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## **Standing Committee on International Trade**

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**EVIDENCE**

**Monday, April 20, 2015**

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**Chair**

**Mr. Randy Hoback**



## Standing Committee on International Trade

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• (1535)

[English]

**The Chair (Mr. Randy Hoback (Prince Albert, CPC)):** Welcome back, colleagues. It's great to see everybody after you've had two weeks in your ridings, in your constituencies. I know you all were very busy and eager to get back to Ottawa to work on our file here, which is, pursuant to Standing Order 108(2), a study on small and medium-sized enterprises.

We have witnesses from the Conference Board of Canada; Deeb's SpecialTea Foods Ltd.; Lingo Media Corporation; and by video conference, Archipelago Marine Research Ltd.

I think I'll go in the order that we have on the document. I'd just remind the witnesses that they have eight minutes each.

Anyway, we'll start off with the Conference Board of Canada.

Mr. Hodgson, you have eight minutes.

**Mr. Glen Hodgson (Senior Vice-President and Chief Economist, Conference Board of Canada):** Thank you, Mr. Chairman and members of the committee. It's nice to be back. I was here probably four or five years ago talking about some aspects of trade.

The topic today is small business in international trade. I don't want to be the skunk at the garden party, but I thought I would start with a commentary that I wrote in *The Globe and Mail* about a year ago called "Governments need a surgical approach for helping small business". Canada is small business-based economy—the data indicating that is there, which I took from the Startup Canada site—but I think the focus on small or medium-sized businesses is probably the wrong focus. I'd like to see us focus on growth-oriented companies. I came up with an expression in this commentary, "growth-oriented enterprises", or GOEs, as the focal point.

In the commentary I talked about some of the data. There's a large productivity gap between Canada and the United States, and unfortunately a lot of that is attributable to small firms in Canada. So it's actually a negative factor, I would argue, in the functioning of our economy. I'm concerned about the fact that maybe we've done almost too much, that we've loved our SMEs to death when it comes to the tax system and other aspects of public policy intervention.

I would argue that we have to be really smart about how government intervenes to support small business. I like supporting small business. I spent a decade of my career at EDC, which I think has the model about right. It's very effective, but in a very efficient way. Maybe I could just read the last paragraph of my commentary as my first point.

Rather than supporting SMEs because of their size, governments should re-focus their energy and scarce resources on other more important business attributes, regardless of the size of the business: high growth potential; the capacity to innovate; a demonstrated ability to launch new products and services; and the willingness and expertise to tackle new growth markets successfully.

There's the starting point. I like small business, but I think what we're really looking for is companies with strong growth potential going forward. At the Conference Board we've done a lot of research over the years on small business and international opportunities. In fact, I brought two such studies just as examples. We probably have a dozen or so studies. I've been at the board for 10 years now, and in my decade we've done lots of research on small business and on Canada's fit into globalization. We have, I would hope, the strongest private sector research organization called the Global Commerce Centre doing a lot of research on Canada's fit into globalization.

We did two studies about six years ago, one called "Canadian SMEs and Globalization: Success Factors and Challenges", and another, "Survival of the Fittest: Which SMEs Internationalize Most Extensively and Effectively?" The bottom line is that there is a prima facie case for supporting small companies, but you really have to think hard. You have to think hard about how our scarce resources can really be most effective.

I thought I would close my opening remarks with just a couple of comments on free policy advice for organizing the federal family in support of small business. First of all, going global is not for everybody. What the research shows is that firms succeed if they have key attributes going in: if they have international experience, if they have what is almost like the right ecosystem or culture. Do you have a cultural fit? Do you understand what you're getting into? Have you had experience in the past doing international business? Are you building up expertise and management capacity? You need to ask that before you even get into the attributes like finding partners abroad, finding customers abroad, and having adequate capital or risk capital. I would argue that there's almost a pre-screening required before we encourage firms to go global.

I had a chance within EDC to look at a lot of international business practices and actually do deals. I was the government relations director and then the VP of policy and then deputy chief economist working for a guy named Stephen Poloz—you may have heard of him. Steve was my boss for three years. We learned a lot about global value chains, about how business is done today. One of the things we focused on was trying to encourage Canadian companies to fit into the value chains of bigger enterprises. Rather than a B-to-C relationship, where you go from a business to a customer, you think of a B-to-B relationship, fitting into some value chain around the world. You can always find customers abroad directly, but more and more Canadian firms are having success when they fit into the global ecosystem and actually become part of global value chains.

I'm a big fan of the trade commissioner service, of EDC and BDC. In fact, I think we have the business model more or less right for all three, but you can always find ways to refine it and do better. I can recall the days when we actually used to pay small companies to go abroad to trade fairs and there were various government programs. I'm not sure there was a lot of value for money in that. I do like the focus that's been brought at EDC and BDC. We know Jean-René Halde very well. He's the president at BDC. He's really focused on high growth potential companies. I think that's a sweet spot for the conversation, thinking not about more money, but actually how to take the resources we have and focus them much more.

We should be proud of the fact we have two strong state banks in Canada in the BDC and the EDC, and an effective trade commissioner service. For me, it's all about refining that around growth opportunities: do the pre-screening, figure out which firms have the attributes to potentially succeed, and then provide the support from core government and the crown corporations to make them really effective.

I think I'll stop there, Mr. Chairman, with my opening remarks. I would be very happy to respond to questions from the members.

**The Chair:** Thank you very much, Mr. Hodgson.

We'll move on to DeeBee's SpecialTea Foods Limited. I understand that we have with us Dionne Laslo-Baker and Stephen Baker, and you're both presenting.

I understand that we're starting with you, Dionne.

**Ms. Dionne Laslo-Baker (Owner and Chief Executive Officer, Deebee's SpecialTea Foods Ltd.):** Yes, it'll mainly be me making the presentation.

My name, as you know, is Dionne Laslo-Baker. I never thought that I would be here speaking to you as a representative of the food industry. I have a background as a medical scientist. I have a Ph.D. in an area called "maternal-fetal toxicology". I studied the effects of exposure to drugs and chemicals in the environment on fetal development, child development, and human health.

My husband and I have a son, David. When he was three, we decided to take him off all refined sugar, artificial flavouring, and artificial colouring. We saw a noticeable difference in him. It was always a challenge for us to find for him what he would consider a treat or a dessert. When I was in the kitchen three years ago minding my own business and not looking for a new career, my son David

was making organic herbal tea and his brother was making popsicles, and one of them said, "Mommy, let's make teasicles."

To fast forward, my husband and I discovered that nobody on the planet was making an organic tea-based or herbal tea-based frozen novelty. Based on that idea, we decided to send our product out to the world tea media. We thought that if anyone would know if it existed, it would be them. They surprised us by giving us a new product of the year award, and we realized that we were onto something.

With Agri-Food Canada, we went to the Fancy Food Show, and this is one where the support for going to that show may have paid off. We met Mary-Jane Ginsberg, who was the trade commissioner in California. She was instrumental in helping our business. She introduced us to some of the big people at Whole Foods, as well as Kroger and a number of large companies.

At that time, we hadn't even completed a box. We decided to go out and see if this was really a viable option. Was it really something that would last in the market? After having lineups down the aisle and being rated top of the show by *Good Morning America* and *The Wall Street Journal*, we realized that we were onto something. We raced home, made a box, and got into the marketplace within about two months.

We launched into the United States market just a little over a year ago. We are now across half the United States. We've launched into Sprouts Farmers Market, a chain of a little over 200 retail stores. Our aim was to launch in the southern states, where our market would go throughout the winter months, where it's a rather dry marketplace compared to Canada's. We've quickly gone from a very small business in Victoria into Whole Foods in the Midwest and are hoping, in discussions with Whole Foods, to launch nationally. We're going to be in Whole Foods across Canada, speaking to Loblaw and Sobeys, and also holding discussions with Kroger and retailers in the States.

