had an idea that I developed with my colleagues at EDC, including Stephen Poloz, who I understand may be coming later today, and with other colleagues there. I came up with a brand for modern trade called "integrative trade". You may not have heard of it, but it's now being actively used within EDC and foreign affairs as a foundational model.

What integrative trade means is that modern trade is built around what are called global value chains, which means you take apart components of production within a firm and reposition those elements of production around the world to where it makes the most

sense to make you as profitable and competitive as possible. You do that through foreign direct investment.

I know this is a complex concept, but one the key points is global value chains. Firms can now take apart their production processes—and I'll give you a couple of examples—and then use foreign investment, both in Canada but also abroad, as a way of building the strongest possible model for this integrative trade.

One example of a global value chain might be that people have taken apart...well, the BlackBerry is one example, or the iPhone.

In terms of the iPhone, for example, half the value is created in the United States through intellectual property—development of the ideas, the marketing, the finance. A lot of the key components are made in Japan and Korea, probably another 45%, and the final 3% to 5% is the assembly in China. When we buy the iPhone or iPad, it says "Made in China" on the box, so we think it's a Chinese product, but in fact most of the wealth is actually made within North America and other industrial countries. That's one example.

You can do the same thing in the auto industry. An automobile manufactured in Canada probably has about 30% Canadian content. Most of the contents of the car, or the value of the car, comes through value chains from imported goods from the U.S. or elsewhere around the world.

These are examples of how the whole nature of trade has changed today. We still find core products, and a lot of the resources that Canada exports have very high Canadian content; oil from the oil sands, for example, would probably have 80% Canadian content, but the more you get into sophisticated goods and services, the more you see that value is dispersed, because firms are really engaged in global trade to make an end product or a service.

I'll mention one other piece of research we've just released. Unfortunately I didn't bring a copy this morning, Mr. Chairman, so I apologize for that omission, but it's on our website.

We are developing a concept of value-added trade, of measuring Canada's trade in value-added terms. We've released the first of three studies. The importance of this is that if you take out the duplication of trade numbers, let's say auto parts that cross the border to the U.S. get turned into something else, and then come back.... We know that an average car actually gets traded across the border seven times before the end product is made. If you take out the double counting, the things that go back and forth many times, you discover that the U.S. share falls. It's not a sharp fall, but it falls from about 70% of trade measured in conventional terms to about 63% in value-added terms. Of course, this means the share goes up for a lot of other countries in the world. It goes up for China, Japan, Europe. That gives you, again, a very different model.

The content, as well, of products and services changes, and the service share becomes much more important. It's not just services that are tradable, because a lot of services today.... You can send a document to western Africa overnight, for example, and have it translated into French and sent back. Thanks to the Internet and interconnectedness, you can trade services that historically were not tradable before, and also services that support trade, such as legal services, shipping services, and transportation.

I commend that paper to you. We'll be doing two more papers, drilling into it in much more detail to really take apart Canadian trade in value-added terms.

That was all by way of ensuring that the TCS, when it goes out there and tries to sell Canada to the world, is operating with the right model—not operating with the conventional trade model with the data from StatsCan that you can download from Strategis, but with a much more penetrating view built around integrative trade and global value chains.

On the second point, we have to ensure that the TCS is in the right places and that their model is in constant evolution. When I was at EDC, there was an effort back 10 or 12 years ago to open up many more offices in the United States, to go much deeper into the U.S., and probably sacrifice representation in other parts of the world. Based upon our analysis on things like value-added trade, we have to be opening up our minds to having trade commissioners more in emerging markets where the high growth potential is for our trade.

We still have to have a strong presence in the U.S. and have people doing the engagement region by region there. I've known a lot of trade commissioners on the ground; they're doing an excellent job. This is more a question of resource allocation around the world, ensuring that we are going places in order to be on the cutting edge of Canadian trade, getting there as the exporters and investors are reaching out, and looking at the Middle East, Africa, and certainly at the Asia-Pacific areas. There's a deeper examination required there about whether we have the commissioners in the right places to maximize the benefit to Canada.

On the third point, and this is based upon many engagements with trade commissioners but also on my experience at EDC, we need to take a Team Canada approach when we go abroad. This doesn't mean we all have to be in the same place or automatically have to be co-located, but EDC has people abroad, CCC has people abroad, BDC is either seeking the power or has acquired it to go offshore and

support Canadian companies as international investors, and of course there is the Trade Commissioner Service itself.

We have to find a way to ensure that we offer as seamless a service as possible, so that if somebody goes to a Canadian trade representative for assistance and the representative is not the expert, they know exactly where to go to go to build an integrated whole around that.

Lastly, flowing from that thought, is understanding that relationships on the ground are the real value-added aspect from the Trade Commissioner Service. It's knowing who to talk to, who decision-makers are, and how to get things done.

With the Internet and the incredible search engines that are available now, information is easy to find. I'm astounded by the information I can gather with two or three clicks of a mouse while I'm sitting in my office, but that's not the issue; the issue is relationships—knowing who to get to, how decisions are made, how deals are put together. Clearly that area has become a core skill set and a core responsibility of the Trade Commissioner Service, and it should be incented. We should be ensuring that we have the right objectives for people in the field. We should be able to evaluate and measure people's ability to build relationships and maximize value for the client, which is the Canadian economy and Canadian businesses.

I'll stop there, Mr. Chairman, but thank you for the chance to address the committee.

• (1110)

The Chair: Thank you very much. There were some great ideas and suggestions that I'm sure we'll have some questions on when we get into that part of the meeting.

Now we have Murad Al-Katib.

The floor is yours, sir.

Mr. Murad Al-Katib (Chair, Small and Medium-Sized Enterprises Advisory Board): Thank you very much for tying me in from Regina today.

To start off, Mr. Chair, what I would like to do is give a little bit of a background to committee members on my background and my perspective on what I'd like to talk about today.

I am sitting here as the chair of the SME advisory council for the international trade minister and the Department of Foreign Affairs and International Trade. What I'd really like to talk about is my experience and perspective as an SME growing my global business over the last decade.

If I take a step backwards, I'm actually an entrepreneur. My first job out of university was with the Trade Commissioner Service. I spent a short-term assignment at the Canadian embassy in Washington and then spent eight years on the international trade promotion side of the Saskatchewan government prior to starting my own company in 2001.

I'm going to come with a unique perspective as someone who has been involved with international trade promotion from a government service perspective, but also as someone who has been very actively involved in building a global business.

My company today, Alliance Grain Traders, is headquartered in Regina. We started in 2001 with a blank sheet of paper and a business plan to build a global value-added processor of lentils, peas, chickpeas, and beans.

We built a processing plant in Regina, Saskatchewan, which we commissioned in 2003. Since 2003, in the last eight years we've expanded that one processing plant to 29 processing plants located in five continents around the world. We are now an exporter to 108 countries around the world, exporting value-added peas, lentils, chickpeas, beans, durum wheat products, pasta products, rice, and other value-added food items.

What I want to start with is a little bit of a perspective. The world is now an open market to SMEs. When we look at the openness of the world market, we look at the advent of communication technologies, which has really opened up the perspective and access of SMEs to emerging markets around the world. We have the Internet. We have communication, email, and all types of mobile devices that allow us to be connected with our customers around the world.

However, when we look at the Canadian economy, it's very striking that we continue to see a strong reliance on the U.S. market in terms of a total percentage of our exports, which of course isn't a surprising scenario with the large market that's our neighbour right to the south.

However, it's very apparent that as we continue to expand our global reach around the world, emerging markets and new market opportunities must be a focus of the Canadian economy to be able to achieve the growth and prosperity agenda that we've set forward for the coming decades.

Net export revenue international customers are really what create value for our economy and for SMEs. When we look at that value creation, we have to examine how to access markets. When we look at how to access markets, we see a number of key critical elements. When we look at the governmental agenda today, we see many aspects of this. One is the bilateral free trade agenda, including market access, both on a tariff and non-tariff trade barrier side, and taking control of that agenda from a Canadian perspective. Driving market priorities out to different markets is, I think, a very key part of accessing markets for our SMEs.

When we look at the openness and the vastness of the global market, support services to SMEs, as they go into non-traditional markets, are a very critical element of success for Canadian businesses abroad. When we look at what we expect to have for SMEs, we see that really need to continue to build those road maps to qualified buyers, qualified projects, qualified partners, and qualified opportunities and markets around the world.

When we look at another element of market access and how to access markets, we see that regulatory issues in emerging markets are a big and complex issue that may be beyond the resources of any individual SME, although collectively, when we look at tackling those issues, we have a lot of strength in terms of a Canadian approach to looking at those things. Then, of course, we have the very critical elements of dispute resolution and problem resolution in markets that are very far away.

When I look at it overall, the Trade Commissioner Service, to our business, is really an extension of our sales and marketing force around the world.

● (1115)

For any one SME, to have salespeople and marketing people who understand the local economy, the regulatory environment, and the players in each individual market and each region of the world is not something we can do all on our own. A collective approach, a Canadian approach, in these markets gives us a significant market access advantage over our competitors.

My company, Alliance Grain, with processing plants throughout the northern-tier states of the U.S. as well as a plant in China, four plants in Australia, South Africa, Turkey, and four plants and operations in Europe, has access to many different trade promotion agencies and support services. I can tell you that when I travel 180 days a year into emerging markets, my only stop is the Canadian high commissions and consulates and embassies abroad. We have built a network and a system whereby we are really head and shoulders above our market competition in the world in terms of the services we offer.

