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## **Standing Committee on International Trade**

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**EVIDENCE**

**Tuesday, October 4, 2011**

—  
**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, October 4, 2011

• (1100)

[English]

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

I want to thank our witnesses for coming forward. We have with us today the Department of Foreign Affairs and International Trade to talk about the trade commissioner service. We have the chief trade commissioner, Mr. Peter McGovern; and Peter MacArthur, acting assistant deputy minister of international business development, investment and innovation. It's good to have both of you here.

Mr. McGovern, the floor is yours, and we look forward to your briefing and information.

**Mr. Peter McGovern (Assistant Deputy Minister, Asia and Chief Trade Commissioner, Department of Foreign Affairs and International Trade):** Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, I am Peter McGovern, assistant deputy minister for Asia-Pacific in the Department of Foreign Affairs and International Trade. I'm also chief trade commissioner of the Canadian Trade Commissioner Service. I am proud to represent the service and explain how it helps Canadian firms of all sizes create and sustain jobs for workers in all regions of the country by engaging successfully in international business.

I shall begin with our operating context since it continues to evolve rapidly and shape everything we do. Trade is now shorthand for a whole range of international business transactions: exporting and importing final and intermediate goods and services, attracting investment or making strategic investments abroad, licensing technology, partnering for research, recruiting skilled workers and internationally savvy managers, and more. All these links co-exist as businesses increasingly diffuse their operations around the world in global value chains to leverage local advantages.

More and more, trade takes place in the context of relationships with other links in the chain rather than one-off sales through a broker or distributor, and a firm's success depends on the strength of these relationships.

[Translation]

The small and medium-sized enterprises that dominate Canada's economy have huge new opportunities if they know how to find their way in this world. But it's a very complex one.

The big battleground is firm-level knowledge—knowledge of where to go, who is buying, who to trust, how to build relationships in different cultures, how to improve your ability to innovate, how to

produce efficiently, and how to find new buyers in new markets. If your competitors are better supported and can find the opportunities faster and manage risk better than you, your firm has a problem.

Canadian SMEs don't need a handout, but many of them do need a leg-up to succeed in this environment.

[English]

This is why the government's global commerce strategy makes trade promotion one of its key thrusts. We bring real value to companies by constantly redeploying our trade commissioner service resources and focusing our services, pursuant to the strategy, to support our firms wherever and however they most need us, and to make sure they're not at a disadvantage.

Though we work with all sizes of companies, we are particularly sensitive to the barriers faced by small and medium size enterprises as they seek to grow through international business. The costs of acquiring market intelligence and investing in relationship-building are relatively higher for SMEs, but they are the principal motors of job creation in Canada, and we want to help them grow. Firms that enter export markets show 4% higher annual productivity growth than non-exporters. There's more. Research demonstrates that every dollar spent on the trade commissioner service generates \$27 in increased exports and that firms that access our services export 18% more than comparable firms that don't. In short, higher productivity strengthens firms, international business stimulates productivity gains, and the trade commissioner service supports international business.

•(1105)

[Translation]

So there are sound reasons for this trade promotion thrust. But it's not just about getting Canadian firms to succeed abroad; it's also about bringing the benefits of the global economy to Canadian workers, businesses and communities, whether it's through new or expanded foreign direct investments, venture capital for technology start-ups, firm-to-firm management or R & D exchanges, successful competition with imports, or any of the other still developing ways that contribute to our standard of living.

[English]

We do not operate alone. Our trade commissioner service works hand in glove with federal services such as Export Development Canada, the Canadian Commercial Corporation, the Agri-Food Trade Service, Business Development Canada, and many others to foster business success. We have excellent partnerships with municipalities, provinces, and territories that allow us to move further and faster on their priorities, especially on promoting our many advantages as an investment location. Business is a partner as well as a client. Trade commissioners work inside priority sector associations, and business people freely contribute their expertise on Canadian sectors' needs, capacities, and specific operating environments to improve our strategies and services.

The beneficiary of all of this is the trade commissioner service's client, a firm or an organization with a demonstrated capacity for and commitment to internationalization. There are great rewards but also real risks in international business, and you must be up to the challenge. Our client must also have meaningful economic ties to Canada and demonstrate the potential to contribute significantly to Canada's economic growth.

[Translation]

The beneficiary of all this is the TCS client, who is a firm or organization with a demonstrated capacity for and commitment to internationalization.

There are great rewards but also real risks in international business, and you must be up to the challenge.

Our client must also have meaningful economic ties to Canada and demonstrate the potential to contribute significantly to Canada's economic growth.

[English]

We attract clients in two ways. Many come to us first to make a specific request, usually at one of our over 150 trade offices abroad, but also through our network of 18 regional offices across Canada and our web and telephone portals. The virtual trade commissioner, for example, is an online service that pushes market information and business leads to clients interested in specific sectors and markets. Last year we served over 13,000 Canadian firms, mostly SMEs, a 10% increase over the year before. Many become repeat customers as they see our services save them time, money, or risk.

We also seek out clients. We want all current exporters to be aware of our services. We can give them strategic advice on where and how to find opportunities or bring them critical intelligence that will allow them to land sales or acquire strategic technology in the face of

foreign competition or protectionist, or even hostile, foreign governments. We want to work with business associations and through our regional offices to reach out to Canadian firms that are ready and need to grow internationally to succeed, firms for which the Canadian market alone is too small or crowded to sustain growth, so that we can help them build and execute their strategies.

[Translation]

Of course, global markets are constantly changing, and we must continually reallocate our resources to ensure that trade commissioners are in the places where clients need us most.

I'll give you one example. In December 2009, during his trip to China, the Prime Minister announced the expansion of our footprint in that market with the opening of six new trade offices.

This was clearly in line with government priorities and client demand.

[English]

How are we doing? Two measures that really count are these: is the client satisfied, and is the client actively pursuing a business opportunity thanks to our help? We survey our clients directly, and 78.2% of our respondents are currently satisfied or very satisfied. As for outcomes, over 50% of our clients are actively pursuing business in markets where they obtained a TCS service.

Mr. Chairman, before I close, I'd like to end with this final note. As the Minister of International Trade has said time and again, trade is a kitchen-table issue, one that concerns jobs and how people put food on the table and provide for their families. As we help companies succeed abroad, they create new jobs and prosperity for Canadian workers, businesses, and families in every region of our country.

Mr. Chairman, I would be delighted to respond to any questions that you or the members might have about Canada's trade commissioner service and its work to take Canada from a trading nation to a nation of traders.

•(1110)

**The Chair:** Thank you very much.

I understand Mr. MacArthur is here to answer some questions as well, and we thank him for that assistance.

We'll now move to questions and answers.

We'll start with Mr. Chisholm. You have seven minutes.

**Mr. Robert Chisholm (Dartmouth—Cole Harbour, NDP):** Thank you very much, Mr. Chairman.

My apologies for being a bit late for your presentation, Mr. McGovern. I am just beginning to learn how strict our chair is with time. He is very respectful of time, and I appreciate that. Let me tell you, I will conduct myself in the future accordingly.

I want to say a couple of things. One, there is increasing pressure on you and your colleagues to be out there and doing the work. I haven't had a chance to look at the budget implications of this extra demand, but could you give me some indication of how your service has changed over the past two or three years in terms of size and budget?

**Mr. Peter McGovern:** Thank you very much, Mr. Chair.

The most recent change to our budget occurred in the context of the global commerce strategy, wherein we were allocated additional resources providing us with a certain amount of flexibility. Our opening of new offices in China was one of the results of having this little bit more flexibility.

An element of how we work in the trade commissioner service is that we are very much a results-based organization. Each post and trade section around the world in our regional offices actually measures results. We can tell you, to the individual, what kinds of services are being performed in support of Canadian exporters. On the basis of that, we're continually reassessing and recalibrating where we are to ensure that we are not falling behind in the context of major emerging markets.

To be very frank, the way in which this works is that countries compete against countries, so we're always seeing what Austrade is doing, what UKTI is doing, what the U.S. Commercial Service is doing so that we can ensure that, if a Canadian exporter from any one of your ridings wants to be present, for instance, in a secondary city in China, we have somebody on the ground who can help and assist. That's an ongoing part of it.

In terms of exact numbers, we have a little over 1,200 people in the field in terms of our trade commissioners. It breaks down to about one Canada-based trade commissioner for every two locally engaged trade commissioners.

I hope that addresses your question.