I'm one of the biggest proponents of knowing what you don't know. My team is aware of my philosophy of admitting that you don't know something and asking for help. You name it, you come and talk to me, and I'll ask for your expertise, because I know when I don't know something.

An area that I feel is lacking in a lot of new businesses, especially in the food industry, is knowledge around distribution. I asked in the industry who was the best in this area, and I was told about a team in California. I was told, though, that no one would take me on: they wouldn't take us, they were number one, they were maxed out, and they weren't taking anyone new. Anyway, needless to say, they're with us. They're representing us now, and they're assisting us with growth.

The government has been very instrumental. In fact, I've been very surprised at the level of assistance, starting with the trade commissioners, which I found very, very beneficial. Unfortunately, Mary-Jane Ginsberg's position was eliminated, which is a shame, because she was really incredibly beneficial. In fact, I think part of the reason for her strength is the fact that she and her husband ran the Blue Monkey Coconut Collection, so they knew the world of distribution. They knew who to speak to.

That was incredibly beneficial, and I think it made her stand out from others holding that position. I thought it was a shame, because she was gone and none of the other trade commissioners have come quite as close as she did, although we've gone on to work with the Investment Agriculture Foundation of British Columbia, which has really assisted us in some of our marketing efforts, and also Export Development Canada.

We have what you would call "bootstrapped" it to this point. My husband has a surgery centre—very fortunately—such that we've been able to manage the growth on our own to this point, realizing that we are going to need investment. We're going to need equity from an outside source. I think this is where we've run into a little bit of a challenge. We've gotten to a place that I think few companies have been able to reach.

• (1540)

Now we're at a place where we have POs coming in. We have retailers saying, "You cannot short me, or you'll be gone off the shelf." We're trying to secure funds. We have reached out to EDC. They've been incredibly helpful. They've actually said they'll back us 100% with the banks.

They then suggested I reach out to BDC, where I found a few roadblocks, to be honest. When you're busy running an organization and you have two small children on top of that, and you're the head of each of your small departments, it can be quite challenging. We also run a centre for research and innovation under NRC-IRAP, where a number of our team members are under internships. I'm overseeing everybody. With BDC I found that each step of the way there was always kind of a "Well, this is what you're going to have to do. You're going to have to do this. You haven't got this. We want to see equity investors." The fact that we had bootstrapped it actually went against us. They told us that they wanted to see others interested. I told them that others were knocking on our door, but we decided to try to keep this a 100% woman-owned, family-run company. That has been quite challenging.

One of my team members e-mailed me a few weeks ago and said, "Look: \$700 million has been put aside by BDC for female entrepreneurs." I got on the phone, I called BDC, and they said, "Well, we heard that, but we don't know anything about it yet." Okay. So I spoke to them today and was told, yes, that just means it's been put aside, but it's still the same as the other investment in BDC, with the same things you have to go through. It's not much different from the other except that it's put aside for women.

They're really not accommodating, whereas NRC-IRAP has put someone aside as a specialist who has assisted me every step of the way. She and I speak almost weekly or biweekly and talk about how we can improve. We're innovating new products. We have three or four products in the innovation stage right now that we've been told

will be as big as, if not bigger than, the products we have out right now. She's a direct link and has assisted me with growing that aspect of our business. I feel that if we had this on the financial end of things, it would assist companies that really can make it to this point.

I really like the idea—just as you said—of growth potential, growth-oriented companies, and, when you see that potential, to really be able to foster it by putting someone in place, similar to what has been done at NRC-IRAP.

We have interest from around the globe. We have a challenge with the EU. We're exporting to the United States, but we are at a disadvantage if we produce in Canada, because we don't have the agreement in the U.K. and in the EU that we have in the United States.

I think my husband might want to speak just a little bit about that.

• (1545)

**Mr. Stephen Baker (Deebie's SpecialTea Foods Ltd.):** With regard to the equivalency agreement for organic trade with the EU, they're happy to accept our raw materials but not our manufactured products. That's something that needs to be addressed. We have to go through additional certifications that are time-consuming and costly, and people just give up on that.

**The Chair:** Thank you very much. The joys of the EU: I know what that's like from my previous career.

We'll move on to our next witness. From Lingo Media Corporation, we have Gali Bar-Ziv.

**Mr. Gali Bar-Ziv (Chief Operating Officer, Lingo Media Corporation):** Yes, Gali Bar-Ziv: "Bar" means son, "Ziv" means light—son of light.

**The Chair:** Sunlight.

**Voices:** Oh, oh!

**Mr. Gali Bar-Ziv:** That comes with a different accent.

**The Chair:** Well, please enlighten us, sir.

**Voices:** Oh, oh!

**A voice:** With your sunny disposition.

**The Chair:** The floor is yours for eight minutes.

**Mr. Gali Bar-Ziv:** Thank you.

First of all, good afternoon.

Thank you, Chair and Vice-Chair. It's a privilege to be here.

As you can see, my name is a little different. Like many Canadians, I wasn't born here. I am a proud Canadian. I moved here about 16 years ago to pursue an MBA in Toronto.

I am originally from Israel and I will take a few paragraphs or sentences, if you will, to discuss the nature of that country, because I think that when you talk about international trade you can learn from a country that is miniscule in comparison to Canada. Obviously, it has a fraction of our population, with no real natural resources, yet the vast majority of the economy is based on one thing: commerce with the outside world.

If you look at the borders, there is no real trade with any of the neighbouring countries, but then you have the other countries. The country and the government traditionally have been very supportive of different companies and trade in general in terms of supporting both funding and relationships, etc.

When you look at technology companies, I don't know if you're aware but the second largest number of companies listed second on NASDAQ after American ones are not Canadian, but Israeli. A lot of that based on trade policies.

Having said that, thanks to the Canadian free trade agreement with Colombia, our company was fortunate enough last year to win against, among others, an Israeli company that did not have such an agreement. The free trade agreement with the point system made the difference.

Our company teaches English. We combine technology and content into an online environment. The contract we were awarded was to train Colombians nationwide, in a contract with the government. As a result, we hired 15 new employees—obviously on quite a fast growth trajectory.

We also have a contract with the Government of China, whereby we publish books in English. We have about a 60% market share in primary schools.

You'll be proud to know that most Chinese children learn Canadian English; that is quite a thing. We are moving beyond English, especially in Colombia, to French, Mandarin, and some other languages.

We use the trade commissioners, as we find them to be very helpful, as do some of our colleagues.

Unless you go directly to consumers, the nature of business is that it's all based on relationships and the best doesn't always win; many times it's who you know, who has the shortest distance to the end goal, which is the contract. Those relationships are paramount to any type of success. The trade commissioners do some of that field work. However, that's where it ends and, obviously, it moves into the company, which is fine.

We tried to cooperate with the CCC and we found it to be more challenging. I think they are much more targeted to large organizations—the Bombardiers of the world, the defence-oriented organizations—but I think you can find growth in the small or medium-sized companies that can bring funds into the country. This is the one opportunity where you can create something with your head and bring capital into the country. If you look beyond the relationship introduction, when we talk about support and not necessarily funding support, it is as much about trying to get to the goal.

Israel has something called the Office of the Chief Scientist. It's an organization that provides lots of funding for technology-wide research and development. They cooperate differently with different countries so we want some sort of a contract with the Chief Scientist in Israel.

Any Canadian non-profit cooperates to develop a speech recognition analysis, so when you speak English it will analyze how you pronounce the different words and you can work on your pronunciation. If you look at Asians or Latinos, you can improve the speaker's comprehension by using software with a very sophisticated algorithm.

• (1550)

Again, I think it would be very helpful for Canada to have different elements in terms of what it does with trade, and to maybe have more help or facilities or opportunities for the smaller companies rather than just for the big organizations.

Thank you.

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

We'll move on to our last witness, Shawn Stebbins, president of Archipelago Marine Research Ltd.