We do have our challenges, though, in terms of the Trade Commissioner Service. I think the consistency of service from embassy to embassy abroad is something that we definitely need to work on. We need to look at the interaction of Canada-based officers and locally engaged staff to ensure that we have the proper mix of local knowledge and Canadian economy knowledge to get results.

I'm very much a results-based management person, as many private business people are. We are everywhere today. As Glen mentioned in his presentation earlier, I think there's certainly a lot of room to look at resources: where they're allocated today, where they need to be expanded, where we're going to get the biggest bang for our buck. When we look at the market access priorities, the emerging markets of the world—the BRIC countries of Brazil, Russia, India, and China—and then we look at emerging regional economic powers, we see the world is changing over the last decade. Countries on our radar screen today are countries like Turkey. That country is now achieving very different prominence post-Arab Spring. As a financial and economic centre in a region of relative instability, it's become a very stable force to allow us market access in that region.

There are also countries like the United Arab Emirates and Dubai—the transformational story of the UAE as a logistics, finance, and transportation centre for the GCC countries and for the Middle East region. These are the types of economic realities that are emerging, along with a large opportunity for Canadian businesses.

In relation to the free trade agenda, one of the things we continue to communicate to the department is the need to ensure that we are commercializing the FTAs. It's one thing to sign them; it's another thing to actually bring the benefits home. In terms of the ability to commercialize the free trade agreements and the bilateral agenda, we need to ensure that we have commercialization frameworks that can be developed and replicated to ensure that we're bringing home the economic advantage of those particular agreements around the world.

Glen mentioned the integrative trade model. One of the things we continue at our committee to be very vocal on is the need and the requirement to recognize that Canadian direct investment abroad is a very important aspect of the competitiveness agenda of Canadian exporters. When I started trade promotion 17 years ago, say, in government it was all about export and it was all about import. Well, today it's about value chains, as Glen mentioned. It's about establishing those types of partnerships and investments abroad that make us very competitive.

To further the competitiveness agenda, the Trade Commissioner Service is an essential element of the economic agenda of this country. An opportunity exists with the global footprint we've established; if we refine it and tune it and put it into action, it can certainly be a very critical part of delivering the economic agenda.

The Trade Commissioner Service at EDC is of tremendous advantage to exporters and international businesses in this country. If we couple the footprint that we've developed, the recognition of the integrative model, and the support services to our exporters today with the EDC support on the credit insurance and financing side of things, we again are in a position where we don't have competition on that basis.

• (1120)

It's a great benefit that EDC and the others are commercially self-sustaining, meaning we don't need taxpayer dollars to subsidize it. We look at that advantage. It's real, it's created, and it can continue to be expanded.

An aggressive FTA, the free trade agenda, is certainly an element of competitiveness. In terms of the multilateral negotiations that we continue to be part of, we have to achieve consensus with many other countries to drive an agenda. We're only one voice in that, but in a bilateral free trade agenda, we get to pick our spots. We get to drive the agenda. If we commercialize it, we get to bring those benefits home. As a businessperson, I am very supportive of that type of initiative.

The focus on international partnerships in research and development, manufacturing, distribution, and value-added economic activity is an essential part of what the Trade Commissioner Service does for us. They are the eyes and ears out there in the world.

As a wrap-up, I want to give you a couple of other quick perspectives.

We went from being an exporter that did our first \$10,000 of revenue in 2003 on the export side to around \$800 million of export in 2011. It was very quick growth in a short nine years of history. We even got to a point where we thought we were big enough to not need the Trade Commissioner Service as we were growing up, but it has become very apparent to me that as we get bigger, our problems are just more complex.

I'll give you a very good example. We export a large amount of product to Algeria. It's a very big consumption market for Canadian green lentils. We recently—let's say two years ago—had a problem. A very small shipment of lentils ended up in a customs problem on the import side when an importer actually went bankrupt. As a result of customs rules, we couldn't free that cargo from the grasp of the Algerian customs. We worked for over 13 months to resolve a small

problem. Finally, with some advice from our colleagues at Foreign Affairs, we contacted our embassy in Algiers, and within 13 days—not 13 months—our containers were released, our problem was solved, and we were able to continue on with our business.

It continued to illustrate to me the breadth and depth of the local contacts of some of our offices to allow us to solve problems.

I think, Mr. Chair, I'm going to leave it there. I would be happy to answer questions from any of the committee members.

The Chair: Thank you very much for that input.

We will now turn to the question and answer portion of the meeting. We will start with Mr. Côté.

[Translation]

Mr. Raymond Côté (Beauport—Limoulou, NDP): Thank you, Mr. Chair.

My first question is for Mr. Al-Katib.

Congratulations on your success. The progress your company has made is most impressive. I must admit that I was somewhat surprised when I saw the initial figures for Alliance Grain Traders Inc.

Your testimony was very interesting for a few reasons. As you stated clearly, it is all very well to sign a free trade agreement, but marketing has to be supported as well. I think your point of view is particularly relevant.

The products you supply are basic agricultural products. If I understand correctly—and perhaps Mr. Hodgson will also be able to address this—we constantly wonder to what extent Canada's international transactions with its partners are profitable under a free-trade agreement. This is a concern to us. I am my party's critic on small enterprise and tourism. We are concerned about the value added to products, which nevertheless creates jobs. This may also be lucrative financially and secure us a competitive position.

Could you please speak a little more about this? Obviously, I don't know how much you can say about the value added to your products.

• (1125)

[English]

Mr. Murad Al-Katib: I certainly could give you a perspective. In our company, our whole founding, as with many SMEs today, was on a basis of origin-based processing.

When we look at the creation of value in our sector and in many other sectors, we're really looking at how we differentiate our products to take them higher up the value chain and create wealth and jobs and opportunity here. When I was a young trade officer in the Saskatchewan government, lentils were a crop that was growing in acreage in western Canada. In Canada we were only cleaning the sticks, stones, dirt, and dust from this product and shipping all of the value to other markets, where they were splitting, processing, and making food products out of them. Our vision was about how we could build processing plants at the origin and how we could brand our products to take advantage of the high-quality reputation and the food safety that we can deliver from the Canadian marketplace.

When I look at the overall value-creation proposition, I think we all have to recognize one thing: we are an economy that is heavily weighted to commodities today. The opportunity that exists is all about creating products and finding market niches within the large number of emerging markets in the world where people will pay an economic value that makes it viable for us to do it here.

I just returned last week from India. India is the largest consumption market in the world for pulse crops—lentils, peas, chickpeas. In terms of the quality standards in these emerging markets, as incomes rise, the quality standards are going higher. This is playing directly into what I consider to be a Canadian competitive advantage, in that we are able to be very competitive because our raw materials are of very high quality and we have very strong technology. We have developed highly mechanized systems for creating safe food products that are put into tamper-proof containers and shipped to 108 countries around the world. We see these types of opportunities existing in manufactured goods, we see them in the agricultural value-added sector, and we see them in all other types of sectors.

On the free trade agreement side, though, as you say, it's well and good to sign agreements, but we want a commercialization framework to identify sectors of the economy that can benefit from enhanced market access and tariff-level playing fields that have been created as a result of that.

In our committee we have been urging DFAIT to develop a framework. It could be revised agreement by agreement, but it would be at least a general framework of awareness of the agreement and provide identification of key sectors of opportunity. A road map for commercialization success is a critical element in showing that benefit, not only to the large companies but also to companies that are creating jobs in regions all over this country.

We see ourselves as a company that others can look to, a company that has done it. We're an example.

The Chair: Thank you very much.

I would ask that the questions and answers be a little tighter. We'll get more of them in.

We'll now move to Mr. Holder.

Mr. Ed Holder (London West, CPC): Thank you, Chair. Thank you to our guests for being here today.

I'll start with Mr. Al-Katib because of the comment he just made, and then I'll go to Mr. Hodgson.

A couple of times, first in your formal comments and then in responding to Mr. Côté's question about the extent to which these free trade agreements are profitable, you came back to the point that what we need is a commercialization framework. You said that could be done agreement by agreement. I guess that depends on what country we're dealing with and what products and services we have that might interest them. I appreciate that focus.

As a broad comment, without trying to sound trite about this, do you generally support the approach we've taken in terms of opening up more markets through the free trade agreements? We've had a pretty aggressive free trade strategy; do you think that makes a lot of sense for your business and for business in Canada?

• (1130)

Mr. Murad Al-Katib: There is no way to allow SMEs to access a level playing field without taking an influence or a control position on our bilateral relations, so I can say unequivocally that free trade agreements will create economic advantage for SMEs.

The commercialization framework comment was that we cannot put it into a box. Not every agreement can be commercialized in the same way, and we need to recognize the distinct opportunities in each one. However, I think the general framework of how to commercialize and the use of the Trade Commissioner Service as a key element are a very important parts of the strategy.

Mr. Ed Holder: I appreciate that, because I wanted to give more clarity to Mr. Côté's good question. I think you've helped us better understand that importance. I may come back if time allows.

Mr. Hodgson, you spent some time talking about integrative trade, which is, I must admit, not a term I've heard before, but I certainly understand global value chains. I get that. You made reference particularly to products that go back and forth the way they do in the auto industry, and you talked about value-added trade.

You said that our trade commissioners need to be in emerging markets and markets with high potential. How are we doing in that, aside from saying just generally, "Oh, we're doing great"? From what I heard Mr. Al-Katib saying about his products and services, I got a sense there wasn't always consistency among our trade commissioners.