**Mr. Robert Chisholm:** Has that budget been reduced at all this year?

**Mr. Peter McGovern:** At this point, no, our budget hasn't been reduced, but the trade department, like all departments of government, is very much concerned with making a contribution to deficit reduction and measures will be taken in terms of the 5% and 10% scenarios in line with the strategic operating review. Where that goes, I don't know.

**Mr. Robert Chisholm:** Good.

Thank you, Mr. McGovern.

**The Chair:** Mr. Ravnat.

[Translation]

**Mr. Mathieu Ravnat (Pontiac, NDP):** Thank you for being here and for sharing this information with us. It's much appreciated.

Of course, not all Canadians are convinced that the way we invest in these programs is beneficial to Canadian communities. That's what my questions are about.

In your presentation, you say that "it's also about bringing the benefits of the global economy to Canadian workers, businesses and communities". You list a number of advantages, and at the end of the paragraph, you say "or any of the other still developing ways that contribute to our standard of living".

Could you explain to us how your work contributes to Canadian communities? Also, how do you measure that contribution?

• (1115)

**Mr. Peter McGovern:** As for measuring our work, we do that as I just explained. There's a way to measure all the services provided, whether by exporters or people we work with in the provinces and communities. Currently, many Canadian communities are very active in terms of economic development.

We work in either our regional offices or our missions abroad on promoting industries present across Canada. For instance, the Premier of Quebec recently visited China and mentioned the Plan Nord, a project aimed at prioritizing communities in northern Quebec. Trade is first and foremost a partnership, be it with our provincial partners or with communities and companies.

[English]

As a consequence, we're always ready to work with local firms to help them find market opportunities. If you're a small company in the Pontiac and you have a product that you would like to be able to market, we would first suggest you meet with our regional office. We would see if the company were export-ready, then if the company was export-ready we would assist it in finding market opportunities. We would work with that firm through the services we provide to see if we could find a *créneau* for the company to export its goods to. We're fully aware that in this country where 56% of our GDP is exported, for firms to be profitable, for firms to grow, they have to be thinking about exporting.

One of the very interesting challenges that my minister and my colleagues face is how to sell a free service. We will provide service to anybody who meets the basic criteria, from anywhere in Canada. As you saw in my presentation, a firm that works with us is much more successful than a firm that doesn't.

That's the context, and I hope that addresses the question.

**The Chair:** Thank you very much.

We'll move to Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman.

Welcome, Peter, to committee. It's a pleasure to have you here today.

I'd like to drill down a little deeper into a couple of points you made. One of them was that international trade stimulates productivity. I've always thought that to be an extremely relevant statement. There are different levels of sophistication within companies. I'm always absolutely amazed at how many small companies export in my riding; in fact, the majority of them export. When you use the term "export-ready", what do you do to actually help promote export-readiness or that level of sophistication within small and medium size enterprises?

**Mr. Peter MacArthur (Acting Assistant Deputy Minister, International Business Development, Investment and Innovation, Department of Foreign Affairs and International Trade):** Mr. Chairman, we are working constantly at a regional office level. The 18 regional offices have an important role to play in preparing clients to get into the international arena, working closely with provincial and territorial governments and, in some cases, local industrial cluster organizations such as OCRI here in Ottawa, or Communitech in the Waterloo area, for example.

We also like to mentor them by showing them that other similar-sized companies—who have given us permission to release their names—in similar industries have succeeded in complex markets beyond the United States. That's one of the roles that we play there.

They describe themselves as 5/95 companies—5% of their business is in Canada, and 95% abroad. The example that I would give you in terms of productivity is that of a particular company in the Ottawa area that got involved in Italy. The Italians bought some technology from this ICT company, and vice-versa. Over time, this small company, a niche player, was able to access the European market through the Italian partner. They sold technology to each other and they developed confidence together in the international marketplace.

Also in terms of multinational enterprises, the value chains are increasingly very important. Surprisingly, some of these smaller companies, with our assistance, are being successful with large multinational enterprises. An example of this is a large American defence company, an aerospace company actually. We spent a day with them down in the United States on Canada Day, when some small companies presented in-house within that multinational corporation. Some of those companies have therefore been able to break into that value chain. It makes them more productive.

• (1120)

**Mr. Gerald Keddy:** The global commerce strategy that we've put in place as a government was touched on earlier, the fact that we've opened new trade offices and trade commissioner offices in targeted markets, including six new offices in China, and I think four in India, and two in Brazil. These offices are important to make sure that we can take advantage of different regions and areas in specific countries.

To capitalize on that, how do we reach out to the companies that are already exporting into those areas and don't use the trade commissioner service, so that we can actually increase and enhance the quantity of trade they do? How do you find that group? Again, I'm always amazed at how many exporters there are that have simply been doing it for years, who are out there by themselves. When you

talk to them and say that we have people who can help them, they're not aware of it. How do we do that?

It's a tough question, I know.

**Mr. Peter MacArthur:** Mr. Chairman, we use our normal communications products, copies of which we've brought to the committee and which I think the clerk has, to try to market the service better via both the web and more traditional communications products.

This is a very important point that you raise. There's a whole new generation of road warriors, as they're called, who may not know our services. People in the eighties and nineties knew us better. The way we're trying to connect with this new generation is through a reform we made in the past two years, which is to co-locate trade commissioners inside industry associations across Canada. Examples would be the Canadian Venture Capital and Private Equity Association in Toronto. We try to link venture capital with small exporters who need such capital, especially in ICT, life sciences, and cleantech. We have somebody in the Petroleum Services Association in Calgary, who is embedded inside the association, helping guide that association and its hundreds, and sometimes thousands, of members to navigate our rather complex global system around the world—but also to reflect into the department better the needs, expectations, and capabilities of that industry. We have somebody in ocean technology in St. John's, Newfoundland; somebody in Montreal in advanced forest industries – the bio-refineries of the future, and similar others. We could give you a list of those if you're interested.

**Mr. Gerald Keddy:** That's a great idea. That makes a world of sense.

The other issue that certainly comes across my desk, and I'm sure across the desk of all of the members of committee, is a trade-related issue that's not in your bailiwick, but it might be an area that you could look at assisting with. We often get requests from individual companies operating around the world, whether in Pakistan, China, or Brazil, that are trying to bring in someone. I can give you an example. A company operating in China wanted to bring in Chinese workers or employees to train them on equipment here, and they had difficulty getting the visas to bring those people here. I realize it's a separate issue, but it's one of the issues that we need help with and they need help with so that they can actually bring that individual in, guarantee their stay in Canada and, obviously, make sure they return. It's not a simple process.

I don't know if there's a way the trade commissioner's service can help, but certainly background checks within China or the country the person is coming from would help. It's a loophole that we've not plugged, and it's a problem for companies that have international business.

• (1125)

**Mr. Peter McGovern:** Mr. Keddy, it's a very important point. I know it's one that the minister responsible for immigration is addressing. There are working groups right now, which we participate in, where we're trying to identify these kinds of systemic problems. What's interesting is that they've become very complicated recently, in part because you now have non-traditional investors.

Peter and I both joined the trade commissioner's service the same day 30 years ago. When we joined then, you never would have thought about investment coming from India or China. With that kind of investment flow, you have issues with the temporary entrance of professionals. You have to manage their investment and the kinds of hurdles that are there. We're trying to find a way that will meet the ongoing concerns that we have, on the one hand, but that will also allow greater flexibility and, effectively, increase the likelihood of other investments, with that great flexibility.

Nothing is more discouraging for somebody than making a big investment and suddenly the man who's going to manage it, who's coming from Mumbai, takes four months to get a visa, or an issue like that.

We're working through those and we're trying to streamline it. We've had some success, but we're systematically working through the kinds of issues that arise like that.

**The Chair:** Thank you very much.

Mr. Easter.

**Hon. Wayne Easter (Malpeque, Lib.):** Thank you, Mr. Chair.

Mr. McGovern, I could just see the chairman's eyes light up when you said that every dollar spent on TCS generates \$27 in increased export goods. I think he was thinking that if he invested \$2 billion he could get rid of the government's debt in a year.

I say that offhandedly but—

**The Chair:** You're almost out of order.

**Hon. Wayne Easter:** Not really.

But, Peter, I really do believe that is a good statistic and the trade secretariat, I think, does really valuable work.

On Gerald's question, I really don't believe it is well enough known out there. I've had the opportunity to work with EDC especially, but I went to the annual meeting of Canadian Commercial Corporation and was absolutely astounded at the amount of investment they make around the world, including the airport work they're doing in Ecuador. I really do believe a lot of businesses out there still don't know you exist, and they should.