Mr. Stebbins, you have eight minutes, and the floor is yours.

**Mr. Shawn Stebbins (President, Archipelago Marine Research Ltd.):** Thanks, Randy.

You're not the only one to have trouble pronouncing that word. I've lived with that for over 30 years.

Good afternoon. Thank you for the invitation. I'm very sorry that I'm not able to attend in person. I regret not being able to make the trip. Ottawa is one of my favourite cities.

I'm a fishery biologist and president of Archipelago Marine Research. I'm also a shareholder in the company and I've worked here for most of my career.

Just before I start, I also want to support Glen's comments about trying to focus efforts on growth-oriented business and high-potential business. I think that makes a lot of sense. I like to think that we could fit into that category, but we'd have to have an independent assessment of that.

Our company was formed in the late seventies. We've been around for 38 years. It was formed by five marine biology graduates who basically wanted to strike out and do business on their own. I joined the company about seven years after that.

The company has a long history of steady growth. Our business is focused on delivery of marine environmental services, primarily from our Victoria head office, to both government and private sector clients. We are still a private company. We have four shareholders who all actively participate in the business.

Our two primary areas of business are marine environmental monitoring, assessment, and planning, and also commercial fishery monitoring, data analysis, and reporting. Archipelago currently achieves in the neighbourhood of \$10 million of revenue annually, about 85% of which is associated with our commercial fishing customers.

Revenues are split between services at 90% and products at 10%. Our international sales vary considerably from year to year but are generally between 15% and 25% of sales and include both products and services.

We have between 170 and 200 staff, some of whom are seasonal. That's the equivalent of about 135 person years annually. The majority of staff are located in Victoria.

When we do international business, we do it primarily through contractors or short-term travel. In addition, we recently established a subsidiary in Canberra, Australia, to deliver electronic fishery monitoring services to commercial fisheries there on behalf of the Australian government.

The bulk of our international sales involve this new technology. Working with local industry back as early as 2000, Archipelago developed the technology. It involves a vessel-based industrial computing platform, along with sensors and a number of parallel software products that facilitate data collection, interpretation, and reporting from an active commercial fishing vessel.

We also leverage the new technology to deliver professional consulting services to the customers who are using the technology, so we help design monitoring programs and implement them and move them to an operational basis.

Archipelago has been marketing these EM products and related services internationally since 2007. Our customers include Australia and New Zealand in the southern hemisphere; Denmark, Scotland, England, Netherlands, Germany, and France in northern Europe; and the United States. We've also completed projects with NGOs and the fishing industry in some of these locations.

The primary motivation for customers to purchase these products is to improve the monitoring and associated data available from commercial fisheries in order to improve decision-making around science, management, and enforcement within these fisheries. The ultimate objective of all this, of course, is to increase resource health and improve the long-term sustainability of fisheries.

Another benefit can be accrued by the fishing industry if it is able to prove it is using sustainable fishing practices. Those in themselves benefit the long-term health of the resource, but seafood markets benefit since, increasingly, a higher value is put on sustainable seafood.

Archipelago, like DeeBee's, has chosen to self-fund the development and marketing of this new technology. Being a services-based business for decades, we've had relatively tight margins, and therefore we've had significant challenges in developing this new technology. It's been an ongoing struggle for us to develop and manufacture these products and to develop what's essentially a brand new market at the same time.

● (1555)

The challenge resides partly in our lack of expertise and knowledge in new areas of business—like Dionne, I'm not afraid to say what I don't know, and there's an awful lot to learn—but also in our limited financial resources.

I'd like to comment on some of the resources and programs that are available and have helped us along the way.

The first thing I would say is that our five-person R and D team represents a new cost to our business, with no direct offsetting revenue. The SR and ED tax credit program has been a considerable benefit to Archipelago's development in both the hardware and software products. Without this assistance we could not have made the progress we have.

Locally, VIATeC—the Victoria Advanced Technology Council—and the Acetech organization in Vancouver have played key roles in assisting me and others of my staff to acquire the expertise required to develop products and work to develop the resources for international business. These organizations have helped us to successfully develop products and also improve our business processes and expertise. This has been done through educational programs, mentorships, and facilitation of networking in our community. In my view these organizations are a key communication tool to get the word out to industry regarding government programs that assist with the development of international trade in Canada.

More recently we've begun to access the funding and technical support available through the IRAP program. As Archipelago has been experiencing a lag in sales recently, this program has been valuable to assist us to maintain our momentum with product development and innovation in functionality that we would otherwise not be able to continue. We're also currently applying for a term loan through our bank, with support from Export Development Canada under the export guarantee program. It looks as if this is going to be approved. I can say unequivocally that if this loan wasn't there to support the investment that we've made in establishing our Australian subsidiary, we would have some serious concerns moving forward.

Another challenge we face with international sales, and I think I heard this a bit from one of the other speakers, is nationalist protectionism. This has been evident in particular in the U.S., where we've lost some competitive tenders to what we feel are lesser-qualified competitors. Sometimes it's through legislated controls, such as small business set-aside in the U.S., but it can be dictated just by simple policy statements such as Buy America. In some locations we've come up against government-supported competition as well.

In summary, self-funding is likely our primary challenge for research and development, for international marketing and sales, and for establishing an international presence. Second is developing or acquiring new expertise in product development and international marketing and sales. Finally, it would be convincing governments, including our own, to adopt and fund the transition to a valuable new monitoring tool for fisheries.

Thank you.

● (1600)

**The Chair:** Thank you, Mr. Stebbins.

We'll go to our first round of questions.

Mr. Rankin, you have the floor for seven minutes.

**Mr. Murray Rankin (Victoria, NDP):** Thank you, Mr. Chair.

Thank you to all the witnesses for being here this afternoon, both in person and by Internet.

I'm very pleased to be here. I'm not normally a member of this committee. It's particularly exciting for me when I have both Dr. Laslo-Baker and Dr. Baker from my riding of Victoria, as well as Mr. Stebbins of Archipelago Marine Research, so I'm grateful to you.

I want to say that you're both from Victoria and you're both winners of the BC Export Awards—one, in your case, for a new export category, and Mr. Stebbins, your firm for the sustainability category.

Congratulations to you both. It's really exciting.

I want to ask you both, and I'd invite as well, if I could, Mr. Bar-Ziv, to comment on the following. It's a very wide-open question, and each of you have touched a little bit on it. The question is on how the government of Canada could improve its service delivery to small businesses like yours. You've indicated some problems that you've encountered in trying to grow exports, and some great things you've encountered as well, it needs to be said.

Mr. Stebbins, you talked about VIATeC. You said they provide key communication tools to let you know more about the government programs that are available. This begs the question of whether we should rely on groups like that to get the word out or whether the government should communicate more directly.

I'd ask you to talk about efficiencies, overlaps, gaps, if you would.

Perhaps we could start with Deebee's.

**Ms. Dionne Laslo-Baker:** I have a Ph.D., so my background really is as a research scientist, so I kind of knew there was going to be funding out there and I really think that put me at a bit of an advantage. I think that for new companies starting out, if there could be a central system, something like NRC or IRAP, where a company starting out might be able to access somebody, that could help guide them in the beginning.

I know there is the issue of who will actually have this growth potential, but I think that you're really in new waters. Unless you're a really well-experienced entrepreneur, I think having some guidance to really maximize the brainpower that's in Canada would be very, very beneficial. A lot of people come to me asking for advice on where to get started, and I quickly tell them all the things they could access, but I also tell them about some of the challenges they may face.

As I mentioned, looking at strategic investors and even having, as my husband was suggesting, a central roster, would be useful. It would be something for when you're at the point where there is so much growth potential and you have to ask yourselves, "Wow, do we have to sell out in order to get there and make it?" We've had to ask ourselves that when we can hardly put food on the table because we're pushing so hard to meet the demand that is there, even though that is what we all want. So I think it would be very beneficial to

have assistance both at the beginning to access what's there, but also assistance in growing financially, which is of course the basis of how we can grow.