In your opinion, since you are the Conference Board guru, how are we doing, and how would you improve it if you could?

Mr. Glen Hodgson: Mr. Holder, I don't get called a guru very often, so thank you very much. I think it was a compliment.

We haven't done deep research on the TCS itself, but I have a general sense that we're still very much wedded to the traditional markets. That's where the big volumes are. There is a bit of a debate between volumes and growth potential, and clearly the growth potential is in emerging markets.

As we develop the positioning of trade commissioners around the world, whether it's just moving people around or increasing their numbers, I would like to see a bias in favour of emerging markets. I would like to see more and more people who actually develop deep knowledge of how to do business in the Middle East, in South Asia, in Africa, and in Southeast Asia, because that's where the high-growth potential is. China is a market of 1.4 billion people; imagine how many offices we could have in cities of more than five million people in China, because here's a plethora of those.

Historically Canada has been served very well by our trade with the Americans, with the Europeans, and to a lesser extent with Japan, but now we see the balance shifting more and more towards emerging markets. I think there should be a bias in favour of resource reallocation towards those places with high growth potential.

Mr. Ed Holder: You also made a comment that we don't do debriefings with our trade commissioners. Can you expand on that? I'm wondering why we don't, if we have such a valuable service. I've heard from Mr. Al-Katib how it matters to his business, and I can tell you on behalf of businesses in my city of London, Ontario, that what they do matters out in the world. How do we evaluate their role? Do you have any sense of that at all?

Mr. Glen Hodgson: Everybody has objectives, whether they're within governments or private organizations or on their own. We all have objectives. I would like to see those objectives standardized across the whole service, and I would like us to find different tools to actually share the information.

Knowledge capture is one of the great challenges of the modern age, isn't it? How do we actually take the knowledge that people have on-site and share it across the whole system? I don't think you can ever overinvest in good communication, in such things as the sharing of ideas, sensitization of practice, or evaluation of people's engagement skills or negotiation skills. Knowledge of markets is not the only thing that matters anymore; it's actually knowledge of people and how to get things done that matters, and ensuring that there is that standardized practice within the Trade Commissioner Service.

Mr. Ed Holder: What you've said is valuable, and I appreciate that.

Mr. Al-Katib, you're the chair of the SME Advisory Board, so that makes you a fairly important person. It strikes me that if there's a challenge regarding how to take advantage of trade agreements, it's really probably greater for small and medium-sized enterprises because they may not have the same resources that a larger firm has.

Frankly, I'm not sure I understand the organization really well, and maybe someone else will get to that as a question, but you're the chair of this thing, so how do you communicate the role of the trade commissioner and how the TCS can help small and medium-sized businesses, not just in the fine city of Regina but right across the country?

• (1135)

Mr. Murad Al-Katib: We talk about the global footprint, but I think one of the things we have to recognize is that along with the global footprint is a footprint of regional offices across Canada, which are now a part of the Trade Commissioner Service. These local offices are very important to communicating with the great city of London, in your constituency.

We've continued to push the department for enhanced communication mechanisms to filter and to properly target information back to the regional offices to actually touch SMEs.

One of the initiatives of the department is to have a sector-based approach and sector practice teams to be able to develop expertise that actually gets to specific clusters and groups within different regions of Canada. These are very important parts of the whole commercialization framework for the FTAs that I mentioned earlier.

When I look at the other initiatives—let's say China and India, which have been mentioned—there have actually been specific SME-focused initiatives. For instance, an SME initiative focused on protection of intellectual property in China is one that has been

heralded as a model to be replicated in other particular key issues targeting SMEs.

It's a long road, but I think progress is certainly being made.

The Chair: Thank you very much.

Go ahead, Mr. MacAulay.

Hon. Lawrence MacAulay (Cardigan, Lib.): Thank you. Being new, Mr. Chairman, I thank you.

The Chair: You're not new.

Hon. Lawrence MacAulay: I'm not new, but I'm new on this committee. I've been recycled.

The Chair: I would say you're new and improved.

Voices: Oh, oh!

Hon. Lawrence MacAulay: Anyhow, Mr. Al-Katib, you mentioned the Trade Commissioner Service. Do we have adequate trade commissioner services in China and India? I would also like you to elaborate on your talk about the trade deals, which are so important, and the framework that follows them. What do we need to do to help the small and medium-sized businesses obtain markets in these countries?

You also mentioned the collective approach. I'm not sure I understand exactly what you mean. Is that from here?

In addition, you mentioned partnerships abroad. I'd like you to elaborate on that if you could.

Mr. Murad Al-Katib: Let me start with whether our footprint is adequate.

We're talking about constrained resources within the public sector. We're talking about resource reallocations, budgets being under pressure, so we need to look at doing more with less. We need to look at whether we need to have fully staffed Canadian positions in certain countries in West Africa. I'm not picking on West Africa, but we need to compare that with the possibility of applying more resources in China, India, Brazil, and regional centres like the Emirates and Turkey, as well as other places where we have that bang-for-our-buck opportunity. A centralized, regional approach has been looked at and needs to be looked at further. We can't be everywhere. We have to figure out where to be to get that return on our investment.

When I look at the SME side, looking at partnerships and global value chains, it's about Canadian businesses invested in processing or assembly plants. It's about having partnerships on research and development where we, as SMEs, aren't replicating what others are already doing. We have to be able to use these things to our commercial advantage.

The Trade Commissioner Service is an important sounding board and an important qualifier of partnership opportunities. When you walk into a country where you don't speak the language and where there is a complex regulatory environment, you don't even know where to start. The TCS gives you a starting point. It doesn't make decisions for SMEs, but it gives them the information to help them make their decisions. That's how we make sure that prosperity comes back to regional locations in the country.

Hon. Lawrence MacAulay: You mentioned dispute settlement mechanisms. I'm from Prince Edward Island, which is big in potatoes and fish, and sometimes we have trouble with one of the biggest deals we've ever had with the U.S. Are the dispute settlement mechanisms put in place the way they should be? Are there any suggestions you could give to government that would make it easier for companies? If it's canned or packaged, it can last, but with potatoes or tulips—we even export tulips from Prince Edward Island—we can have great difficulty with these dispute settlement mechanisms.

Is it as good as it can be? Do you think the government should take a look at setting that up in a different way?

We get criticism on the Canada-U.S. dispute settlement mechanism. It's the giant and the mouse. There can be a bit of that too.

I'd like your comments on it.

• (1140)

Mr. Murad Al-Katib: I'm always in favour of having a mechanism that allows us to at least influence the agenda. The free trade agreements at least give us the opportunity to examine tariff and non-tariff trade barriers and market access issues and to establish a dispute resolution mechanism. Without a bilateral agreement, we have no chance. To me as a private business person, taking control of our own agenda gives me an advantage over not having anything. We think that's a positive thing.

The other side is that the Trade Commissioner Service allows us to know what the rules are in these countries. They're very complex. When the disputes involve customs and regulations, the service can give us access to government officials whom we, as SMEs in Canada, would otherwise have no chance of reaching. In my Algerian example, the embassy was able to reach the head of the health authority and get him to recognize that there was no problem with this shipment, and the shipment was let in. We could not get that access as an SME.

Hon. Lawrence MacAulay: I agree that you have to have dispute settlement mechanisms. I was just wondering if there was some way that they could be speeded up, because I know we have some trouble with perishable products like tulips.

Anyway, thank you, Mr. Chairman.

The Chair: Thank you very much.

We'll now move to Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

Thanks to both of you for being here.

I want to follow up on a couple of comments that were made. I'll start with Mr. Hodgson.

You talk about incenting the trade commissioners and the work they do, and evaluating negotiating skills and interpersonal skills. The challenge that I've seen in this—and I've had years, even before this committee, in international trade—is that the trade commissioners themselves have a two- to three-year term in a given location before they're moved on to their next assignment. They develop relationships during that period of time; then they transition to a new place, and it starts all over again. Perhaps it takes them a year just to get settled, and then, in the last six months of their term, they're already looking ahead to making transitions for their families, so they're really there, fully present and connected, for about a year and a half.

If you're going to incent these individuals to build the kinds of relationships you're talking about and develop these interpersonal skills and that sort of thing, how do we transfer that knowledge? How do you transfer the value of a relationship from one trade commissioner to the next when it's very, very personal?

Mr. Glen Hodgson: That's a great question. I think DFAIT struggles with those exact issues almost every day, the issues of how long the term should be and how to ensure that the relationships are passed from one to the other.

One of the ways, for example, is more and more.... It's quite obvious that Canada-based staff are much more expensive than locally engaged staff, so can you hire a cadre of very well qualified local staff who become a bit of a store of knowledge in the location, knowing that they may not have the same absolute loyalty to Canada but that they're pretty good resources?

My wife actually worked as a locally engaged person for a foreign embassy in Washington when we were there, and she served them very well. It's an example of how, if you find the right individuals, they can be a bit of the continuity.

However, that's the ongoing challenge. At a time when budgets are being cut as well, having Canada-based staff abroad is very expensive. We're talking about a quarter of a million to a half a million dollars a head to have people out there.

You're right that there's something to be said for having maybe one more year added to the stay, but the real challenge is the one you pointed out, which is how to actually share all their contacts and relationships. I would hope that perhaps the locally engaged staff might provide a bit of continuity. I've seen some very good local people operate that way.