My experience in the trade area has been with difficulties in markets once they are established, especially in perishable crops, mainly potatoes. What I find happens is that you have a boatload of potatoes sitting on a wharf in the Dominican Republic or a Caribbean country in the heat, and political activity is blocking the potatoes, and Canada is much too slow to respond. I think there needs to be a quick response team. CFIA officials on the ground need to respond with authority on the ground and not have to call back to Ottawa and dilly-dally for days while crops rot on the boats.

Is there anything happening in that area for a quicker response on trade issues when they occur on the ground in some countries? I ask because they occur every day....

**Mr. Peter McGovern:** Thanks, Mr. Chair.

I have another statistic that I'll provide to Mr. Easter, as well, because we like to blow our own horn here. Our chief economist has actually shown that for every dollar spent on the trade commissioner

service, it leads to \$2.8 of additional federal government revenue. In the context of reducing deficits, I'd like everyone to take note of that one. That's a good one.

In response to Mr. Easter's question, the whole issue of market access is ongoing. We see it around the world. We actually have a pretty good record in dealing with it. The challenge, of course, is that invariably the problem is not created by Canadians. Generally the people who deal with market access issues are locally engaged trade commissioners who know the ins and outs of a sector.

And you're quite right, it almost has to work like a SWAT operation. You get the call, and we've had instances of potatoes.... We've also had instances of live lobsters in a container on a pier in the heat, perishable products like that. You have to be able to deal with something. You need somebody who can navigate that system, as you quite rightly point out, and not have to go back to Ottawa. Our colleagues don't. They know who they have to go to. But it's often these kinds of non-tariff situations where you have a phytosanitary thing and they try to hold it up.

We can always do better, Mr. Easter, and we're seized of that; it's what we try to do all the time. It is a defeat for us if somebody's export opportunity of a perishable agricultural product is lost because of something that transpired once the product arrived where it was supposed to be and the guy who wants it isn't able to take possession of it for some reason. That's always a challenge for us.

• (1130)

**Mr. Peter MacArthur:** One of our four key services is exactly that: troubleshooting or solving problems. Working with CFIA in Asia in particular we have now established CFIA positions in places like Japan and China. The one in Japan was set up to fight the BSE problems. That person is a veterinarian and a plant specialist who is helping not just in Japan but also in Korea and Taiwan.

So in working more closely with CFIA, we are trying to better address that problem.

**Hon. Wayne Easter:** How much time is there, Mr. Chair?

**The Chair:** You have a couple of minutes.

**Hon. Wayne Easter:** There are two areas among several, namely trade promotion and trade assistance. At one time on the trade promotion side, there was the Team Canada approach where the Prime Minister led everybody, from premiers to businesses, in visiting countries, and I think did a reasonable job of establishing some markets. We've veered away from that now.

Is there any merit, in your opinion, of doing that again? It's now left more to the offices in countries, I gather.

And what do you do, beyond the discussion we just had, for trade assistance on the ground in countries, including the United States?

**Mr. Peter McGovern:** I will address the issue of trade missions. Our new minister, Mr. Fast, has informed us that he wants to travel with business people. I think that's a recognition that the trade mission format is a successful one in certain markets. It's certainly something I can speak to with a fair amount of knowledge. I ran Team Canada for four years and organized those missions, so I'm aware of the successes that are attached to that kind of activity.

The minister is open to any initiative that assists Canadian exporters. He's not taking anything off the table. He's ready to consider any approach if we can prove to him that it will pay a dividend. As a matter of fact, he's just back today from a successful trip to Indonesia, where he met a wide range of business people. When you travel, you see first-hand how you can assist Canadian firms. That's his job one.

**The Chair:** Thank you.

Mr. Easter, as for those rotten potatoes, I know that the Wheat Board will have a little extra time, and maybe we can put the potatoes into a dual marketing system to solve that problem.

**Some hon. members:** Oh, oh!

**The Chair:** Mr. Cannan.

**Mr. Ron Cannan (Kelowna—Lake Country, CPC):** I love your creativity, Mr. Chair.

**The Chair:** It's just a thought.

**Mr. Ron Cannan:** And thank you to—

**Mr. Robert Chisholm:** I'm taking that time out of yours now.

**Some hon. members:** Oh, oh!

**Mr. Ron Cannan:** That's okay. We've got the spud from the great big mud, and we're happy to keep it rolling down across the borders and around the world. That's why we're here to do—to create jobs and help grow our economy.

I thank you gentlemen for the great work that the trade commissioner's office continues to do to help Canada. Today we were recognized by *Forbes* magazine as the best place in the world to do business.

**An hon. member:** Hear, hear!

**Mr. Ron Cannan:** Recognition like is helping Canada to continue to grow and build our economy. But we need to export, as almost two-thirds of our GDP is trade related.

I want to speak specifically to my trade commissioner, Harvey Rebalin, and the great work that he's doing in the Okanagan and the Southern Interior, partnering with other organizations. He's in the BDC office, so it's a great partnership.

For the edification of the committee members here, I'll walk through a scenario. Say I'm a small business owner, part of that 98% of our country's economy, the SMEs, that are the economic engine driving the economy. What would happen if I walked into your office and sat down with one of your trade commissioners? Give me the scenario of how would I be able to use your services.

•(1135)

**Mr. Peter MacArthur:** The prospective client of the trade commissioner service walking into that office would benefit from an interview and an informal discussion of the firm's capabilities and commitment to international trade. Is it doing business within Canada already? Is it a born global company or just a startup? Is it already active in the U.S. but looking to go beyond the U.S. market?

Based on that conversation, which might take one or two meetings, the Canadian client, the taxpaying client, would have an opportunity to be directed to other players in the federal and provincial families of support—BDC, EDC, CCC, other departments of government, including of the province, and the regional offices working to build up the capability of a firm like that.

Based on their interests, we like to have these companies limit themselves to five markets. One of the success factors is to be focused. We would ask them to register on the Virtual Trade Commissioner, which is our online register database. It allows the company to be known to anybody in our global network around the world. The company's profile is in there, including where it's active already, and where it wants to be active.

Based on that conversation, the regional office could direct them to a particular embassy or consulate around the world to begin the dialogue. Eventually, based on information exchanged early on, they may arrange for meetings with key people. The value of our posts around the world is their on-the-ground knowledge and networks. They can save the client a lot of time and money, particularly in a complex market like China or Brazil.

**Mr. Ron Cannan:** If one of the areas that Canada—

**Mr. Peter McGovern:** If I may, I'd like to add to what the other Peter was saying.

One of the real challenges you face with SMEs is that the person you're dealing with is generally not only the CEO, but also the CFO and the chief marketer. We try to ensure that they're focused. If they want to go to China, we will assist them so they're not going to arrive and just flounder around. They'll know whom to talk to and where to go. They'll have a focused program. They'll be able to meet the key individuals they need to meet to make an assessment of whether there is a real opportunity there or not. That's the kind of facilitation that we do in our trade networks around the world.

**Mr. Ron Cannan:** That's very helpful. I was always keen as a young entrepreneur about foreign investment, but it was always kind of scary, the fact that you're going outside that comfort zone in the Okanagan. With some of the international award winning wines that are produced there, I had some wineries trying to do business in China.

But how do you, as a service, provide some pre-qualification for potential customers? Is that a service you offer as well?

**Mr. Peter MacArthur:** With regard to the wine industry, we have what we call a virtual practice in wine. We have a sommelier, an expert in wine, here in Ottawa. She works closely with wine industry groups in British Columbia and Ontario, in particular, but also in Quebec and Nova Scotia, where wine is produced.



She chairs an advisory board, which includes the wine associations, and it was the first time nationally that we brought them all together. To follow on from Peter's comment, instead of going all over the world, it currently focuses these wineries on the metropolitan Chicago market in order to make a breakthrough there; in the London, U.K., market for media; and in Shanghai as a future market.

We only have a certain amount of exportable wine, and we want to go beyond ice wine to table wines. We increasingly have very good wines in Canada, so that virtual practice with somebody who knows wines helps us pursue that.

I should also mention that we serve Canadian wine all around the world through our embassies, as part of our marketing of the Canadian brand, and it's increasingly respected and appreciated by our foreign clients.

**Mr. Ron Cannan:** I know we're working on giving Canadians the opportunity to access Canadian wines as well; it's another interprovincial trade issue. But I appreciate your work on expanding internationally.

I have one last question, specifically regarding Minister Fast and the expansion of our trade. We've had nine trade agreements in the last five and a half years and are negotiating with 50 countries. Minister Fast is returning from another successful mission abroad, and I'll be going again to Asia.