• (1605)

**Mr. Murray Rankin:** Thanks.

Could I invite Mr. Stebbins to comment?

**Mr. Shawn Stebbins:** Sure. From my perspective it's all about getting the information out there. Most of us have our noses down, as you've heard. I'm a marine biologist and my partner is a marine biologist, and we don't have a lot of business background or training. So accessing the resources that exist, figuring out what they are, where they are, and how to access them is a big part of the challenge.

Generally we have our hands full simply trying to run the business. We're working in the business, and one of the things I've learned through working with colleagues and getting business training is to learn to work on the business. It's often hard for those of us who are trying to make payroll and keep the business afloat to think about some of these other things, so any mechanisms at all to distribute information....

I have mentioned from our community VIATeC and Acetech as organizations that are very good at disseminating information and creating environments where CEOs, who have more business experience than I have, work in groups to share their experiences with each other. That has been extremely helpful to me.

Another area that I could comment on, at least in Victoria, is to tell you that we have connected with some of the leaders in the University of Victoria business school, the Gustavson School of Business. We have also done some work with Royal Roads University and I find those connections are really valuable. Maybe there's something there with these business schools that might provide some potential to help disseminate information and break CEOs away from their business and think a little bit more about running the business. A lot of it comes down to networking and simply getting out there. I know that I've had to put a higher priority on those kinds of activities, and it has paid off.

**Mr. Murray Rankin:** Thank you.

Mr. Bar-Ziv.

**Mr. Gali Bar-Ziv:** I think I would divide this into three: first, domestically I've been involved in some panels, inviting some of the trade commissioners sitting with Ed Fast trying to share some of the experiences that we have experienced with companies that are looking to sell internationally and abroad. My colleagues here are communicating, networking with relationships, and sharing some of those ideas is vital.



Second, I think, are some events abroad, so when you look at different markets...because I see other countries do it. Really, in business you compete against everybody. The moment you go global, you're then competing against everybody. When you compete against the French, you're competing against whatever the French government is doing. When you're competing against Rosetta Stone, which is an American company, you compete against the mayor of D.C. who's going on their behalf to try to open business for them, so we have to remember that it's not only the company.

Third, like everybody else, it's always funding. I think that maybe there's an approach that looks at international trade almost like VC, so yes, there will be some losses, but I think in the greater scheme of things if the understanding is that there's a big payout in the end, which is great employment and exports, that may be bigger than whatever losses you may have incurred.

**The Chair:** I'm going to have to step in right there. We're over your time, Mr. Rankin.

We'll go on to Mr. Cannan.

**Hon. Ron Cannan (Kelowna—Lake Country, CPC):** Thank you, Mr. Chair, and thank you to the lady and gentlemen for being here today. Glen, I've been here about nine years and I remember your being here. It's been about four or five years since the last time and I thank you for bringing your wisdom here.

I'm very excited about what I've heard so far this afternoon, being a former small business owner-operator.

Small and medium-sized businesses are economic drivers throughout our province of British Columbia and across Canada. They are really the backbone of our economy. Our committee has been doing this study to try to encourage and help our small, medium-sized, and growing industries take advantage of the 43 trade agreements we have in place now. I know that what we've heard is that it's like water taking the path of least resistance, so that the majority of Canadian businesses export to the United States. We're looking at ways to facilitate your business and others to take advantage of them.

I'd like to start off with the two doctors. I don't know if you ever imagined in your wildest dreams going to university for 12 or 15 years and then making popsicles.

**Voices:** Oh, oh!

**Hon. Ron Cannan:** That's very good, very innovative of you. I love your story.

I'm hoping that the EU agreement might address your organics standardization issue. As you know, 28 countries with 23 different languages have to ratify it and it's still going to take another 18 months to two years. We don't know for sure, but we're working on that to try to help give Canada that economic advantage over the United States. It would be a potential market of 500 million plus people.

One of the issues we've been having is to try to educate small businesses. We have the Go Global export workshops. I don't know if you're familiar with them or not. There's one in Nanaimo on April 24, so afterwards you can talk with my colleague here, and we can

try to set up one for you and Mr. Stebbins, who is on the island as well, I believe.

It provides an opportunity for SMEs to take advantage of the international opportunities and answer those questions. Kelowna—Lake Country in the Okanagan has a BDC office. I know the manager well and he loves to hear these stories and is frustrated if there's a roadblock. I know they're happy to try to facilitate. There's always that balance of due diligence versus ensuring that it's not too bureaucratic or full of red tape, and we're trying to overcome that. That's one thing we definitely want to focus on and ensure that you are aware of those opportunities.

Mr. Hodgson, you talked about the pre-screening and I'm not sure if you're aware of the Go Global export workshops. You talked about the value of the trade commissioner service; we know that the TCS... I just put one of my constituents in touch with one in Vancouver the other day and had great conversations.

I just wanted to clarify. You're saying that we should be focusing on the value chains and the SMEs with the most potential. What do you think BDC and EDC can do better to help reach out to those SMEs that have a potential for growth?

• (1610)

**Mr. Glen Hodgson:** Do we have an hour and a half?

I was at EDC for 10 years and was there when, as an organization, we focused on serving smaller business better. I can recall the trade minister of the time coming into our board meeting and essentially lecturing management to get their act together and get serious about small businesses. I think EDC has come a long way.

The truth is that in a financial institution you're not selecting customers so much as customers are selecting themselves. The truth is that EDC intervenes when there is an exporter who has a prospective buyer with a deal and needs insurance, financing, bonding, or whatever else to bring the deal together.

BDC is a little different because they're further upstream and are putting cash onto your balance sheet. That's why they're doing the evaluation of management capacity. BDC has found a very clever way of combining financing capacity with an evaluation of management. As an investor they're peering over your shoulder.

I think to a great extent we have the model right. EDC has found a very efficient way to serve small business. They make the tools available online. Most of what smaller companies need from EDC is insurance. It's credits insurance so they can know that they're going to get paid on the deal.

BDC is more hands on and a little more rigorous and you were probably put through the [*Inaudible—Editor*] a little, Dionne, with your experience there.

We are far more advanced compared to the other G-7 countries and most other major industrial countries. We don't for example have a lot of public money as subsidies. Their capital bases are there and they have a mandate to break even plus, but not necessarily to compete with the banks. So based upon my history and experience as a public sector banker, I think our model is in pretty good shape. I don't know the TCS or the Foreign Affairs products quite as well.

**Hon. Ron Cannan:** I'm not sure if you realized that we're taking this almost to the letter of the law, but you said that government needs a more surgical approach to growth-oriented companies while you have two doctors sitting right beside you.

• (1615)

**Mr. Glen Hodgson:** Hopefully they don't operate in public.

**Hon. Ron Cannan:** Mr. Bar-Ziv, I appreciate the size of Israel and its dynamic and gigantic innovation and research and development. I've had a chance to tour through Tel Aviv and the high-tech community as well.

I'm just wondering, was your concept something you came up with and brought from Israel? Your concept to take it to market, what was that like? Did the trade commissioner service help you to facilitate that?

**Mr. Gali Bar-Ziv:** Actually, in my previous life I was involved in selling a very cool children's toy that was founded in Israel. I was one of the early guys there, and most of the sales were to the U.S. I can probably share some experience, and I did not use any of the government services because I didn't know about them. We did a fantastic business. We sold it in 2007 just before the crash, and I was always involved in one way or another with Israel. I was just in New York attending a high-tech sort of conference.

I think when you're trying to look at where the world is going into the future, you have to open your eyes. When I go to China, I look at what the Chinese are doing and when I go to Taiwan, I look at what the Taiwanese are doing and the same in Canada and the same in Israel. I think the idea is how we can bring our understanding of the Western world to other countries.