Mr. Russ Hiebert: Yes, and it's true that they do have some potential, but the challenge for locally engaged staff is that unless they're of a rank of significance, they won't have access to the same people that the trade commissioners have access to, because the trade commissioners represent Canada. They have those ties to the government, and that's an attraction to foreign ministers, whether provincial, state, or federal.

Mr. Glen Hodgson: You're absolutely right. I see that when I engage embassies here in Ottawa. The rotational staff have more influence and more clout. They have a better title. They're actually wedded to the foreign ministry of the government. They have a way to influence files that the local staff just can't touch, frankly, but there is at least a continuity of the knowledge base there.

• (1145)

Mr. Russ Hiebert: Yes.

Mr. Al-Katib, I'd be interested in your comments on that same question, but I'd also throw this into the mix: which countries?

You've named a number of countries that you're involved in and you've identified a few that you see as emerging markets, but for the benefit of the trade committee here, I'd like to get your sense as to where we should be present and where we should have a greater presence. You're in 108 countries. You probably have a pretty good idea.

Mr. Murad Al-Katib: On the first point, I echo Glen's comments. Locally engaged staff are becoming more and more important in our interactions with our embassies abroad. Effective, locally engaged staff utilize the Canadian officer to get that access, and it continues to give, no matter who the officer is. I see that recognition from the Canada-based staff too, the recognition that their time is short and that they need to leverage local relationships to make sure that they get the access and the impact that they want. I see that as being a key strategy.

When I look at where we need to be, I see India and China as two countries that continue to need more focus. When we look at those particular opportunities, we already see the footprint expanding dramatically in both countries for our Trade Commissioner Service.

We also see, as Glen mentioned earlier, that we have regions of China that are considered C-list regions in terms of size, yet they are still larger than the population of Canada. There's an opportunity there that everybody isn't focusing on, and that's where we create niches for SMEs. We like that type of regional approach, going to the second-tier cities to ensure that we have more access in those particular regions, because we are competing for opportunities in Beijing and Shanghai with every other country in the world. We are competing for access for the government and for the other private opportunities that exist there, but when we go to a second-tier city, we don't have that same type of thing.

I mentioned as well Latin American focuses. We need to follow our regional trade agreements whereby we have Colombia, Peru, and that region. Of course, we can't ignore Brazil and Russia. I look at all of this.

We talk about the emerging markets, but let's also not slight the opportunities that exist in comprehensive economic partnership agreements like the European agreement that is being negotiated. That is a very significant agreement for this country.

The Chair: Thank you very much.

We'll move to Mr. Côté, then we'll have one more questioner, who will be Mr. Shipley.

[Translation]

Mr. Raymond Côté: Thank you, Mr. Chair.

Mr. Al-Katib, I don't want to forget something before I move on to another question.

You are the chair of the small and medium enterprises advisory committee. I was surprised to learn that the list of members is not public. I wanted to ask you who decided that and if it was possible to provide our committee with that list.

[English]

Mr. Murad Al-Katib: Certainly; there is no problem there—
[Technical difficulty—Editor]

The Chair: We lost the sound on this end, for whatever reason.

We can hear you now. Go ahead.

Mr. Murad Al-Katib: The board members are a matter of public record, so we can have that list provided to the committee by the Department of Foreign Affairs and International Trade. There are 15 business people from across the country with a broad representation from coast to coast, and there is a sector focus to ensure that there is a balance between manufactured goods sectors, physical goods, and professional services. We also have representatives from women-owned businesses and others. In addition, we have advisers or observers, such as the Canadian Manufacturers and Exporters, CFIB, and others.

It is a very effective committee. We have a big transition in membership going on now with, I think, eight new members to be appointed by the minister. I will be chair until May 2013.

• (1150)

[Translation]

Mr. Raymond Côté: Okay.

Can the list be made public or does it have to remain confidential?

[English]

Mr. Murad Al-Katib: Absolutely. There is no problem with the list being public. We will have that list provided to the members of the committee. This is not a confidential issue.

[Translation]

Mr. Raymond Côté: Thank you very much, Mr. Al-Katib.

Mr. Hodgson, I would like to come back to the issue of marketing and our competitive position. We have had a negative trade balance for a very long time. It's actually a strong trend, which is also fairly worrisome.

I would like to make a link with tourism. You know that Canada has an excellent brand image when it comes to tourism. Unfortunately, probably because of marketing inadequacies and some negligence, the clientele is in strong decline.

We can ask ourselves whether NAFTA might have encouraged that trend and conclude that we were monkeying around by signing this type of agreement without ensuring how we would deal with the challenges it presents.

Do you think we are doing enough to support the marketing of our entrepreneurs under free-trade agreements? Should we be doing more?

[English]

Mr. Glen Hodgson: The trade balance has changed for Canada principally, I would say, because the exchange rate has moved so significantly over the last five or six years.

Our exporters were benefiting from having the dollar at around 70¢ until about 2005. At that point, the Chinese entry into the world economy began to impact commodity prices, and the dollar soared. We're now at par, so adapting to the exchange rate is one of the critical challenges for our export community, and it's something that the TCS is well aware of. That's one factor in changing the trade balance.

Of course, the U.S. has gone through a financial crisis and has had a very slow recovery over the last three years. That has meant much weaker export demand in the United States, so that's another factor. I also think that we were probably slow to seize the opportunity of diversification of our trade over the last decade or so, although we're now catching up. There are a variety of factors, a lot of them external to Canada.

The strong dollar... We've had the benefit of strong commodity prices, so in those sectors the trade balance is in very nice shape. You're seeing strong export potential out of the resource sectors, but for a lot of the rest of the economy, the combination of the U.S. financial meltdown and slow recovery and the dollar effect have contributed.

I think the NAFTA has actually preserved our market share or our presence in the U.S. It was really a critical piece to ensure we were still a player. It would have been very hard for us to push back in Buy America, for example, if we didn't have a free trade agreement with the United States.

Our challenge with the Americans is actually to go deeper, so we're quite pleased that the government is working with the Obama administration in looking at expanding the security perimeter, dealing with regulation, and going beyond NAFTA, which was very much a tariff-based agreement, and getting into the quite hard issues of non-tariff barriers. I think that's actually preserved our market presence rather than hurt us.

The Chair: Okay. Thank you very much.

Go ahead, Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you.

Mr. Hodgson, one of the things has always been how to sell Canada to the rest of the world. If only they knew, we provide quality products, we're reliable, and we have a stable government. All those things are important to many countries. I think of broadening our vision and our objective as a country to help businesses, mainly the small and medium-sized businesses in this country that make it work. I'd appreciate your comments on that idea.

Mr. Al-Katib, you talked about growth in your company, and sometimes keeping the management up with the amount of growth. You indicated later having a product held in Algeria. Who helped you determine the value-added for your company when you were growing? Could you tell us how small businesses might look at it? If

you've got a bare product, a primary product, you needed to see lots of opportunities. How did that happen?

Mr. Murad Al-Katib: Glen, do you want to go first, or do you want me to go first?

Mr. Glen Hodgson: You've done a superb job so far.

Mr. Murad Al-Katib: Okay.

Ultimately, the advice I give to SMEs always is that there needs to be a focus to your business. You can't be in 108 countries at the same time. We were benefiting from a program that was focused on export at first, and then we identified assets and customers that we actually went out and acquired. The growth of our company was a bit of what I call a distribution-push strategy, where we looked at building global distribution for our finished products, and that drove the growth of our overall volume.

We're not a usual circumstance, but we are certainly a model to show that in little old Saskatchewan we became a globally successful company by paying attention to, as Glen mentioned earlier, the value chain. It was all about quality product, branding, taking advantage of the Canadian image, using the Trade Commissioner Service to help us to identify barriers, and then using our customers around the world to push our product into markets. Once you deliver the product into markets, you deliver value to your customer. It grows if you do it right.

Part of it is also risk management. I think that a big part of what the Trade Commissioner Service does for SMEs is provide them with the information to manage their risks and understand them. I think that's a critical element of success.

• (1155)

Mr. Bev Shipley: How do you get communication out from the advisory board to small businesses? The majority of the businesses in our country are small and medium-sized. How do you transfer that information to them? You mentioned that with your situation in Algeria, it was knowing who to go to and how to get the job done. How do you let small businesses know about the TCS?

Mr. Murad Al-Katib: As I said to you, in our push to the department, the regional offices are the critical link to the SMEs. We can't expect every embassy in the world to communicate directly with every region in Canada, but we can expect the regional offices to know their region and to develop communication technologies and outreach programs. It's also about the Trade Commissioner Service linking with other associations and industry groups that already exist.

We're pushing very strongly about having no duplication, no replication. Industry associations that are active need to be engaged to spread the message. We need to partner more to ensure we get that message out.

Again, in my business, if we generate a sales opportunity but my guys don't follow up and make it into a sale that we make money on, it's all for naught.

It's the same thing when it comes to signing bilateral agreements or having international offices abroad: if we don't deliver and bring home the value, we're actually spending money for nothing.

The Chair: Do you have anything to add, Mr. Hodgson? No? Okay.

I want to thank the witnesses for a very interesting hour.

We appreciate you in Saskatchewan. I see the sun shining through the window on your face there, so it must be a great day.

Thank you.

Mr. Murad Al-Katib: It's always a great day in Saskatchewan.

The Chair: Yes, I know. It's almost like you're an Albertan these days.