Do you make the SMEs aware of the FIPAs and the trade agreements and some of the opportunities that are emerging, or almost evolving daily?

• (1140)

**Mr. Peter McGovern:** Yes, we do. An element of each of these trade negotiations, as they unfold, is the consultations with stakeholders.

We also have a SME advisory board, where the minister meets with a group of SMEs drawn from across Canada. An element of the work we do with them is to ensure that they and the associations they're part of, or the provinces they come from, are aware of the full range of trade liberalizing initiatives we're pursuing.

**The Chair:** Thank you very much.

We'll now move on to Mr. Côté.

[*Translation*]

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

Gentlemen, thank you for joining us.

I want to start with a question about exportation. Do you provide support for companies that want to import products into Canada in order to distribute them?

**Mr. Peter McGovern:** No, we don't. We sometimes give them advice, but providing them with support is not part of our mandate.

**Mr. Raymond Côté:** My next question is about small businesses, which are faced with numerous difficulties when attempting to do business internationally. Larger companies have a lot of resources and means. Therefore, their costs are proportionally much lower. I am talking about all the administrative procedures and costs

involved in doing international business, either in terms of paperwork or broker services. Those costs can be rather high in proportion to the company's sales volumes.

How do you support and help those businesses reduce these costs so that they don't make up such a large proportion of their sales volume?

**Mr. Peter McGovern:** Actually, our core mandate is to facilitate SMEs' work. We understand that efficiency is very difficult to achieve when the person running the company and the CEO, who are responsible for the company's financing, are also responsible for its marketing.

We work closely with SMEs to ensure that, when a company attempts to penetrate a market, its efforts are not wasted. We work with our regional offices, throughout Canada, and with missions abroad. Before company representatives travel abroad, we contact them to ensure that their efforts are well-directed.

We do not do business ourselves, but we do facilitate it. We are always aware that there is a price to pay for a company's efforts when trying to enter a market, especially a complicated one like in China or India, for instance.

[*English*]

**Mr. Peter MacArthur:** I would add to Mr. McGovern's comments that the department participates in the FITT program, the Forum for International Trade Training. We're on the board and we are trying to assist that organization—it's an NGO—to better train entrepreneurs for the international field.

We're also increasingly adopting an ecosystem approach whereby we're introducing very small companies to medium- to large-sized Canadian companies to create an ecosystem in which, together, they provide a single solution to a complex program. An example of that would be Internet protocol television or a connected vehicle in which little, niche players can basically fly into a market in a Canada goose formation, with the larger company at the head.

Those are some of the things we are currently doing to improve in this area. Another value of the trade commissioner service is that we can introduce these small companies to the right accountants, lawyers, bankers, and intermediaries, including marketing consultants, in the target market.

**The Chair:** Very good. We have very little time left.

Mr. Shipley.

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

Thank you, Mr. McGovern, and Mr. MacArthur. I very much appreciate the professionalism you are bringing to what you're doing.

What strikes me, and maybe not just me, is that when we think of trade and its definition and what the expansion of that definition actually means, we think of a product going back and forth between two countries. But as you mentioned at the start of your presentation, it's about much more than that, including investments in technology and workers, and managing.

There's a whole package, which I'm so glad to hear you talk about, because in my riding of Lambton—Kent—Middlesex, I don't have large businesses. It's a small town and a rural riding, which has a lot of small and very few medium size businesses.

You talked about serving more than 13,000 Canadian firms, mostly SMEs, a 10% increase over last year. Can you talk to me a little bit about how that happened? Was there a voluntary sign-up, or did you go seeking them? And when you go seeking—there's a two-way street here—how do you know where to go, and how do you approach a company?

• (1145)

**Mr. Peter McGovern:** We begin with our regional offices. In many instances, the regional offices act as client generators. We use a number of mechanisms, such as the imbedded trade commissioners that Peter mentioned we have in various sector associations. A big element of the work that our people do is outside of their offices; it isn't all just focused on Toronto, Montreal, or Vancouver. We get people out. If, for instance, they read in a newspaper about a firm that looks interesting, we'll make contact with them.

We also have a web presence. One thing that is a constant challenge for us is ensuring that the new technologies are there. If someone is a small business person in your riding, for instance, and he or she types in the word “export”, the first thing we want to have appear is “Canadian Trade Commissioner Service” or “EDC”, so they immediately know there is a government organization they can turn to for the kind of basic information they need to guide the decisions they need to make.

In the first instance, almost universally, the market that small firms look at is the United States. Given the ease of access, the commonality of business culture, that is the situation. A number of years ago, about 85% of our commerce went south of the border. That has now dropped to a percentage in the 70s. We estimate that by the end of this decade, it will be around 60%, which means that even small firms now are thinking about China, Europe, Asia.

It's a constant battle that we wage to ensure that we have a profile such that, if you are a small firm and need decisions, we can be of assistance to you and are relevant in terms of the decision-making of firms.

**The Chair:** Peter wants to add something.

**Mr. Peter MacArthur:** In your riding, one of the reforms we've made is to put one-person trade commissioner offices and BDC offices in Windsor and in Waterloo. They travel the region in southwestern Ontario, and are basically linking to the big operations and consulates general in Buffalo and Detroit to do exactly that—and to Seattle on the west coast as well.

**Mr. Bev Shipley:** This is just a quick question as I don't have much time.

We just came through a recession. Did the recessionary process actually expand people's thinking to consider finding out something about how they were going to survive? And was that maybe part of what happened to help?

**Mr. Peter McGovern:** As much as anything, what the recession has done for the firms that are exporters is to cause them to have a diversified vision of the world. The United States will always remain

our most important market, but trade is not a zero-sum game. So you can look at the States, but where else are there opportunities?

If you look at Asia, for instance—and again I'm playing to my own strength here, being the ADM for Asia, and putting in a plug—Asian economies all grew through the recession. China grew. With the exception of Japan, most of the countries had positive growth rates. So if you're sitting at home and thinking, “Okay, I have a world-beating product here”, and you've been pretty comfortable dealing your product into the United States, you're going to think, “Well, to ensure my own prosperity and the livelihood of the people who work for me, to be able to grow my company, where am I going to have to go beyond that one market?” And that's what happening now: people are looking further afield, looking to Asia, looking to China.

• (1150)

**The Chair:** Okay, thank you very much.

Mr. Chisholm.

**Mr. Robert Chisholm:** Thank you.

Peter, as you just mentioned, your area of expertise is Asia. There has been talk, from this government initially and others of us recently, about concerns in dealing with China in respect of human rights.

I wonder if you could tell us what your officials on the ground are doing either to make way for those kinds of issues to get resolved on the ground, or begin to be resolved on the ground, or are they just left to the higher levels, the Prime Minister and Minister of Foreign Affairs?

**Mr. Peter McGovern:** The issue of human rights figures in all elements of our relationship with China, and it is raised by all senior officials when they visit China. It's raised in a respectful way, but it is always present and we talk about it.

As the chief trade commissioner, one of the things that strikes me about Canada and Canadian business people is that our business people are effectively ambassadors who have embedded values in them. That's one of the benefits of dealing with Canadians: you get a fair deal. And that's a very important element. When Canadian business people go to China, they're effectively ambassadors for the Canadian way, and they show that you can be honest and upright in your business dealings, the way Canadian firms are generally around the world.

So we have that embedded set of core of values that allows us to pursue our interests. I don't see a separation between the two, or a flight to the bottom. Not at all. It's one of the dimensions of the corporate social responsibility that we have, our expectation of there being a level of behaviour internationally. That figures in what we do and how we do it.

**Mr. Robert Chisholm:** Thank you for that—and I agree with you.

Likewise, when you talked about measures, is this also an area that you measure, that you keep track of in your dealings in China? And does that flow back to the head office here in Ottawa?

**Mr. Peter McGovern:** We don't have a measurement system per se on the political side of our operations. It's a little bit more difficult to measure how successful you are. It's something, though, that figures in all the dialogues that we have.

**Mr. Robert Chisholm:** Let me ask you another question regarding the trans-Pacific partnership and Canada's involvement or lack thereof in it.

**Mr. Peter McGovern:** The Prime Minister and the government are on record as saying that the TPP is significant and that we're interested in it. With the Doha Round stalled, you can see quite clearly that countries, particularly in Asia, are looking either to bilateral arrangements or regional arrangements. I think that's one of the drivers behind the vision of our own minister, in the sense that we're now pursuing expanded trade liberalization with India; we're looking at Japan; we're looking at other areas. We would like very much to ensure that Canadian exporters are never at a disadvantage vis-à-vis the countries their competitors come from. It has to be a level playing field, because even a differential of 4% or 5% in a tariff rate can be a determining factor.