In Israel they have great minds. It's not great minds in the sense of smart; it's just they think how to improve. Sorry, for again being the one who....

**The Chair:** Mr. Cannan, your time has expired.

We'll move on to Ms. Freeland.

**Mr. Ron Cannan:** Thank you very much, I really appreciate your stories.

**Ms. Chrystia Freeland (Toronto Centre, Lib.):** Thank you very much, Mr. Chairman.

You've seen how excited my colleague Murray is to have the great Victoria companies. Since I'm the MP for Toronto Centre, I'm going to start with the Toronto companies. It's great to have great entrepreneurs from Toronto here too.

Mr. Bar-Ziv, I thought your points about trade being a global competition were extremely well made, and you clearly have experience, not only in this current company, but in your past life, as you put it. Based on that experience, what are a couple of the best

practices that you've seen from other countries in supporting their entrepreneurs in global trade that we should be doing? Is there something you've seen Israel doing? Is there something you've seen the U.S. doing? I don't know, maybe Finland is great at it.

**Mr. Gali Bar-Ziv:** I think if you come to Toronto—

**Ms. Chrystia Freeland:** I live there.

**Mr. Gali Bar-Ziv:** —I don't know if you are invited by the Israel Economic Mission to Canada, but, whoever is heading it, they run events all the time. So they'll do technology for banking and they'll get a bunch of companies that develop something and they'll go and get all of the big Canadian banks to buy other countries' technology. They'll go and do something for communications. They'll get Rogers and the Bell Media all to buy something that was made elsewhere. How can we as Canadians do the same?

We may sell language, but we sell technology at the end of the day. There are lots of companies like us, and it can be very sector oriented or it can be category oriented, and I think the way to do it is for the trade commissioners to try to create these little events. I live on an airplane. I hunt all day and if I knew there was some sort of a schedule that I can go from one hive to another, I would, because that is what business is about. I think it brings the companies that you want, the Whole Foods of the world all together and then you get a bunch of companies.

What's the notion of a market? You may have the exact same provider, but everybody likes to be in one place where you may have all those providers. It's the same thing; create that mini-market for Canadian companies. That would be my number one advice.

**Ms. Chrystia Freeland:** Okay, and you think we're not doing that enough now?

**Mr. Gali Bar-Ziv:** Not enough, no.

There are economic trade missions, but those tend to be more political and involve bigger companies, not as much as, again, sector and getting the customers together.

**Ms. Chrystia Freeland:** Now to make that work, you've cited the Israeli example. Something Israel has been very good at is a cluster strategy and something sort of similar to what Glen was talking about, but really focusing on what it sees as the country's core strengths and building out from there.

Do you think Canada needs to do that? Are we in danger of sort of spreading the peanut butter too thin across too many different areas?

• (1620)

**Mr. Gali Bar-Ziv:** My experience is a lot more limited in terms of all sectors. From what I know, the resource and defence sectors are very strong and quite popular when it comes to the government. I think the government should look more into IT, high tech, and security. There were lots of Canadian companies back in the day, OpenText and the like, but you don't see as many these days.

**Ms. Chrystia Freeland:** Thank you.

Dr. Laslo-Baker, I was interested in everything you had to say. I have small kids too and I'm going to yell at them when I get home for not inspiring me to found a brilliant, successful company. In particular regarding your point about the difficulties that small trading companies can have getting credit, I'd like to ask you not so much about the government side of things but how you feel about the attitude of Canadian banks. We've heard from other witnesses at the committee that they feel that maybe those conservative lending practices that served us quite well in 2008 aren't so fabulous if you're an entrepreneur, especially one doing international trade. Has that been your experience?

**Ms. Dionne Laslo-Baker:** It has absolutely. It's very interesting because we bank with BMO Harris Private Banking, and while we were there they were wonderful—having our medical clinic, anything we wanted, anything we needed was not an issue. How much do you need? Sign away. As soon as I ventured out on my own and started a company, it was not the same. It's been much more challenging, especially as a woman. I have sat in a room with some men who were saying, “What are you doing? You're taking too much risk”. It was definitely not in a supportive role, I found. Definitely, there is where we're succeeding, but not as much as we're growing.

**The Chair:** I'm sorry but you're out of time.

We're going to move on to Mr. Shory for seven minutes.

**Mr. Devinder Shory (Calgary Northeast, CPC):** Thank you, Mr. Chair, and thank you to the witnesses also.

I want to start with one question to all. Have you each had a chance to deal with the trade commissioner services? If yes, what are your experiences?

**Mr. Gali Bar-Ziv:** Maybe our colleague who has spoken the least should start.

**Mr. Devinder Shory:** We'll start with Mr. Stebbins.

Mr. Stebbins.

**Mr. Shawn Stebbins:** We don't have a lot of experience with the trade commissioners. I suspect primarily that is because when we get focused on a particular project we end up following up on that and delivering on that project. Now that we're looking at starting up local businesses and partnerships, I think we'll use them more. I did meet with a local trade commissioner representative here and got some orientation probably about three years ago. The only experience I had since then was when I was trying to learn a little bit about a company in the Netherlands that we were thinking of doing business with. Unfortunately, I never heard back on that communication. So it's not necessarily been a positive experience. That's all I have to say.

**Mr. Gali Bar-Ziv:** Our experiences with the trade commissioners have been very positive. It is touch and go, but overall it's been very positive. They gave us some research papers. They made some introductions. At times they sent letters on our behalf. It didn't always work, but that's okay. Some of them have been very proactive and always on the ball. Many times we need invitation letters to have people from different countries come to Canada to see us. They are always there. We feel from a service oriented perspective, this is probably the best that we can have. Thank you to the Government of Canada for providing that and having that type of facility for us. I'm genuinely saying that.

**Mr. Glen Hodgson:** I'll give you a different kind of answer.

First of all, I think it's absolutely appropriate to fund the TCS from public resources. In a country like Germany, for example, the trade development services are paid for by a levy on business. There are very different models across countries. In this case, because they are out there as early pathfinders trying to find business for small companies, I think it is entirely appropriate to fund it from the tax base.

There is no doubt about the individuals. They are dedicated, competent, and professional. If there is a challenge, it is in their mandate.

One of the things I did at the back end of my career at EDC, before I joined the Conference Board, was to develop a concept called integrative trade. It was from my engagement with Foreign Affairs and the TCS, which had a strong mandate to promote exports, but they didn't seem to understand that there was a linkage between exports, imports, trade, investment, goods, and services. EDC got it. We spent a lot of time supporting the entire business model of Canadian companies trying to do international business, so I intervened with some research, and we had a lot of engagement.

Foreign Affairs has really moved to that kind of model, and there is a high degree of alignment now between DFATD and EDC around this sort of integrated concept. I think the TCS folks get it now, and hopefully they are being incented to be as active in helping firms invest abroad.

Frankly, one of the solutions in Europe may unfortunately be that you need to get inside fortress Europe. I am not sure that CETA is actually going to solve all the problems with regulation, because the agreement is not that comprehensive. It doesn't cover every aspect of regulation, so that's a challenge you may have to confront at some point.

I think now DFATD understands that you have to really be prepared to engage in all fronts of international business. I think that model has now been accepted.

• (1625)

**Ms. Dionne Laslo-Baker:** From my perspective, the trade commissioners have been incredibly beneficial, and not only the trade commissioners. When the trade commissioner position disappeared in California, we actually went to Rob Arthurs and Will Fox, who work with the trade ministry, I believe, and they've been incredibly beneficial. Whenever I need something, I've been reaching out to them to get their input.

In fact, Will was able to introduce me to Maria Shriver's foundation, and we ended up doing some celebrity events with her.

There are interesting ways in which they have assisted us in working, especially in California on the west coast.