Thank you for sharing with us through the teleconference, Mr. Al-Katib, and thank you, Mr. Hodgson.

We will suspend now to set up our other panel.

Thank you.

• (1155) _____ (Pause) _____

• (1200)

I call the meeting back to order.

We have two witnesses for this hour. We'll start with Mr. Poloz, the president and CEO from Export Development Canada.

Thank you for coming. The floor is yours, sir.

Mr. Stephen Poloz (President and Chief Executive Officer, Export Development Canada): Thank you very much.

Good afternoon, everyone. I appreciate the opportunity to be here today.

[Translation]

I recognize some familiar faces around the table from my previous appearances, but this my first time here since being appointed EDC president.

[English]

I have just a few opening remarks; I'd rather focus on your questions. Please feel free to pose those questions either in English or in French.

Here is a brief introduction to EDC as a lead-in to how we interact with the Canadian Trade Commissioner Service, if I may. Obviously EDC is Canada's official export credit agency. It's a crown corporation, but importantly, it's a commercial export credit agency, which means it's self-sustaining; it earns a profit each year. It provides trade finance and insurance services to Canadian companies so that they can grow their international business with lower risk.

"Commercial" is quite literal. It means that we price our services according to market prices, whether it's a loan or whether it's insurance. The profits we earn doing that, of course, are automatically folded into the government's fiscal statements. EDC pays a dividend to the government quite frequently and has cumulatively paid over \$1 billion in dividends.

We also operate under what I call a partnership-preferred philosophy. This is in the sense of partnering with the private sector whenever possible so that we ensure we are complementing the

private sector's own products and services in the marketplace, not stepping on its toes, crowding it out, or doing things that the private sector otherwise would do. To me this represents good basic policy-making. It means we're complementing the private sector in a way that allows the private sector to evolve through time and do, perhaps, more and more of the activities in that space as it develops its business. It allows the policy-maker to back away and do other things that therefore need doing.

If I could give you an illustration, last year EDC did approximately 1,000 new loans. I think the number actually, for the record, is 937. I hope I'm not misspeaking, Mr. Chair. Of those 937 loans, 86% were partnered with the private sector, so some of the risk was borne by the private sector, and the private sector institution was the face of the transaction with the exporting company. We think that's a very important way to operate.

EDC does a lot of facilitation of Canada's trade, but we also use our tools and our networks to create Canadian trade. There's an important distinction between those two things. It's in that space where we work most closely with the Trade Commissioner Service. We work very closely with it every single day, both abroad and domestically. This activity is highly complementary between the two organizations. We're combining market intelligence with networks, with relationships with foreign companies or with domestic companies, and combining all those things together in a matchmaking kind of process, which means more Canadian trade tomorrow. Along that way, eventually someone may need a financial solution, and that's where EDC brings comes into play, but a lot of the front end is done very intensively in collaboration with the Trade Commissioner Service.

I'll give an example and then I'll stop. EDC will build a financial relationship with a big foreign buyer in a country like, let's say, India. We'll establish that relationship first of all in a collegial manner, but eventually in a financial manner, and in exchange for an understanding that the foreign buyer will build its Canadian trade linkages—in other words, it will add more Canadian companies to its procurement list and actually procure from them. Working with the Trade Commissioner Service, EDC, both here and abroad, will then bring targeted Canadian companies to the attention of that foreign buyer with whom we have established this financial relationship. That, of course, builds a bridge along which trade happens year after year afterwards.

We operate in 16 foreign representations, which is a very small number compared to where our trade commissioners work. They have a much greater reach than we have, and so we go to them in the vast majority of cases, but when we are in the same city, we work in the office right next door and work together at the same receptions, the same trade shows, the same companies, etc.

Mr. Chair, I'll stop there.

• (1205)

[Translation]

Thank you for your attention. I will be pleased to respond to your questions.

[English]

The Chair: Thank you very much.

We now have Mr. Peter Clark, who is the president of Grey, Clark, Shih and Associates Limited.

Thank you for coming in. The floor is yours.

Mr. Peter Clark (President, Grey, Clark, Shih and Associates Limited): Thank you, sir.

I would like to talk to you a little bit today about the Trade Commissioner Service and its evolution in the ever-evolving trade dynamics around the world that Canadians have to cope with and that they have to cope with. You have heard good things about the Trade Commissioner Service in your earlier meetings. I really don't have anything to contradict that, and wouldn't want to.

I have been working with trade commissioners for many years. It has been interesting to see how the service has evolved. Strangely enough, for a former officer of the Department of Finance, I think that there is a serious risk that if you try to cut back budgets for the Trade Commissioner Service, it will be very penny-wise and pound foolish. The Trade Commissioner Service needs more resources, not less.

We have a basic change in the focus of our exports in terms of what's happening in the United States. The weak economy is only one part of it. The strong loonie you have heard about already, so I won't go into that. That's a particularly dangerous problem in the United States. The other side of it is the United States' very aggressive export policies. When President Obama says he's going to double exports in four years, trade isn't increasing at that rate. Those increased exports from the United States are going to come out of somebody else's hide, and we're the closest available hide. We need to look at that.

We also need to look at what the United States is doing to attract manufacturing jobs and manufacturing back to the United States through tax policies, if they ever materialize, because essentially that's a beggar-thy-neighbour policy. We've seen it happen not so much on the tax side but on locational subsidies, such as the Electrolux plant being pulled out of l'Assomption and moved to Memphis. They gave them \$179 million to build a \$181 million plant. It's pretty hard to compete with that.

We need a strong Trade Commissioner Service to help us to attract exports. We need it to help track investment. We're also in an environment where if you're not inside a big trading group, you're outside. You're at a disadvantage. You're being discriminated against. You are a least-favoured nation. That hurts a lot, if you are an agricultural or commodity exporter. If it's rocks and logs, it doesn't hurt at all, because they are mostly duty free, but when you get into products like beef and pork, it's a really serious problem. We were in a coma with Korea for three and a half years; the United States, which was there with free trade, is now eating up our \$250 million in exports. Commodities are very tough.

Where the Trade Commissioner Service can help is with small and medium-sized businesses. It can help with businesses that have innovative products, that have high tech, that have high value-added where the tariff is either lower than it is for agricultural products or where the uniqueness gives us an advantage that puts us back on an even footing.

The Trade Commissioner Service on the ground, supported by locally engaged staff, is essential. We really do have to take a look at where we place our resources. We have to make sure there are enough jobs out there to train the new people. A lot of the people who have been there are baby boomers. They are getting ready to retire. How are we going to pass on the expertise? How are we going to pass on the institutional knowledge? There need to be resources.

A question was asked of me: "Why should we do this for business?" My answer is, because everybody else does. If we don't do it, we're going to be at a serious disadvantage. Big companies can look after themselves, but they still find the TCS very helpful to them. I look at things from these perspectives.

Who are we competing with in the United States on agriculture? The Foreign Agricultural Service is massive. It produces reports on countries and products. Now the U.S. Commercial Service in the Department of Commerce is being beefed up, and they play hardball.

We've also had clients who have been trying to get into the Russian market, and they have complained that the Europeans have much better commercial services on the ground in the Russian market than Canada does. That has improved; I used to get a lot of grumbling about our staffing in Russia, but I don't get it anymore. I understand the people who are saying, "Don't rock the boat in Russia; just put some more resources in there." We need it.

• (1210)

That's generally where I'm coming from on this issue. I'd be happy to answer questions for you.

The Chair: Very good. I'm sure we'd be interested in hearing more dialogue.

We'll start with Madame Pécelet.

[*Translation*]

Ms. Ève Pécelet (La Pointe-de-l'Île, NDP): Thank you very much, Mr. Chair.

My questions are for Mr. Clark.

On October 19, 2011, you issued an opinion letter on the free-trade agreement with the European Union. You provided certain opinions about the negotiations.

[*English*]

For example, concerning the rules of origin, you've said that the EU is really not flexible on this issue and that it could deny Canadian products the European Union market. You also mentioned the subsidies.

I would like your comments on what you think of the negotiations and the difference between these and the negotiations during NAFTA, where everything was made public and all the information was given to the public. Now that we don't really know what's being negotiated, I would like to know what Canada will pay. What are the consequences going to be for Canada and for small businesses in Canada?

Mr. Peter Clark: I've said a lot of things about CETA—

Voices: Oh, oh!

Mr. Peter Clark:—then and since then. As a former negotiator, I know that the more you want something, the more you're going to pay for it, and Canada badly needs an agreement with Europe, because there are 27 countries there. It's a major market, and if we're outside, we're least favoured.

Will we pay more? Probably, because we're the *demandeur*, and the *demandeur* always pays more, but what I've also said is that we need the deal. It's short-term pain for long-term gain, because we can't afford to be looking at other people in that market who are ahead of us with preferences. It's the same as in Korea.

What about subsidies? Well, I asked the European negotiator whether they were going to put the common agricultural policy on the table, and he said no. When you don't put the common agricultural policy on the table, then all the Canadians who have to cope with those subsidies are going to be at a disadvantage.

As for the rules of origin, I think Jim Sanford is right. If we don't have a cumulative type of rule of origin allowing us to mix our origin with that of the United States, then there are very few products that we're going to be able to cope with in terms of meeting origin. You might get the duty down to zero, but if you can't meet the origin rule, then you're out of luck.

Now, on NAFTA, we only really use NAFTA rules for about 50% of the products that we send to the United States. Some of them are already duty free and we don't have to. For some of them, we can't meet the origin.