**Mr. Robert Chisholm:** One last thing: Is one of the reasons there's some considerable trepidation with respect to our participation in the trans-Pacific partnership our supply management programs and the fact they would be very much under threat?

**Mr. Peter McGovern:** Mr. Chair, in response to that question, unfortunately, I'm not a trade negotiator. I'm a trade promoter. I think you'd have to ask our negotiators about a detailed policy question like that. I know the approach to all our negotiations is that we put everything on the table and pursue our country's best interests.

**The Chair:** Thank you very much.

Mr. Holder.

• (1155)

**Mr. Ed Holder (London West, CPC):** Thank you, Chair, and thank you to our guests for attending today.

I'd like to address this question to Peter, if I could. It has to do with the number of Canadian firms you've assisted in terms of exports. You mentioned a 10% increase year over year and some 13,000 Canadian firms that you've supported. What's the end game for you in terms of the number of businesses that you would deem appropriate to support, or that you could support? Are you at capacity? If it doubled, could you handle it? I'm trying to get a feel for exactly how that works.

**Mr. Peter McGovern:** We would certainly like to see the number of firms that we assist rise. It's an interesting statistic. About 2,000 firms do 80% of Canada's exporting. That is the latest statistic we have from StatsCan on this subject. What we want to do in terms of the services we provide—and there is no outer limit in terms of how many companies we could support—is to be in a position where we could see the very small firms that come onto the exporting scene grow, because, through their growth, they will in turn generate more prosperity. They will bring in other firms as well.

**Mr. Ed Holder:** The reason I asked that, Mr. McGovern, is that there are some 1.4 million SMEs in Canada, according to my statistics. So right now you're servicing just under 1% of that market. But if 2,000 firms equal 80% of the export market and you're catching those 2,000, why do you need to do any more than that? I'm

not trying to be stupid but simply asking why you wouldn't just focus on those 2,000, and then some that are comparable or like-minded that you could.... Why expend the kinds of resources that you do to find another 2,000 like the first 2,000? It's the 80-20 rule, literally, in this case. How do you determine that?

**Mr. Peter McGovern:** That is an element of what we want to do. We want to create the next major multinationals. We would like to be able to work with SMEs, or companies that are SMEs today and will turn into RIMs tomorrow.

An element of what happens is that—

**Mr. Ed Holder:** Maybe not the RIM of today.

**Mr. Peter McGovern:** Well, yes, in terms of their stock price. But you know what I mean: it's in terms of being a major technology leader.

A lot of the bigger firms—which would capture those 2,000—don't really need our help. We'll see them when they have a problem; they'll come in and help us.

But it's a constant process on our part to move the interests of firms forward, because we keep growing. That's how one grows the economy, by bringing on as many firms as one can, getting them exporting, realizing as I mentioned before that 56% of our economy is export related.

**Mr. Ed Holder:** I'm going to stop you there, if I can, because of the time.

Industry Canada defines SMEs as enterprises with under 500 employees. In fact, a small enterprise is defined as having under 100 employees. If it's a goods-producing enterprise, it's under 50 employees. If it's a service-producing.... And if it's a micro business, it's five employees or fewer.

I'm sure you'd respond, but do you even bother with micro business, or is that even a practical—

**Mr. Peter McGovern:** To address your number of 1.4 million, a lot of those firms would be factored out, because they could be anybody from a convenience store to a service that's provided locally. In reality that number is much smaller than the 1.4 million.

In terms of the micro businesses, yes, we would work with micro businesses.

**Mr. Ed Holder:** But if you do, though, then you'd have to move the number back up to 1.4 million again, because the number does include those baby firms, the barber shops, my wife's flower shop, and so on—and that's fine.

**Mr. Peter McGovern:** Indeed.

But a micro firm could involve a couple of researchers who are working in the MaRS cluster in Toronto and who have come up with a new cancer patent and want to commercialize it.

**Mr. Ed Holder:** I have another question for you.

My city of London, Ontario, is the tenth largest city in Canada. I share that with you because we have something like 14,000 businesses in London, Ontario. It's important to us. You put an office in Waterloo and one in Windsor, but in the heart of southwestern Ontario, which is London.... And Waterloo is an hour from Toronto, so your geography in locating them is a little curious....

But what I'm more concerned about is how you tie into EDC. Obviously EDC has a relationship with us. I'd like to understand better how EDC coordinates with what you do.

Thank you very much.

• (1200)

**Mr. Peter MacArthur:** EDC and DFAIT come under the same minister, the Minister of International Trade. We work very closely with it. We have advisory boards for each of the key sector industries, such as ICT, and EDC is on that advisory board. It involves a majority of private sector people. They meet every year, and we have board meetings coming up later this month. So, EDC and BDC and CCC sit on that board with the private sector and we look at global strategies. Every year we renew them. I think that's an important aspect of relations with them.

EDC has positions abroad. Some of them are in the embassies and consulates and some are not, but they work very closely with us wherever they are, because we share a common clientele. I would suggest that those relations with EDC and BDC have been improving over the years, especially due to the economic crisis and the increasing demand on us by the small companies that suddenly see the U.S. market as less viable and are looking more offshore than they were before.

As for EDC, it can ensure export finance, which is very important.

**The Chair:** Thank you very much.

Mr. Shory.

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

Thanks to the witnesses for being here this morning.

Some of my comments and questions will be a little repetitive of earlier ones. I represent Calgary Northeast, which has quite a few young entrepreneurs and energetic and enthusiastic business people. So I will be focusing my questions on small businesses and the opportunities your office gives them in assisting them overseas. Of course, the minister is right that trade is a kitchen table issue. We do realize that, which is why we have an ambitious free trade plan.

I understand that 98% of Canadian businesses are small businesses. My understanding is that to enter the export business, you have to have some larger business. My question is this: We have all of these small businesses, but do you have any specific programs or a structure, I would say, to target your help to small businesses?

**Mr. Peter MacArthur:** Mr. Chair, in answer to the question, we do have documentation, an SME exporters guide. It is available in hard copy and online, and is used by our staff in our regional offices to assist small businesses to look beyond their local market. That's one way of doing it.

We also rely increasingly on Internet portals. There is a very good [www.Canada.gc.ca](http://www.Canada.gc.ca) portal, which is not as well known as it should be. There are three sub-portals. One is called "Canadian Business", and it's for business people. One is for Canadians, with everything including online tax help and that sort of thing. The third is international. It's aimed at foreigners looking to invest in or buy from Canada. I think the committee might be interested in looking at that website, particularly the business one, because it's oriented especially to small business people who are looking to go beyond what they normally do.

We also have economic studies showing that the small exporters that account for the majority of exporters now serve more than two markets on average, which is an increase of 50%, compared to an increase of 30% for the large exporters. So there's a positive trend developing.

**Mr. Devinder Shory:** In order to pursue our ambitious free trade plan—and you were talking about the Asian markets, particularly China, India, and also Brazil—and realizing the importance of free trade, our Conservative government has signed nine agreements in the last six years, way more than any previous government.

And DFAIT is expanding our commercial footprint in those Asian countries, China, India—and Brazil, as you mentioned—to capitalize on the new opportunities for Canadian businesses. How does the TCS help the Canadian companies identify the qualified contacts? Also, because there could be some issues for Canadian companies doing business in that region, how does your office help them face difficulties when operating in some of those markets?

**Mr. Peter McGovern:** Mr. Chair, as I mentioned before, one of the main challenges we face and the major service that we try to provide SMEs is that if they commit to visiting a market, particularly a distant market like India or China, they have a real focus to their visit. One element of our trade sections around the world is that we maintain lists of trusted accountants, trusted lawyers, trusted business advisers who are known to the individuals in our embassies and trade sections, or who have proven track records, or whom we can reliably suggest to a client. We never mention just one but provide a list of three or four. They can choose, within a small list, someone who can work with them on legal matters—even lists of potential individuals who could act as agents for them in the territory.

So that's an element of the service we provide. It's a very important one because, clearly, if you're going to commit to a market, you have to be sure that you are dealing with individuals who have the reputation and the kinds of qualities you need to represent you fairly.

• (1205)

**The Chair:** Thank you very much.

We'll now move on to Madame Pécelet.

[*Translation*]

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

Thank you for your presentation. It was very interesting.

Are the services you offer also available through private consulting firms? Are there any private consulting firms that provide the same type of service?

It may be easier for some companies to access those services because they have more money. What percentage of small businesses use the services offered by the TSC and what percentage use those offered by private consulting firms?