**Mr. Devinder Shory:** Thank you.

Mr. Hodgson, I'll try to get some benefit from your experience. In the past, we have heard from some witnesses that a large percentage of SMEs are not aware of government programs like Go Global and all these services, and if they are, they are aware of only a few of them. From your long experience with EDC, I'd like you to comment on the progress of EDC in helping Canadian companies now, compared to when you were there.

**Mr. Glen Hodgson:** Oh my goodness, that's a great question.

The year I joined EDC, 1994, I believe they did \$11 billion in what is called cover. They provided risk tools to \$11 billion in Canadian exports. I believe last year they did \$90 billion. Anybody who has seven or eight times growth in a decade or more is moving in the right direction.

EDC has come very far in serving all members of the export community. I think the model is more or less right. We have the model right. They are not dependent upon the taxpayer at all. They are actually able to pay dividends back, so that the state is investing in EDC, and EDC is giving back.

They are also partnering with all the banks. They have come a long way. They are working with the private sector, private lenders, and private insurers. Without being there at the coalface every day, I don't know about the details, but I think Canada's trade finance system stacks up exceptionally well compared to almost anybody else in the world, and small businesses are benefiting from that.

**The Chair:** We'll go to Mr. Morin. You have five minutes.

[Translation]

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** The Asian Infrastructure Investment Bank promises to be one of the most important international financial institutions on the planet, and could possibly finance a large part of the infrastructure-related deficit in

Asia, which is estimated at \$9 billion. Canada, as opposed to Germany, France, Italy and the United Kingdom, has not managed to join the institution.

Do you think that this will be a handicap for us in the future?

[English]

**Mr. Glen Hodgson:** That's a great question. I was in Toronto last week and was asked the same question at three different events.

I was part of the Canadian delegation that created the EBRD back at the fall of the Iron Curtain in 1988-89; I've actually gone through that.

You should appreciate that if the Asian infrastructure investment bank gets off the ground, it's going to take three to five years to get functioning. Personally, I think Canada should be there. I think we should be talking to our American neighbours and saying, "One way or another, we can be your eyes and ears. We can ensure that we have the right governance structure, the right investment structure, and the right principles in the bank." I was at a dinner last night with a representative from the German Bundesbank. We talked about this, and about why France, Germany and Britain are there; they see the role that China is going to play in the world going forward. We want to have an institution that reflects multilaterals and all interests.

If I were sitting in Finance Canada and somebody asked for my advice, it would be to make sure that the Americans understand fully why we're doing this. I think we have to skate to where the puck is going, and the puck is going to Asia. Appreciate the fact that it's going to take a number of years before the bank makes any dent in the infrastructure deficit in Asia.

In the interim, we have to keep using the World Bank, the IFC, private capital markets, and the Asian Development Bank, where Canada is already engaged.

That would be my response to your question.

• (1630)

[Translation]

**Mr. Marc-André Morin:** I'm going to continue in the same vein.

My question may be a leading one, but my impression is that Canada stands behind the American position, which seems to be to try to slow down an event that will happen at any case in light of China's economic power. I find the American effort to put a brake on that somewhat futile. Canada is not behaving wisely by taking up the same position. Ultimately, our businesses would be at a disadvantage compared to French, German and Italian businesses that specialize in infrastructure.

What do you think of that?

[English]

**Mr. Glen Hodgson:** To my knowledge Canada hasn't expressed a view yet as to whether it is investing in the bank or not.

You're absolutely right that the Americans are having a hard time with governance around multilaterals, the World Bank, the IMF, and other global institutions. They have not actually brought into force the major changes in those institutions that were negotiated a number of years ago.

I think that for the moment we're still sifting through all the information, but in my view Asia is the future. For the next 20 years, the Asian economies are going to grow much faster than the rest of the world, and there will be massive business opportunities to develop in Asia.

You can always join at a later date; you don't have to be there at the launch date. But countries that aren't members will find themselves shut out of infrastructure investment opportunities

**The Chair:** You have about 45 seconds.

[Translation]

**Mr. Marc-André Morin:** The Americans have expressed some criticism about the lack of transparency of Chinese institutions. If Canada were to join its voice to that as quickly as possible, could it in that way exert some influence on the development of acceptable standards?

[English]

**Mr. Glen Hodgson:** This will not be a Chinese institution.

[Translation]

I understood the question well because I was a federal public servant for 23 years. I understand French fairly well.

[English]

This will not be a Chinese dominant organization. I think the fact that other G7 countries have already stepped up means that they're going to be looking for the best possible standards in terms of governance, transparency, and business practices within the institution.

I don't think we have to be in a hurry to take a decision as a country, but I do think, and the advice I would give if I were sitting inside the finance ministry is, that it's probably in Canada's long-term interest to be there from as early a date as possible.

**The Chair:** Mrs. Grewal, please. You have five minutes.

**Mrs. Nina Grewal (Fleetwood—Port Kells, CPC):** Thank you, Mr. Chair, and thank you to the witnesses for your time and your presentations.

My question is for Mr. Hodgson. Canadian firms, and SMEs in particular, face an uphill struggle expanding into the emerging markets where the business culture, regulatory environment, and the language can be particularly challenging. Even with a trade agreement with the global markets action plan, the government is seeking improvements to the trade promotion and support services efforts of the trade commissioner service.

Last year, we opened four new trade offices in China that will bring Canada's trade network support to 15 locations, and a hundred trade commissioners. As well, 15 new offices in Brazil, China, India, Mongolia, Qatar, and Turkey have been opened in recent years to promote trade, and investment, and innovation with these fastest-growing markets. Relations on the ground there are of course very important in terms of who to talk to, who the decision-makers are, and how to get things done.

Mr. Hodgson, in your opinion, with the growth in value-added trade and global supply chains, how important are trade offices in emerging markets? How can we best realize the high growth potential of emerging markets?

● (1635)

**Mr. Glen Hodgson:** Thank you for the question.

I think the reallocation of finite trade promotion resources to the high growth emerging markets is actually critically important if we're to succeed. We've been so dependent upon the U.S. market for so long, and it's wonderful to have the CETA, the free trade agreement with Europe, which is going to take the next 18 months to ratify, but all of our research points to Asia in particular as the future. At some point you have to reallocate your trade development effort to reflect where the game is going, where the puck is going.

It's challenging because you do have finite resources. It's not like we can add another 500 trade development officers at DFATD. You have to be very careful where you're taking the resources from, but we think the reallocation towards emerging markets is an important step in the right direction.

**Mrs. Nina Grewal:** My next question is for Mr. Stebbins.

Mr. Stebbins, I understand that Archipelago Marine Research Ltd. has undergone significant and sustained growth over the past 30 years. The company has evolved from a dedicated services organization, operating almost exclusively in local markets, to a global services and technology provider, offering expertise and technology in support of sustainable fisheries management throughout coastal U.S., Europe, and Australia. Where specifically are you doing business? How important are international markets to the company's bottom line?

**Mr. Shawn Stebbins:** The company is organized into three business divisions. Two of them are local. One is the marine environmental services that are done in the local British Columbia coastline. The other one is providing onboard observers on commercial fishing vessels, which is also local.

To answer your question with respect to our electronic monitoring technology, international markets are absolutely critical. If we don't sell internationally, there's not enough of a market locally. Even if we added the east coast of Canada, which we haven't yet, we wouldn't have a large enough market for this technology. So they're absolutely key.

How to access them is challenging. It's taking a bit of time because most of what we do is sell to governments. The governments are slow to make significant policy changes, and moving towards electronic monitoring on commercial fisheries represents a significant policy change. It's been quite a few years that we've been doing work in Europe on a pilot scale and waiting for them to move towards full implementation. I think we've been there six years now. We're just waiting now and we're thinking that Scotland, potentially England, and the Netherlands either later this year or early next year are going to make a more significant move. Those are absolutely key businesses for us to keep things rolling.