As for the issue of government secrecy, it's very difficult to conduct a negotiation in secret.

•(1215)

Ms. Ève Pécelet: But only 9% of Canadian companies are exporting, actually, as was said

[*Translation*]

...in a report from the Small Business Branch, released in June 2011.

For several years now, our trade balance has been negative. Our exports have dropped. You also mentioned that the small and medium enterprises will have a lot of difficulty adapting to the European Union's regulatory regime, and certainly others will have difficulty competing with the large European companies that will be able to.

I would like to make a connection with the Canadian Trade Commissioner Service. What can it do to help the small and medium enterprises get into the European market? As we know—and we hear it often—one job out of five is related to international trade. What about the other four?

I would also like to mention that Bombardier, which is a large company doing a lot of business with the European Union, has commented on the possibility of positive discrimination. Do you know what that involves? When an invitation to tender is made, positive discrimination is used to give jobs to local companies, which will be impossible under an agreement with the European

Union if European regulations are in place. So what will the consequences of this be on small and medium enterprises in Canada?

[*English*]

Mr. Peter Clark: I've never seen Bombardier really stuck to compete in any market in the world, because they're pretty inventive and pretty adaptable.

The Trade Commissioner Service on the ground in Europe can certainly help people cope with European regulations. I didn't say Canadian small and medium-sized business couldn't, but they would have some difficulty adjusting, because there's a lot of regulation in Europe, and it's different. Small and medium-sized businesses in Canada need the help of duty-free access, to start, and they need the help of a Trade Commissioner Service. Without a Trade Commissioner Service it would be even more difficult for them, because they can't do it on their own resources.

In terms of your question about the jobs and the market, what we do have now is billions and billions of dollars of trade in the European Union. If other people do free trade agreements with Europe, then we're going to be at a disadvantage. Getting there early is first. It's like the first company having dry beer, a long time ago: you got the shelf space, you sold the dry beer, and everybody else played catch-up. I'd rather be first on the shelf than second.

I look at things from the perspective of the glass being half full, not half empty.

The Chair: Thank you very much.

Mr. Cannan is next.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

You mean especially if it's a beer glass, right?

Mr. Peter Clark: Well, I'm diabetic now and can't drink it anymore, but I used to.

Mr. Ron Cannan: Thank you, gentlemen, for being here today and for sharing your wisdom.

As we were talking about the Trade Commissioner Service, I just wanted to compliment Mr. Poloz and EDC on an excellent year. I see from your report on February 27 that you're up 9%.

I represent the Kelowna—Lake Country riding in the Okanagan. It's in central British Columbia, in the southern interior, and we have a lot of small businesses. We have an excellent trade commissioner whom we work with, but the companies could be five to ten employees—they're not billion-dollar companies—so could you clarify the size of SMEs you're working with, some of the services you provide versus what the Trade Commissioner Service provides, and whether there's any overlap? Are there are some areas that we might be able to recommend the TCS refine and be more focused on?

Mr. Stephen Poloz: Certainly, and thank you.

Over 80%, possibly closer to 90%, of the companies we work with in a year are SMEs, the small ones probably being around 80%. The number of medium-sized companies is a fairly small relative to the very large number of small companies that use our services.

Primarily the service they use is what we call accounts receivable insurance. When they have a sale, they may not know the buyer all that well; they're shipping more or less in blind faith, and they may wait 60 to 90 days, sometimes longer, for payment. Effectively, the small company then has to give credit to their buyer during that period while they're waiting for the money, and they don't have the money available to make their next order.

If they approach EDC, EDC can check out the foreign buyer and insure that receivable for a commercially oriented fee. That, of course, takes the risk off the table. The company then is liable for only 10% of that outstanding amount should something go wrong. EDC will pay them 90% of the value of that contract if the buyer fails to pay, and then EDC will go after that buyer to recoup the money if possible. Meanwhile, the company can go to its bank with that insurance policy and receive credit from its bank, because that was an unassured piece of collateral at that point. You can see that the triangular relationship between the exporter, EDC, and their bank works well to help them grow their business.

In terms of overlap with TCS, in the very basic sense there's complete overlap, because they're exactly the same companies. A trade commissioner would ask if they knew about EDC's service; conversely, we'd be suggesting they talk to the trade commissioner down the street or in the next building to grow their sales. There's a very collaborative effort, but what we actually deliver to the company is quite different. It's carefully identified who does what for them.

I hope that gives you a cleaner picture of what we're doing at that small end. As a small company—and I mean really small—you can insure as small a transaction as you like, while if you were to go to a private sector insurer, you would normally be up against having to do a certain amount of business per year or that kind of thing. This is where EDC is filling a gap in the market space.

• (1220)

Mr. Ron Cannan: Thank you. That's a great overview. How many countries did you say you focus on mostly?

Mr. Stephen Poloz: What I said in my remarks—

Mr. Ron Cannan: It was 16, wasn't it?

Mr. Stephen Poloz: We have 16 foreign representations. We actually have people on the ground in 16 cities around the world. We're always housed in a Canadian consulate or a high commission or an embassy. In fact, usually the office is right beside the trade commissioner's office in that foreign country.

If an exporter would like us to work with them in a country that does not have one of our representations, we go somewhere every day with them. When we arrive in town, it may be a town that does not have an EDC representative, but it always has a trade commissioner, so we're immediately connecting with them on the ground in that broader reach of countries.

Mr. Ron Cannan: Maybe both of you could answer. Do you think our trade commissioners are located in the right countries?

Mr. Peter Clark: They're all over the place. If you asked me where I thought we should have more, I'd say China, even though they're beefing it up. I'd say we should probably take another look at

Russia now that they're in the WTO. I would be looking at more in Brazil. Where we need them is in the emerging markets.

I would think we have good representation in the United States, but we're looking at rationalizing it. I think you put your money in expanding markets, not shrinking markets.

Mr. Ron Cannan: I appreciate that and I agree.

Just to follow up, my colleague Mr. Hiebert had an excellent observation on dealing with the South Asian markets. Doing business with those countries is based on relationships. If you have a good relationship, then you do business, whereas in the western world, you do business and if you have a good business relationship, then you build that personal relationship. If you don't, then you sue each other.

With regard to the timing of the trade commissioners in Asia, do you think they should be longer terms or placements?

Mr. Peter Clark: Instead of the usual four years, give them six. That's possible; some countries do that. It's a question of having enough of them to move them around. You can have somebody in Guangdong and then move them to Beijing, or you have somebody in the north of China and then move them to Shanghai. You might do them in double terms or rotate them around a little bit.

You're absolutely right in saying that the key to dealing in Asia is relationships, and patience, patience, patience, because things don't happen quickly. If you look at the difference in their perception of Canada and the United States, a lot of these countries are concerned about investor-state dispute settlement or investor states such as we have in chapter 11 of NAFTA. It's because they don't want to have that kind of agreement with the United States, because it's so litigious. With Canada, it doesn't seem to matter to them as much, and we wouldn't push for it as much. We need to build on that, and it's something they really have to look at in TCS in terms of their career development. It wouldn't hurt.

• (1225)

Mr. Ron Cannan: Thank you very much.

The Chair: Thank you.

Mr. MacAulay is next.

Hon. Lawrence MacAulay: Thank you very much, Mr. Chair.

Welcome to the committee, Mr. Poloz.

I just want to get a little better understanding. You tell me there were 937 loans last year, approximately. That's not all in this country; that's to companies in foreign countries too. When you deal with a foreign country with a loan, what kinds of requirements are upon them in order to make sure that they deal with Canadian countries? There must be restrictions there, or rules they must meet.

Mr. Stephen Poloz: Absolutely, there are rules they must meet. For every transaction that EDC does, it must pass through our Canadian benefits gate, so it must measure up in terms of the benefits it will deliver to Canada. To give you a quick summary, last year we estimate—I use that term carefully, because we don't know to the decimal point—conservatively that over five cents out of every dollar earned in Canada was generated by transactions of companies using EDC services. We're very careful about why we are engaged in a transaction.

In the simplest case, there's a Canadian export and a foreign buyer needing financing in order to pay for that export. Then it's very direct. It's what we would call a direct bilateral loan, and we lend the money to the foreign buyer. In effect, we hold the mortgage on the thing that they've bought from Canada, and the Canadian benefit is very clear.

At the other end of the spectrum, where I was talking about creating trade, you will see us facilitate some trade. When someone wants to sell something and someone wants to buy something, we can fill the gap and put the financing in place to facilitate that transaction. At the other end, which I mentioned in my remarks, we're creating trade. What we've done there is build a relationship up with a major foreign buyer. It could be something like Tata Communications, for example, in India. We could have a financial relationship with them before the exports actually occur, but they have signed a promise to develop their Canadian procurement. They would already have Canadian companies who regularly supply them, so we already have the evidence that they're able to do this and that they are in the right space for Canadian companies. Then we would put our efforts, along with our trade commissioner colleagues, into finding the right Canadian companies; they are often small ones that really need this kind of assistance. We introduce them and build off that procurement list.

I remember that when we first started talking to Codelco in Chile, there were half a dozen Canadian companies that they routinely bought from; now there are more than 100. That's the kind of creating new trade that we think is very worthwhile, and that's where your trade commissioner is really doing most of the heavy lifting.

Hon. Lawrence MacAulay: Thank you.