**Mr. Peter McGovern:** Mr. Chair, to answer the question, there are consultants throughout Canada who offer SMEs services similar to ours. But the difference between our services and theirs is that ours are free of charge. We provide those services to whomever asks for them and is ready to export. Consultants always charge for those services.

We are something of a government KPMG. Our headquarters is here in Ottawa, and our national network consists of 18 service points across Canada. We also have an international network with 150 service points. So, we are a very large organization. Our network cannot be compared to anything in the private sector, and we provide Canadian exporters with free services.

**Ms. Ève Pécelet:** My colleague was talking about products consisting mainly of water that are very expensive. If companies want to buy factories abroad to offset the high cost of exporting a product, do you help them set up elsewhere?

As for relationships, especially in terms of the new free trade agreements that will be ratified, do you contact companies to inform them of changes to customs tariffs? I know those tariffs are taken care of by the other country's broker.

**Mr. Peter McGovern:** Informing Canadian clients of any changes in the market is part of every free trade agreement.

Often, the clients themselves campaign for free trade agreements. For instance, a company that has had input in Colombia and is already competing with American companies will be at a disadvantage if the U.S. has a free trade agreement in place. The company would then contact MPs, ministers, provincial governments, to tell them that it is disadvantaged and that something should be done.

An important element of all free trade agreements is ensuring a level playing field. At the end of the day, the government is not doing the entrepreneurs' work for them; the entrepreneurs are doing the work themselves. However, we do need to create an environment where international firms are on an equal footing.

**Ms. Ève Pécelet:** Do your services also include helping companies set up in other countries?

• (1210)

**Mr. Peter McGovern:** At this time, part of our mandate is to help Canadian companies with their investments abroad.

[*English*]

**The Chair:** Thank you very much.

I believe Mr. Hiebert is next.

**Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC):** It's a pleasure to have both of you here to talk about the excellent work you do at the trade commissioner service.

I come to this from the perspective of having been on the inside and also of looking at it from the outside. Several decades ago I had the opportunity to work at an international trade centre in Canada and also at the Canadian embassy in Washington, D.C., and I've also seen this from the perspective of leading delegations to Commonwealth countries, through the Commonwealth Parliamentary Association, and invariably meeting with trade officers who inform us about the work they're doing locally. So I have to say that I'm very impressed with the work that you're doing, but I still have some questions.

First, Mr. McGovern, you talked about how you used to be with the Team Canada office. I still think there are a lot of Canadian businesses out there that hear about these things in the news and they wish they could be on one of those visits to a foreign country with the minister or the Prime Minister, but they don't know how to get involved. They don't know how to get on the list. They don't know what details are required, what the costs are.

Could you briefly elaborate on what a business would need to do to be involved in one of those?

**Mr. Peter McGovern:** Sure. At the present time, we're in the process of examining whether to reinstitute a concerted business mission approach. Our minister is talking to us about it, but if you look at the example of the provinces and the provincial premiers when they go with large trade missions, the work on identifying participants is something that generally gets done between a regional office, a provincial trade ministry, our people, and our embassy. So you take those four groups and draw up a list. One of the challenges in organizing these missions, particularly for SMEs, is that their program or agenda is pretty well booked in advance. So you really have to have a long lead time. The same applies for bigger firms, in the sense that the agendas of most presidents of large companies are booked six months in advance. So to be successful, you really need long lead times to ensure that you can get a full representation of these individuals on these missions.

Another element where we've seen particular success is when we focus on a small number of sectors. So rather than having a broad-brush approach where you have companies coming from all over, and maybe the only thing they have in common is the province they come from, our view is that you should focus it on maybe the ICT sector, or the extractive sector, and that's where you go. That way you can be more selective in the kinds of meetings you arrange. You probably have a slightly better chance of being successful.

But again, the approach and, certainly, the instructions that we're getting from our minister's office, is that this is an inclusive process. It's not organized for the benefit of a small group of firms; it's to get as many companies as we can involved in international trade, using trade missions as a lever. If a firm is interested in travelling and being present in a big or important market, say, India or China, and the minister is there, we would welcome their presence and would like to be able to further their interest in that market. That's the objective.

**Mr. Russ Hiebert:** Invariably with success, there are also some challenges that occur. Contract disputes, I would imagine, are fairly common.

Does your office get involved in assisting Canadian companies with contract disputes beyond pointing them to trusted lawyers or advisers in a particular country? Do we have a list of nations with whom Canada has signed dispute resolution agreements? Where these contract disputes occur, there are questions of jurisdiction and of which laws apply. International law is often complex. Do we get involved at that level?

**Mr. Peter McGovern:** It depends on the type of dispute. I can give you a good example of where the government plays a very important role. For instance, there's RIM's situation in India, where it appeared to us that RIM was being singled out unfairly regarding its market presence. There was a war being waged in the Indian media, promoting false stories about RIM. For instance, after the terrorist attack that took place in Mumbai, suddenly stories appeared saying that the people who perpetrated that horrible act were using BlackBerrys. That was not true at all; they were not using them. It was being done specifically to undermine RIM's presence in the Indian market.

As a consequence, we became involved by having meetings with senior Indian government officials to ensure they knew what the facts were. That's an instance where we did get involved in a situation. It was not about a contract per se, but about assisting a Canadian firm.

In terms of specific disputes, it would depend on what the issue is. If it concerns a contract between partners in a deal and the rule of law pertains in that jurisdiction, then it plays out in their courts. In terms of the actual trade agreements, I'm not sure what kinds of dispute resolution systems they have attached to the agreements. You would have to ask our trade negotiators. Clearly, in the context of the United States, there are situations that arise, but again, these are big when they pertain to a sector like softwood lumber.

I don't know if that adequately addresses the question you've asked.

• (1215)

**The Chair:** Thank you very much.

*Monsieur Ravnignat.*

[Translation]

**Mr. Mathieu Ravnignat:** I want to come back to the question I already asked.

In terms of the impact of your activities on Canadian communities, do you publish a report or any documentation to provide Canadians with information?

**Mr. Peter McGovern:** Yes, we do publish reports on market opportunities.

**Mr. Mathieu Ravnignat:** Reports on foreign market opportunities, yes. But what about the economic impact on Canadian communities?

**Mr. Peter McGovern:** As far as I know, there aren't any reports on that, but provinces often do publish those types of reports.

**Mr. Mathieu Ravnignat:** Okay. Thank you.

As for India, everyone at this table probably wants to make sure that Canada's agreement with that country is as beneficial as possible. I want to use this perfect opportunity to ask you what you

think are the major challenges Canadian businesses face, especially small businesses, in terms of market access.

Does India have any industry sectors that are especially appealing to Canadian companies?

I also want to know whether your office is supposed to advise the minister on that specific agreement.

**Mr. Peter McGovern:** Of course. One of our sectors is in charge of negotiating agreements, be they free trade agreements, air transport agreements or investment protection agreements. That covers all agreements, worldwide. I think that the assistant deputy minister in charge, Mr. Burney, has already spoken before your committee. He's the one who takes care of that within our department.

In India, information technology, as well as the agroprocessing, forest and mining industries, are very important markets for Canada.

**Mr. Mathieu Ravnignat:** What are the challenges?

**Mr. Peter McGovern:** As in all free trade agreements, our negotiators have issues at stake. It is always a big challenge, a battle between the two parties. However, we try to create a win-win situation in all our agreements.

**Mr. Mathieu Ravnignat:** Are there no specific sectors that are problematic for Canadian small businesses in the agreement with India?

**Mr. Peter McGovern:** Since I am not in charge of those negotiations, I cannot say. Negotiations are always very complicated. It would be better if my colleague.... This is someone else's area of expertise, someone else's sandbox.

• (1220)

**Mr. Mathieu Ravnignat:** Okay. I can understand that.

**Mr. Peter McGovern:** I cannot go digging in their sandbox. That's always difficult professionally.

**Mr. Mathieu Ravnignat:** Yes, I know and I understand.

Thank you very much.

[English]

**The Chair:** Thank you very much.

Mr. Shory.

**Mr. Devinder Shory:** Thank you once again, Mr. Chair.

I have to share something today with the department about the availability of assistance by their overseas offices. It's quite robust. I will share my experience with my colleagues as well.

In 2009, I guess, I was on a personal trip to India and I got an invitation to speak to a panel in the northern state of Punjab, in a city called Ludhiana, which I would say is the only major industrial city in that state. I got this invitation to speak on a panel addressing the CEOs of all of these big companies: Atlas Copco, Hero Honda Motors, Vardham, Oswal Trident, you name it, they were all there. So I was a little stressed out about what I would say.