**Mrs. Nina Grewal:** Well, Mr. Stebbins, I understand that Archipelago is moving to international—

**The Vice-Chair (Ms. Chrystia Freeland):** Sorry, Ms. Grewal, we've hit five minutes. Is that okay?

**Mrs. Nina Grewal:** That's fine.

**The Vice-Chair (Ms. Chrystia Freeland):** Thank you very much.

As you may have noticed, Randy has transformed himself. He had to step away, so he's asked me to be your chair for the last 45 minutes. Randy and I share an intense interest in farm implements and their trade into eastern Europe.

Next up is Murray Rankin for five minutes.

**Mr. Murray Rankin:** Thank you, Chair.

I want to go back to DeeBee's SpecialTea for just a moment. Dr. Baker started to talk about something that is of great interest to me, and it was captured a bit by Ron Cannan, as well, and that is the issue of the organic equivalency agreement with the EU.

I think I heard you say—correct me if I'm wrong—that you're facing an obstacle, because raw materials seem to be fine, but when it comes to value-added products, those are problematic. I heard Mr. Hodgson say that CETA may not be able to address that problem. We have fortress Europe as our problem. I've heard from many people in the organic food sector that this agreement may not do anything to help.

I wonder if you could elaborate on what you said a moment ago and see if we can get some insight in to where you seem to be stuck.

•(1640)

**Mr. Stephen Baker:** I think it's a problem for producers within Canada, because it makes them want to take their lines down to the U.S., because the U.S. has an equivalency agreement with the EU. They watched us have our agreement, and then about six months later saw our stumbling blocks and made sure that they dotted their *i*'s and crossed their *t*'s. We went in under good faith, but unfortunately they took advantage of it.

As I understand it, going forward the EU wants to bring their organic wines into Canada, so it may be a timely thing. We don't want to open our doors to their organic wines unless they're going to open their doors to our organic producers.

**Mr. Murray Rankin:** I was just reading about your business and about how you offer low-sugar, nut-free, organic, non-GMO, gluten-free, Kosher, and vegan frozen treats. You'd think that would be okay

with the Europeans, right? What's missing from that picture? It's crazy.

**Mr. Stephen Baker:** It's just a stumbling block. It's a way for them not to take our product.

**Mr. Murray Rankin:** All right. This question is for Mr. Stebbins, for just a moment.

You talked about your business being primarily service-based. But then you were talking about your electronic monitoring. You talked about both products and services, and you said you had tight manufacturing margins in the business, presumably going to the goods part of that. Is there a problem? Are our foreign trade officers or others going to help you address the goods part of this? I'm just a little unclear as to what your recommendation might be for the electronic monitoring part of your business.

**Mr. Shawn Stebbins:** Actually, we're struggling with that right now. It has nothing to do with the trade commissioner or anything like that. We have a bit of an identity crisis. We've been providing professional services for 30 years, and we're very good at that. When we had the idea to develop this electronic monitoring technology, there was nothing on the market that fit the bill, so we had to do it ourselves. We were kind of forced into the “garage” situation of building our own technology. Given that, we're not a sophisticated, knowledgeable products company. We've kind of figured our way out along the way. We have contracted out our manufacturing, which was a good first step, and now I think we need to separate the product part of the business from the services part so that it can really reach its full potential.

It's a business-structure issue for us that we have to work our way through.

**Mr. Murray Rankin:** Thank you.

My last question, if I have time, is for Mr. Hodgson of the Conference Board.

In late March the Conference Board brought out a report called “Raising Our Game Across the Pacific”. It was a provocative report. Canada doesn't seem to be changing its market share much in that incredibly expanding market. We're still about where we were with market share 20 years ago.

Your report said something that troubled me. You said that Canadian service exports to Asia are at \$10 billion, well below exports at \$51 billion and that while overall trade with Asia has boomed, commercial service exports have fallen since peaking in 1998, which is almost unfathomable considering the pace of growth of Asia's economy.

What are we doing wrong? What could we be doing better?

**Mr. Glen Hodgson:** Your series of questions actually touches on the new form of trade barrier, which is regulation. Non-tariff barriers and the fact that there are small differences in food inspection standards between Europe and Canada, for example, may be shutting you out of the market. We have to address that. It's the same thing for commercial services. We have three big global insurance companies in Canada now, but they have to find a way to invest in Asia to actually operate there. You can't automatically export an insurance policy from downtown Toronto to a policyholder in Indonesia or China. It's not a matter of what we're doing wrong, but of accepting the fact that the next stage of free trade negotiations has to be around regulation and regulatory alignment and non-tariff barriers.

In our report, by the way, we said that Canadian trade with Asia had actually fallen by half. We've fallen from 2% to 1%. We're effectively not part of the Asian energy market. That's the big swing variable. We don't have pipelines beyond the Kinder Morgan single pipe. We don't have the capacity to supply either oil or gas to the Asian market, where global demand is growing. We're trapped basically selling our energy to one buyer.

• (1645)

**Mr. Murray Rankin:** This is “hewers of wood, drawers of water”, the Asian version.

**Mr. Glen Hodgson:** But we're also a provider of high-value services and new ideas, as these exporters—

**Mr. Murray Rankin:** —but we're not able to get there because of non-tariff barriers such as regulatory challenges like those we heard about.

**Mr. Glen Hodgson:** I'm not sure whether there are regulations, but it's also a question of adequate infrastructure.

**Mr. Murray Rankin:** Yes, all right. Thank you.

**The Vice-Chair (Ms. Chrystia Freeland):** We're going to have to leave it there, and thank you for that excellent question.

I'm going to allow myself some editorial comment. I also thought that was an excellent report by the Conference Board. Thank you for that hard work.

**Mr. Glen Hodgson:** Madam Chair, you'll probably like my commentary in *The Globe and Mail* on Wednesday.

**The Vice-Chair (Ms. Chrystia Freeland):** Okay. We heard it here first.

**Mr. Glen Hodgson:** That's just a heads-up.

**An hon. member:** You're scooping yourself.

**The Vice-Chair (Ms. Chrystia Freeland):** Mr. Allen, you have five minutes.

**Mr. Mike Allen (Tobique—Mactaquac, CPC):** Thank you, Madam Chair, and thank you to our witnesses for being here.

Ms. Laslo-Baker, I'd like to start with you. You brought up the banks and started talking a little about their hesitation to fund especially women entrepreneurs. Some of our regional development agencies.... I'll use ACOA as an example, because I'm from Atlantic Canada. ACOA has programs to develop and finance women entrepreneurs who want to start businesses; it may be through seed capital and other such things. But with these obstacles, are you seeing change? Is it getting worse? Is the reaction of the banks to

women entrepreneurs getting better? It seems to me that if we are to expand the footprint of businesses that we want to have exporting in the next number of years, women entrepreneurs are going to be very critical to growing that mass.

Can you speak to this? I'd like to understand your viewpoint.

**Ms. Dionne Laslo-Baker:** Thank you. That's a very interesting question.

Interestingly, in the United States a female entrepreneur can be at an advantage, because there are very high listing fees that will sometimes be waived by companies such as Walmart. So for a female entrepreneur there are some big advantages.

From the outside, it looks as though there are some funds available and that we get special attention, but when you're the woman trying to actually do it, and you're balancing so much—because being a female entrepreneur is really, I've discovered, quite different from being a male entrepreneur.... It's acceptable for a man to come home at 6:00, 6:30, 7:00, but Mom has to pick up the kids at 4:00 and is talking to her team on the phone, waving her hand in the back of the vehicle to keep her children quiet. We truly have challenges that others don't face. I find that it's a world still unfortunately dominated by men who may not understand the challenges we face. I don't think I would have believed it until I had seen at first hand how challenging it is to access those things that are supposed to be advantageous to female entrepreneurs.

**Mr. Mike Allen:** Here is a quick question to follow up. Have you seen any of that shifting for the better or for the worse in the last few years?