You also explain that you insure small and medium-sized business with a deal. Being from Prince Edward Island and in the potato industry myself, I know that there were sometimes difficulties. Lloyd's of London was used—or whatever—to guarantee the boat shipments and that type of thing. Is that the type of business you would be in? You tell me you would insure 90% of the deal. Would that be cheaper than dealing with insurance companies?

It's something I was used to, and since I'm new on this committee, it's interesting for me to understand just why exporters wouldn't use you all the time instead of other insurance companies. Correct me where I'm wrong.

• (1230)

Mr. Stephen Poloz: Certainly. There are two different things that may be insured there. You may be insuring your shipment against the kind of loss that happens when the ship goes down or is delayed in port so that the goods spoil or something like that. Well, the EDC insurance is not about that. It's about credit.

Hon. Lawrence MacAulay: It's about paying up.

Mr. Stephen Poloz: It's about getting paid, yes. There's a distinction. We're very careful to ensure that when we do a transaction like that, we are pricing just as a private company would, so that we're not crowding out the private sector. That's what I meant about our partnership-preferred philosophy. The extension is that we don't want to be accused of undercutting the marketplace in any way, so we don't make it cheaper; we make it easier, perhaps.

Hon. Lawrence MacAulay: Are you involved in the potato industry at all? I know that they need guarantee of payment for Venezuela, although we seem to have lost some of our export to Venezuela. Mr. Clark might be able to expand on that and what happened. Is somebody else eating up our market? Likely someone is.

Mr. Stephen Poloz: I'll be very brief. We insure the receivables for billions; we insured over \$80 billion worth of Canadian exports last year, and a lot of that was in the food business, including business related to potatoes, certainly.

Mr. Peter Clark: Exporting to Venezuela is a bit risky because of the degree of state control, or presidential control. They do things for political reasons. They sell oil cheaply into the United States to certain customers for political reasons, and they'll do deals with their friends in South America without regard to the tariffs.

Hon. Lawrence MacAulay: You mean in Cuba.

Mr. Peter Clark: Yes. Well, it's not quite South America, but yes. They do special deals.

Hon. Lawrence MacAulay: Am I done, Mr. Chair?

The Chair: You have time for a very tight question and a very tight answer.

Hon. Lawrence MacAulay: I'm just concerned about the EU stopping the seal exports into the European community. Do you see any way that can be aided, or...?

It's a big problem for the sealing industry.

The Chair: Now you've opened up a can of worms.

Voices: Oh, oh!

Mr. Peter Clark: Well, my feeling is this: it won't happen unless you get rid of the European Parliament.

The Chair: There we go.

Go ahead, Mr. Hiebert.

Mr. Russ Hiebert: Thank you both for being here.

I have a general question, but I'm looking for more of a specific answer. We know there are tremendous opportunities for Canadian companies in India and China. You name the country, we know the opportunities are there. Our government wants to encourage those Canadian companies to expand and grow, to export more, to make foreign direct investment and all that.

Apart from the big players who are already in this game and have representatives in these foreign countries, how do we, as a committee or as a government, get more of these small and medium-sized enterprises to be aware of the opportunity and to act on the opportunity? What is it? Is it advertising? What do we need to do?

We do have objectives. For example, with India we're negotiating a CEPA agreement, which we want to conclude by next year. Both prime ministers have made a commitment to treble our trade from \$4 billion to \$15 billion by 2015. I know that the trade commissioners there, as everywhere, want Canadian companies to come. How do we actually make that happen?

Mr. Peter Clark: Having been through some of these things in my career, I would say that the first thing you mentioned—advertising—is quite clearly the highest priority. You have to let people know that the service exists before they can use it.

I'd back that up, as the government did a few years ago, I think, during the Mulroney period, by sending people around to trade associations to meet with business in various areas and explain to them what is available.

It's a shame that the Trade Commissioner Service is one of Canada's best-kept secrets. It shouldn't be a secret. In the United States, where I go from time to time because winter is no longer that attractive to me, in between the attack ads you can see advertising from the government saying USAJOBS can help you to export.

That's how you get people involved. They have to realize that it's there to help them. It's amazing, once they do get in touch and start working with somebody on the ground, how things come together. It's not 100% successful, but it has a pretty good ratio.

• (1235)

Mr. Russ Hiebert: Go ahead, Mr. Poloz.

Mr. Stephen Poloz: Thank you. I don't disagree with my colleague; I would just add a couple of things.

First, I'm cautious about discounting the United States as a destination for our trade. It may have its problems of late, but it's still home to the most globalized and most dynamic companies in the world. Often the Canadian value may be going somewhere into a U.S. company's supply chain, and it ends up being exported from the United States into a global supply chain. In that sense, we are still globalizing, but through what looks like U.S. trade, so I'd caution against being anti-U.S. trade. That will be a very important platform for us forever, I'm sure.

Second, I think advertising is important. Most of the small companies I run into are very aware that there are big opportunities in places like India. What they perceive as barriers to going there could be that they think they don't know enough about whom they should see or how much it would cost to go there. Our role is to take as many barriers out of the way as we can.

EDC focuses on two. One is the risk that you may face, the risk that you may lose out or get in with the wrong people. The second is the capital needs. We're in a position to work with their banks so that they can grow their international business and put more EDC capacity on the table.

Five years ago I could go to India and have dinner with all 60 Canadian companies operating there. Today you would need to rent a really big facility, because there are over 300 Canadian companies with operations in India. There are five times as many as there were five years ago. The vast majority of that increase is made up of small or medium-sized companies. There are a lot of great case studies in there.

So it is happening. It just doesn't look like a huge number when the trade is done, because they're small companies. It's not billions; it's measured in much smaller numbers. It is happening very nicely, and it's because the tools are there and companies are gradually taking them up.

Mr. Russ Hiebert: Mr. Poloz, you mentioned that you're in the matchmaking business and that you combine market intelligence and relationships to do that matchmaking. How do you manage your relationships? How do you keep track of your relationships? Are there individuals in EDC who have corporate memory and have built these contacts over time? Is it a newsletter you send out to contacts you've established? How do you sustain those relationships?

Mr. Stephen Poloz: The answer is that it is most of those things, but the main thing is that it is about the relationships. We have more than 200 people in the front of our business, so about one-fifth of EDC are people in the relationship business. We call them our business development group, which sounds kind of commercial.

The point is that they have strategic accounts in the international sphere, and there are some strong relationships developed over time with those foreign companies. Usually they're larger companies, because we want to develop trade relationships across lots of Canadian companies with those big buyers, but there are also small companies. We have equity investments in Indian or Chinese or Turkish or Brazilian equity funds, which gives us a channel into developing small and medium-sized companies in these countries. Across those fronts, those relationships are just people to people, and they're maintained year after year by the same people.

For us, that is managed all the way up to the top of the house, my executive team. I could pick one at random, and each one has eight or ten international or domestic strategic accounts that they're responsible for visiting a couple of times per year, making sure everything's going the way they like it to go. What else could we be doing for you? What's missing? Whom would you like to meet? Here are some candidates.

• (1240)

The Chair: Thank you very much.

We're through the first round of questioning. We have three more questioners and we'll have time for them.

I want to use the chair's prerogative to cue on something that was said in testimony and give the witnesses an opportunity to inform the committee a little more.

You made a comment, Mr. Clark, with regard to the United States and trade with the United States—I think it was something about their eating our lunch—concerning restricted expansion of trade with the United States. If my math is right, I think they are our largest trading partner, with about \$649 billion last year, but we are theirs as well in 35 of the 50 states.

I want you to expand a little bit on where you're going with that thought, just so that the committee has a better handle on where you're coming from.

Mr. Peter Clark: I was discussing basically two issues. One is what your position is if you're inside a preferential trade agreement, as we are with the Americans. We're in the inside of the tent looking out with them; we're partners and we have duty-free access. That works. We did one of those with Colombia; we got there before the Americans, and we gained considerably.

However, with Korea, where an agreement sat on hold for years because we were concerned about automotive trade, many agricultural exporters found themselves in a very difficult position. For example, the pork tariff on stuff that we are good at selling will go down by 9% for the Americans on March 15. In an industry where your margins are generally 5% or lower, that means that if you want to keep shipping, you lose on every pound you ship, so if we're not in there first, not only do we not gain from duty-free trade, but what we've built up is at a disadvantage.

Mr. MacAulay is gone, but there were some problems with french fries going into the Caribbean for the same reason. That's what happens.

If we don't get into the trans-Pacific partnership at the table in the first round and have to buy our way in later, while the Japanese do sit at the table, all the trade we've built up in the Japanese market is going to be at a disadvantage, because instead of having a level playing field in terms of tariffs with the United States, we'll be at a disadvantage.

I was very happy to see Mr. Manley's group and their counterparts in Japan come out with a press release, yesterday or this morning, that encouraged a Canada-Japan free trade agreement in parallel with the TPP.

Being there last is really a serious problem.

The Chair: That explains a lot. You're not talking about trade between Canada and the United States. You're talking about—

Mr. Peter Clark: No, not at all. I'm talking about the rest of the world.

The Chair: —what's happening internationally and who's going to capitalize on that market.

Mr. Peter Clark: I agree with Mr. Poloz in terms of the United States. They're going to be our biggest market forever. It's just a question of where we go in the future.

The Chair: Very good. It just wasn't clear to me in your testimony where you were going with it.

Go ahead, Mr. Côté.

[*Translation*]

Mr. Raymond Côté: Thank you, Mr. Chair.