I contacted my assistant here in Ottawa to get in touch with DFAIT and, believe me, it was 12:00 or 12:30 and there was a time difference, but I got everything I needed. The department worked through the night.

So thank you very much for that kind of assistance. It was very helpful. The name I gave to my speech was “Canada and India—Natural Trade Partners”.

**The Chair:** You think you were stressed. Just think of them.

**Some hon. members:** Oh, oh!

**Mr. Devinder Shory:** Absolutely.

So, once again, thank you very much.

Coming back to today's meeting, I heard Mr. McGovern talking about some risks in international business. Could you please elaborate on what kinds of risks these are?

**Mr. Peter McGovern:** I think particularly for SMEs, the biggest risk is time. When you have a very small operation and you're reliant on a very small number of individuals who are dealing with key dimensions of your business, if a person has to absent themselves to go on a trip for a week or two, you're leaving your operation a little bit vulnerable. That's why we've spoken about the importance of focus. If you do travel, you should know where you're going to, who you're going to speak to, and have a very clear business objective to your travel. Those are the kinds of things that we play into. Of course, when you're in markets, there are all kinds of business pitfalls that you have to avoid. For instance, you meet a connection. Is that connection reputable, is it somebody you can trust? What are their bona fides? Is it a real market opportunity? Again, it's the issue of focus.

If you can be assured on a number of important points that, yes, this is a real company, and that yes, these are viable interlocutors, then you know and can make an informed business decision. We try to create an environment that allows a business person, particularly from an SME or the head of a small firm, to be focused in making a clear decision, and to pursue an opportunity to be successful.

**Mr. Devinder Shory:** Mr. Chair, I agree with Mr. McGovern on that because focus is important.

I forgot to mention one more thing. During that meeting, the department made sure that one of their commissioners actually travelled from New Delhi to that place to assist me and to answer all of the technical questions. So it was a very good job done by the department.

I don't think I have any more questions.

**The Chair:** Very good, thank you very much for that endorsement. I'm sure it was appreciated. I get the sense that there is some tremendous work that is being done.

Mr. Easter, you have five minutes.

**Hon. Wayne Easter:** Thank you, Mr. Chair.

You have a number of offices in Canada and around the world for sure. I don't have the note, but I believe it was 170, wasn't it?

**Mr. Peter McGovern:** We have 18 domestic offices and our headquarters operation.

**Hon. Wayne Easter:** Okay. What's your presence in the United States? Do you have a big presence there, or is it through the consulates? How do you operate in the U.S.?

**Mr. Peter McGovern:** We operate through a mix—of course, quarterbacked by the embassy in Washington. We have a number of consulate generals—larger posts—and then we have a number of smaller offices, in some instances one-person offices. Then we have a number of hybrids where you have a little bit bigger presence. For instance, in Raleigh-Durham, we have five people. We have one person in San Diego, and we have one person in San Jose, although we have a big consulate general office in San Francisco. I could probably run through all of the offices for you, if you want.

• (1225)

**Hon. Wayne Easter:** I don't need them all. Your offices are actually beyond where the consulates are.

**Mr. Peter McGovern:** We have 23 points of service in the United States.

**Hon. Wayne Easter:** I know it's trade promotion, but what is important to us, especially in the United States, is trade restrictions. Does the trade secretariat have any involvements in terms of market intelligence? We've been trying to figure out since June 28, in our minds, how the Government of Canada could have been so blindsided by the Buy American provisions when President Obama was telescoping to the world that he was going to have a very protectionist stimulus package.

Do you have any involvement in that kind of market intelligence? You have 20-some offices. We get all the consulates. We get the Washington embassy. We have DFAIT here. The minister seemed caught by surprise a bit. I find this amazing.

**Mr. Peter McGovern:** Again, my understanding is that this committee was briefed by our colleagues on the Buy American provisions in the proposed American Jobs Act last week. So the record would be whatever answers they provided to you on that. I am not going to—

**Hon. Wayne Easter:** Peter, you are a politician.

**The Chair:** Actually, it was quite extensive.

**Hon. Wayne Easter:** It was very extensive.

**The Chair:** Mr. Easter, carry on.

**Hon. Wayne Easter:** Yes, it was very extensive, but we still haven't had any answers. Now, the government got caught with their pants down in not seeing this coming. They should have been preemptive in preventing this from happening.

In terms of the mix that you deal with—and here, I don't want to call it a commodity mix—whether intellectual property, IT, services, or basic commodities like agriculture or fisheries, do you basically deal with anything having to do with trade? What kind of mix do you have?

**Mr. Peter McGovern:** The model that we used, Mr. Easter, is called the integrative trade model. It covers everything from education to marketing through merchandise exports, to investment, to Canadian investment abroad, to science and technology, to innovation. It's that full range of activity, all of which is important to Canada's competitive position in the world.

**Hon. Wayne Easter:** If one were, say, a tool and die maker or making specialty aerospace parts, which they do in Slemon Park in Summerside, what is the process that one would go through in working with the trade commissioner's service in Canada to assist your business in its work on the ground in, say, India, in terms of further commercializing the sale of the company's product?

**Mr. Peter McGovern:** It's an interesting example that you chose, because it's actually one I'm familiar with. We have a presence in Summerside because of the work that we did in Italy, where there are very highly developed systems and processes and very innovative approaches. There were Italian firms investing in P.E.I., particularly at the aeropark, which was an ideal facility for them. What's interesting is that we were able to take this very high level of sophistication in terms of innovative processes and team it up with the capabilities on the island. When I spoke to those guys who made the investment, they were totally complimentary about the skilled workforce they had created, the loyalty of the people they had, and the fact that the community colleges and the universities were willing to train engineers. Those are the kinds of sustainable processes that we are always trying to create.

**The Chair:** Thank you very much.

Mr. Hiebert.

**Mr. Russ Hiebert:** You talked in your opening remarks about the government's global commerce strategy. I was wondering if you could elaborate for the committee on what the elements are of that strategy. Is there a particular area of focus regionally or on a particular industry? How would you encapsulate that particular strategy?

• (1230)

**Mr. Peter McGovern:** Sure.

The global commerce strategy was premised on three things: boosting market access; increasing Canada's share of global investment, innovation, and talent; and strengthening Canada's international commercial network.

As to the commercial network, one of the big developments out of the global commerce strategy was our ability to be proactive in pursuing opportunities in major emerging markets. With money that we got from the strategy, we opened two offices in Brazil. We also opened four more offices in India and enhanced our presence there, particularly in the southern part of the country, where a lot of the information technology is—in Bangalore and places like that. While everybody is competing for the attention of India, we have boots on the ground now. Of course, we opened six new offices in China and enhanced our presence in some of the other offices we're in.

When you consider China, and you look at Chongqing, you see that it's a city of 34 million people. You cannot afford not to be present in these places. They are becoming more important commercially, more prosperous, and they are demanding more goods and services. That's an element of our approach.

Countries compete against countries, and we know that countries like Australia are very aggressive in pursuing Asian opportunities. We're doing the same.

**Mr. Russ Hiebert:** In light of the competition with Australia, the U.S., or whomever, are there things these countries are doing that we should be doing as well?

**Mr. Peter McGovern:** We're always examining the services and the approach that we have. As a matter of fact, we have annual meetings with UKTI, Austrade, and the New Zealand Trade and Enterprise people, where we talk with them about what they're doing and what we do. We've come out pretty well, but you always have to be showing progress and you always have to be nimble. That is the biggest concern to me. If our minister says he was just in Indonesia and the place is booming and he asks what we are doing about it, we have to have an answer. We have to be able to tell the minister what we're thinking about, either in enhancing our presence or increasing our ability to get Canadians into that market where we can compete.

An interesting fact about Indonesia is that it's the fourth largest market in the world for RIM. It is the country that uses BlackBerry Messenger more than anybody else. You would not immediately think of Indonesia as a high-technology partner, but it's one of the most important ones. Sadly, I don't have shares in RIM, but if I did, I'd want to make sure that we were doing everything we could to increase its market presence in Indonesia. That's where prosperity is being created and the opportunities are.

**The Chair:** Mr. Holder, you wanted to take the rest of the time?

**Mr. Ed Holder:** I've just realized I now have a conflict of interest because of RIM.

I have two questions, which I'll ask together to see how you might combine them. One, I think this is a critically important topic and I wonder how you communicate to members of Parliament—all of us—on an ongoing basis. It's a great brochure, but I'm wondering how you keep us engaged in what you're doing. We can help each other, but you can certainly help us to assist our constituents' businesses.

Second, being from London, Ontario, or any other community throughout the country, for that matter, if I or another member wanted to be able to guide businesses that want to do more of this, rather than our just giving them a toll-free number or a website but instead putting on a value-added service, such as some kind of seminar, how would you support us in London or any other community?

**Mr. Peter McGovern:** First of all, there's a departmental mechanism that provides for the briefing of members of Parliament. I'm more than willing to work with any member of Parliament to assist him or her in promoting the interests of firms in their ridings or region or province. That's an undertaking from us. We're more than willing to do that.

As for the second element of your question, could you remind me...?

• (1235)

**Mr. Ed Holder:** This is such an exceptional thing to do—to promote these services rather than just refer people to a toll-free number or a website. We could have really informative sessions. Businesses that may not have been considering this in the past would be able to see that maybe this is something they could be looking at to grow their businesses.



**Mr. Peter McGovern:** I'll give you my coordinates and suggest to you that our regional offices are always doing seminars. They'll take it on the road and—

**Mr. Ed Holder:** That goes back to the communications piece.

**Mr. Peter McGovern:** That's the communications piece, and that's my problem, but we'll undertake to do that on your behalf.

**Mr. Ed Holder:** Thank you.

**The Chair:** Mr. Côté.

[*Translation*]

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

I want to move on to a different topic. You said that you measure the satisfaction of the companies that use your services. So I would like to discuss business start-ups. After five years, a company's success rate can be measured. It can be determined what factors led to failure, and what measures may promote success and increase the success rate.

Do you have any criteria or a grid for assessing that? You said that you support companies so that they can be ready to export. Do you have an assessment grid for determining when a company is ready to export? Do you measure the success rate of a company that has ventured out and is doing business with one or more clients in a specific market?

Using that information, do you measure how much your contribution—the services you provide—has helped in increasing a company's success rate and satisfaction level?

There are most likely failures, and that's not something we should hide. When a company tries and fails to penetrate a market, do you identify and document the reasons for that failure?

[*English*]

**Mr. Peter MacArthur:** The concept is that we are trying to correct market failure. So the SMEs without information on the means of going global are assisted by government. We're able to show satisfaction levels, and we can even help a company by having it decide that no, coming to this country does not make sense. It saves them time and money, and they're a satisfied client. Increasingly, we've seen from our client surveys that in order to improve and to have a lower rate of failure with our clients, the one area we want to work on is to be more consistent in the quality of our service.

We have some very good staff and some very good posts out there. We're trying to improve the consistency of our service in order to increase the success rate of our clientele. We don't have, to my knowledge, any particular system to measure individual companies failing or succeeding, except that we are measuring them. Every time they register two services, they get an automatic online survey request that asks them, how was your experience with this particular office in the world? That way we can measure how well they're doing. They also have an open-ended question and can mention whether they got a result—an MOU, a contract, or a distributorship agreement. It's evidence we can use to improve our service.

[*Translation*]

**Mr. Raymond Côté:** But is it owing to a lack of means or simply because you don't bother to measure failures or determine how successful your work is?

Surveys and levels of satisfaction do have some value, but do you think you may refine your measures and try to understand the impact of your services and your work?

**Mr. Peter McGovern:** One element we are especially interested in is success.

The successful companies often do not want to share that type of information because it is very sensitive. They do not necessarily want to specify that they received a \$100-million contract. Sometimes they just tell us that they were successful and thank us for our help. A confidentiality element may be involved, in the commercial sense of the word. That's the biggest challenge. They are perhaps worried that competitors may learn that they signed an \$89-million contract and may offer \$95 million.

Those elements play a part. Of course, we do have some idea. If, for instance, we are working in China with Bombardier and it receives an aircraft contract, we have been involved in the discussions and have clearly played a role.

We can make calculations, but it's not a very exact science.

• (1240)

[*English*]

**The Chair:** Thank you very much.

Mr. Shipley has a quick question.

**Mr. Bev Shipley:** Thank you, Mr. Chair. It's a quick follow-up.

When Canada competes we do compete with very good countries, such as Australia and the United States—and we're into countries in Europe also.

I'm wondering, what are some of the attributes that we take with us? Let me give you an example. In agriculture, one of the many attributes that we have in Canada is quality, whether it's the equipment that we manufacture here—though it's not a lot that we manufacture—or whether it's livestock, in terms of breeding and genetics.

When we have a company that wants to reach out into a market in another country, or we want to reach out and become a partner with a subsidiary, what kind of a role do we have in being able to get into these countries and actually grow that type of a market for Canadians? Basically, my question is about quality. Does quality count?

**Mr. Peter McGovern:** I can answer that immediately. Yes, quality does count, and we are recognized as a high-quality centre of innovation and high technology. We also have a reputation for fair business practice, so that if you deal with Canada or Canadians generally, you are on pretty solid footing that what you agreed to is what you're going to get. That's not always the case internationally, so I think that's important and it ties into the issue of transparency.

One of the interesting dimensions of the Canadian approach you see oftentimes in Canadian investment abroad is that, unlike some of our competitors, we don't bring in full management teams. You don't have everybody moving from Toronto over to wherever. You may have a number of key managers, but we'll hire local individuals who are talented and well educated, and they become part of the process.

That is very much appreciated, and you see that in Latin America with some of the financial institutions, and some of the mining companies as well, where they have a very clear idea of an investment approach that is different from the full expat approach, as it were.

I think those are a number of things that play into that.

**The Chair:** You can ask another if you wish.

**Mr. Bev Shipley:** I have one other question.

I had the opportunity to be in Kazakhstan at one time. When we were meeting with our ambassador—and this goes back to my earlier discussion—it is about knowing where to go and how to get there and how to get companies.... While some other countries that are there take huge delegations and sort of bombard the economy and businesses, our ambassador said that Canada, actually, simply needed to show up in many cases, because there was trust and all of those things.

Is that a statement you're trying to build on when reaching out to countries that sometimes we don't think of as being...? Some of them have unique markets. How do you reach out to those, or how do you know where to go when we hear those kinds of comments? What can we do to help you in those situations?

**Mr. Peter McGovern:** You've touched on a very important point. A big element of international commerce is engagement. A lot of what gets done is based on personal relationships. You have to be present. You have to show up. You have to be willing to commit and come back. That, I think, as much as anything, is the significance of how to do business in these places.

It's interesting that you mentioned Kazakhstan, because it doesn't immediately leap to top of mind as to where there's an opportunity, and yet there is. I'm struck, for instance, in my own area that Canada is the largest investor in Mongolia, after China. You wouldn't think about Mongolia, yet we're very much appreciated by the Mongolians for our presence there.

It's like anything else: you have to pay attention to the relationship. You have to nurture it, and that's a segue as well, if you will, because we haven't really talked about it very much today. But I think the whole issue of marketing education is very important

for individuals and, now, of course, Canada is the number one place in the world for quality and value.

If you're living in some country abroad and you want to send your kid to get a high-grade education at a reasonable price, Canada is the place to go. From my perspective as chief trade commissioner and the person responsible for Asia, I recognize that these people will go back and become politicians or business people; but then they'll say, "You know, my time in London, Ontario, when I was at Western, what a great place it was". And that pays.

We see time and again decisions being made in all kinds of different sectors, and it's that connection you establish when people are young and they're learning and they move on through their own systems that pays a dividend for Canada. So that was a plug for education, and for London, Ontario, an important place.

● (1245)

**The Chair:** Yes, I noticed that as well.

Peter MacArthur had something to add, and then we'll close the meeting.

**Mr. Peter MacArthur:** Just on the Canadian brand, the fact that we're bilingual and multicultural, that we are the world, with language skills and links to the old countries, gives us a badge of being a wise country. That leveraging of our multicultural communities back into these emerging markets is quite important. And we have great cross-cultural skills from our domestic reality, which helps us in these countries, as well.

**The Chair:** That's very good.

I want to thank you for coming in and sharing what you do. It can't be overstated. The success of your department and the way we trade with international countries are really hinged to the success of our country in no small way, especially as we move into the next decade and beyond.

We wish you all success. Thank you for coming in and sharing with this committee. I'm sure we'll be calling on you again in the future. I appreciate that very much.

You couldn't be more accurate in saying that the relationships are absolutely critical when it comes to doing business. It's not unique to international trade; it's all business. You'll never do business with someone you don't trust, so our reputation is very critical in that area.

Thank you for coming in. Thank you to the committee for the questions.

The meeting is adjourned.







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