Mr. Clark, I very much appreciated how frank you were on many points. Given that I am my party's critic on small enterprises and tourism, I have seen that there seem to be a number of obstacles for small enterprises preventing stronger entrepreneurship. You mentioned the problem of competition with the United States, including the fact that the Obama administration had a very ambitious plan for

increasing exports. We may also think about the BRIC countries and focus, strictly speaking, on China, a country that steps in a great deal to support both its domestic market and entrepreneurship.

We are studying the trade commissioner service instrument. Actually, I would like to thank Mr. Poloz of Export Development Canada for being here.

You spoke about being present by first signing a free-trade agreement. I'm wondering what it may mean since, in my opinion, Canada does little to support its domestic market. I'm not just talking about supporting businesses, but also developing and maintaining infrastructures. We see that China, Brazil and the US invest heavily in infrastructures. With respect to China, we could also mention that China's loans to businesses are practically donations.

I'm wondering why we should necessarily sign a free-trade agreement if, coupled with the trade commissioner service, Canada does not have an intervention plan to support this foreign trade from a strong domestic market.

•(1245)

[*English*]

Mr. Peter Clark: It is my impression that the government has an export plan that covers a lot of major markets, and they're trying to integrate help from the Trade Commissioner Service with EDC and with other elements of the government.

The Chinese people own everything in China, if you want to put it that way. That's the way the Chinese government puts it: it is not the government, but the people. Nearly everything is publicly owned, except for areas in which they permit foreign investment. It's a fact of life.

However, people are doing business there. The Chinese import a lot as well as export a lot. They are looking for expertise. Their relationship with Canada is getting better.

I go to China a lot. One year I was there seven times. I wish I hadn't been, but I was. That's a lot of travel. I'm probably going to China next week.

There is a lot of investment in China in which we can have an advantage. We have high tech, we have systems for construction, we have systems that relate to agriculture that they need very badly. It's a massive market. It's growing fast. We really can't afford to be on the outside looking in.

What do we do in terms of what we do here? I have to tell you that any time we try to intervene to help business and people export to the United States, we're running the risk of a countervailing duty action or an anti-dumping action that can freeze or chill trade for more than a year before we get out. We usually get out because we're not hurting anybody.

[*Translation*]

Mr. Raymond Côté: Mr. Clark, since we aren't on equal footing, wouldn't a free-trade agreement be a trap? It could clearly put us at a disadvantage. I remember the warnings about it. We have certain instruments that operate without a free-trade agreement. Mr. Poloz spoke to us about Canadian entrepreneurs in India.

Could we foolishly set ourselves up? I could mention chapter 11 of the free-trade agreement with the United States and Mexico, which we want to include in other agreements. It concerns the protection of investors.

[English]

Mr. Peter Clark: Well, if your point is that Canada is smaller and the U.S. is stronger, I don't see what difference it makes. We have to be on equal terms.

The Chair: Very good.

Go ahead, Mr. Shipley.

Mr. Bev Shipley: Thank you, Mr. Chair.

This question is perhaps for Mr. Clark. I come from an agricultural area, and when we talk about trade agreements, it seems that we sometimes have regulatory challenges in front of us. In some kinds of procurement, I think sometimes we get political regulatory issues; in other words, they aren't really regulatory but just political barriers in front.

What are those challenges, and how do we deal with them?

Mr. Peter Clark: Generally what we have tried to do is to write very strong sanitary and phytosanitary provisions into the trade agreements and then try to get them enforced.

Mr. Bev Shipley: Have they been pretty much successful?

Mr. Peter Clark: The use of sanitary and phytosanitary regulations is only limited by the imagination of the invoker.

It's not easy. It's a very grey area. When you get into sanitary and phytosanitary, you end up getting risk assessments from experts, and if you get two experts, you'll get two diametrically opposed opinions.

Mr. Bev Shipley: Do you often see that our regulatory regime is fairly restrictive in Canada? Is that an issue?

Mr. Peter Clark: No, not at all. I wouldn't say that.

Mr. Bev Shipley: One comment you made was that you were concerned that in some of these countries we have a baby boomer group. I think you were talking about the TCS.

• (1250)

Mr. Peter Clark: Yes, I was referring to the Trade Commissioner Service.

Mr. Bev Shipley: How do we develop a succession plan of transition so that we don't end up with people with life experiences on the ground leaving and educated people with no life experiences coming in?

Mr. Peter Clark: There are three separate problems that I see there. First, the people who've stayed in and made it a career are close to retirement. Second, in the middle the people are much less inclined to stay in for a career. They are getting very good experience and they go out to the private sector.

There were hiring shortages at DFAIT; they have tried to overcome those, but you have to make the career more attractive. What they get paid to do that job in the government is nowhere near what a private corporation will pay them, and they lure these people out.

The other problem is that when you put the departments of trade, commerce, and external affairs together, the pot of gold at the end of the rainbow is the ambassador's chair. Trade is a stepping stone, so you get people who want to do a little bit of trade and then shift over to the diplomatic side because they figure it's an easier track to becoming an ambassador.

That doesn't mean trade people can't become ambassadors; they can and do, and in the important posts.

Mr. Bev Shipley: Mr. Chair, I'll leave that for now. If anybody else wants to follow up....

The Chair: Thank you.

Mr. Côté, I think you're next in line. We'll just split the time up a bit and give you three minutes.

Go ahead.

[Translation]

Mr. Raymond Côté: Thank you, Mr. Chair.

Mr. Clark, I fear I wasn't clear enough when I asked my last question.

We can't ignore the fact that there is outright protectionism in the markets I mentioned, not to mention the fact that massive subsidies are granted. Several factors can ensure that Canada is straight out disadvantaged. It's a major concern because we are dealing with very serious domestic challenges. That's why I mentioned that there is very little entrepreneurship. In addition, I didn't talk about deficiencies in innovation. In fact, we are wasting a fair amount of money on rather meagre results.

Considering this and Canada's position toward its foreign competitors with which it might sign a free-trade agreement, do you think that signing an agreement is automatically a winning option and why?

[English]

Mr. Peter Clark: With regard to the types of trade agreements that are being negotiated now, instead of just reducing tariffs they deal with a whole range of issues. There are dispute settlement mechanisms and consultation mechanisms, and these tend to work over time.

The example I used to give this committee when I appeared on the subject of free trade agreements was Mexico. Mexico will negotiate enough to get over the 85% WTO threshold to make it an acceptable agreement, and then they deal with other problems as they go along.

Every time you set up one of these agreements, you set up a ministerial or consultative committee that deals with problems once or twice a year. They do tend to work out.

It can happen even in a small country such as New Zealand, for example. Fonterra—it's an SOE, although they don't call it one, but it is—went into China and took up ownership of some dairies. They increased their exports of dairy products to China from \$500 million to \$2 billion, so there is the potential.

We're getting in early to China. We're going to be there much earlier than the United States, and probably significantly earlier than the European Union. We're a country of some 35 million people. We have a good economy and we can do things well. If we get into that market, it's such a massive market, and we can—

Mr. Raymond Côté: Monsieur Clark—

The Chair: I think you made your point and I think it was good.

Mr. Shory is next.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thank you to the witnesses for being here.

I always get little time, so I'll come to the point. I've heard quite a few times about the emerging markets such as India. I was in India, and I got a chance to meet...

First of all I want to tell you that I noticed that TCS and EDC work hand in hand, and they are very successful. This is what I heard from the companies there, and this is what I noticed.

I also got a chance to visit a Canadian company in India, McCain french fries, and I was very delighted to hear from company management that they are so successful they have been showing a profit from the first day onwards. They have been there for a few years.

That is one example, but there are other companies also, and most of the other companies are SMEs. That was another thing I noticed.

With all these emerging international markets, what are some of the challenges and opportunities Canadian companies face, and what assistance can bodies like EDC or TCS provide to better prepare them for these challenges?

I also have a follow-up questions for Mr. Poloz.

On a clarification with regard to this accounts receivable insurance, EDC basically pays up to 90% of accounts receivable

and then claims the receivables from the company that has been supplied with the goods from exporters.

Does EDC have any lists of companies with whom the exporting companies should do business? Are there any criteria? Can an exporter supply to any company without doing any due diligence, and EDC will simply pay out?

• (1255)

Mr. Peter Clark: Small and medium-sized enterprises need to understand the culture and understand particular characteristics of local demand. TCS is on the ground. They have their contacts, they have their locally engaged staff, and they're ideally suited to provide that type of guidance.

You can't sell...maybe not french fries. I'm sure P.E.I. french fries going into India don't have to be changed at all, but I have to say that sometimes I do work for the Government of P.E.I. on potatoes.

You have to understand the market; if you're a small or medium-sized enterprise, you can't spread yourself too thin, finally, if the resources are already there, you should use them.

The Chair: Go ahead, Mr. Poloz.

Mr. Devinder Shory: Do you want a quick comment?

Mr. Stephen Poloz: I can be very quick on that.

We do have a list of over 60,000 foreign companies we have insured in the past year, so if an exporter asks if they can ship to a certain company, about 60% of the time our computer checks and gives the exporter a green light. That's how refined that system is.

The Chair: Thank you for coming. It's been a great hour of testimony and of questions and answers.

Thanks to the committee for their engagement in this matter. We will pick this discussion up again next week. I believe the committee will be dealing with the EU-Canada free trade agreement study on Thursday.

The meeting is adjourned.

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