**Ms. Dionne Laslo-Baker:** I've only been in this...you know, we've grown so quickly. We only went into the market a little over a year and a half ago and have grown exponentially. I haven't had time to notice. All I know is the challenge that I've faced as a female entrepreneur. Hearing especially—BDC is a good example—and being excited by something on a front page: here we go, and there's this money. Then you look into it, and well, it's just the same: it has been allotted, it's supposed to be for women, but that's about it; it wasn't too exciting. It's great for a headline, but it does not necessarily come into play.

**Mr. Mike Allen:** Thank you for that feedback. I appreciate it.

Mr. Stebbins and Mr. Bar-Ziv, I'd like to ask you a question. From the standpoint of services, and mostly the professional services you'd be exporting, and from having been in the consulting business a few years ago and going back and forth to different countries—I don't think anybody has asked this question yet today—has either of you run into any stumbling blocks with respect to labour mobility when your employees or your contract staff move back and forth between companies? Are there inherent roadblocks that other countries are putting up—call them non-tariff trade barriers, if you will—when it comes to labour mobility?

**Mr. Gali Bar-Ziv:** We have some employees in China. We just try to be creative. If it's as a representative of the...I forget the acronym, but a foreign-owned company in China, you try different structures, you create lots of different companies, and you try to move people between the companies.

We bought some technologies out of Israel. We closed the shop in Israel, we moved some of the people here, and we had great challenges in terms of the length of the work visa they got. When it was time for renewal, they were all rejected, so we had to go back. We actually had a little stumbling situation there whereby we lost some knowledge. The government was not very friendly, when it came down to it. Maybe they thought it was about immigration, not about knowledge.

So to your question, it's not always great.

• (1650)

**Mr. Mike Allen:** No.

[*Technical Difficulty—Editor*]

**The Vice-Chair (Ms. Chrystia Freeland):** Should we let Mr. Stebbins follow up?

**An hon. member:** Yes.

**The Vice-Chair (Ms. Chrystia Freeland):** Please, Mr. Stebbins, go for it.

**Mr. Shawn Stebbins:** It's a question that's quite relevant for us right now. We're doing a number of projects in the U.S. We have a long history—I guess it's probably a six-year history—of our staff travelling across the border to deliver services and sometimes products, and we've certainly encountered a number of stumbling blocks along the way. Thankfully, we've successfully negotiated them through trial and error. We've figured out what works and doesn't work.

When working with the U.S., you can read up on everything that's available to figure out how to do things properly, but you don't really know what's going to happen until you get to the border, because it all has to do with the border guard who's asking you the questions, what their thinking is, and how they're going to react to what you're doing. We sent somebody down on Thursday, and fortunately I guess we're starting to figure it out, because she got a two-year working visa. We were quite thrilled with that.

In connection with the U.S., the other thing that was challenging was finding an immigration lawyer who is knowledgeable and reasonable to work with. It has been quite a challenge. Ironically, the one we found most recently through Google seems to be quite good. I think we've finally had some success there.

I have just one more thing to add. In starting up our company in Australia, Australia was relatively easy to work with and was clear on what their visa requirements were. We found good support down there. We managed to have one of our long-term staff here immigrate there and get a three-year visa. He's actually going to take out citizenship, so that was quite successful.

**Mr. Mike Allen:** Thank you.

**The Vice-Chair (Ms. Chrystia Freeland):** Thank you for those great questions. I think we're all especially grateful that you followed

up on the women and banking comment that we were all very interested in.

Mr. Carrie, the floor is yours for five minutes.

**Mr. Colin Carrie (Oshawa, CPC):** Thank you, Madam Chair. I'm not usually a member of this committee, and I'm finding it really interesting.

I'm the MP for Oshawa. We build cars and we export them, so some of your comments today are really great to hear, but some are also quite challenging.

Mr. Stebbins brought up the Buy American policy. I wanted to talk a bit about protectionism.

Mr. Hodgson, you mentioned it as well in terms of the regulatory challenges out there.

Mr. Stebbins, what do you find in regard to this whole idea of protectionism? How is it affecting your business? Are you seeing new strategies by governments out there? We've heard about the regulatory approach. Are you seeing a lot of protectionism? Are you finding it difficult to get into some of these markets?

**Mr. Shawn Stebbins:** It can range from the very obvious to the very subtle. We've experienced it in Europe a bit as well, but the U.S. has a small company set-aside that's reserved, ironically, for female-run businesses, as well as other small businesses, so as for us going in and competing against other local businesses, we can quite quickly be removed from the competition because we're from outside the U.S.

For the most part, fortunately, that only applies to smaller contracts. With any of the larger ones we've been involved in, they've waived that clause, but what we have seen is some decision-making that defies logic. We can't help wondering if, in the background, part of the reason for it is that there are local companies they want to support.

• (1655)

**Mr. Colin Carrie:** Mr. Hodgson, maybe I can continue with you for a bit. Over the years, I've seen Canada being the boy scouts. We tend to go into these things with real good intentions, but I think we get shafted sometimes when we're trying to move things internationally.

I remember a lot of early discussions with Korea. You mentioned the non-tariff barriers. With the regulatory things that they had down there, I'm curious. If we look at an example such as Korea, did we learn anything from Korea? Do you perhaps see any strategies from other countries that Canadians should be aware of?

The third part of my question is about the conflict resolution mechanisms out there. How do you see them working internationally?

**Mr. Glen Hodgson:** Okay, let's talk about Korea first. I think the biggest learning from Korea is that it's very hard for Canada to get a better deal than the Americans are going to get. I think that's the bottom line. We were there, we were negotiating, and we had push-back from some sectors—such as those that operate in your riding—but the Americans got ahead of us and we are now playing catch up trying to get as good a deal as the Americans.



The Koreans are clearly very skilled at using subtle barriers to entry for goods coming from North America, but the American government found a way to satisfy most American industry in getting a deal. As we go forward, maybe the biggest lesson for me is that it's going to be very hard for Canada as a stand-alone entity—knowing that we are so integrated within the North American economy—to get a better deal. Maybe we should be thinking about doing something on a pan-North-American basis as we talk to other parts of the world.

I think with the WTO around it's going to be very hard to ever have a global trade negotiation again. It's just so complicated. The governance rules are so complicated. I can see a world in which large regions talk to large regions. The fact that we've made progress with CETA was really...it'll be good for us for a while. We know there are barriers to a U.S.-European agreement; things like cultural transfers are there. I wouldn't be at all surprised to see the Americans come along—because they're 10 times bigger—and get a little better deal than Canada got within Europe. I don't know a lot about conflict resolution, but I do know that it was a centerpiece of the NAFTA deal, for example, the FTA. Of course, the Americans can always find a way to get around it if they have to, but it's not an area of expertise for me personally, or for the conference board.

**The Vice-Chair (Ms. Chrystia Freeland):** You have 45 seconds left.

**Mr. Colin Carrie:** Are you aware of any common strategies that you see out there? You mentioned the regulatory way as the new way of getting around some of these things. Do you see any other techniques some of these countries are using?

**Mr. Glen Hodgson:** I'll focus on North America.

I very much like the fact that we're talking to the Americans about reducing the barriers at the border and about trying to make progress in terms of regulatory alignment and common sense there. This was a fairly major agenda driven out of the Privy Council Office here and the Oval Office—the president's office—in the United States. For strategies beyond that...I think in North America we are on the cutting edge when it comes to thinking about freer trade. The Conference Board is a big supporter of free trade in almost any form, almost any place. That's a wealth created for our economy.

**The Vice-Chair (Ms. Chrystia Freeland):** Okay. That's a nice note on which to end your five minutes, isn't it?

Okay, Ms. Liu, please.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you for your testimony and for coming in today. I think it's been very informative from the part of all witnesses.

Dr. Laslo-Baker, thank you also for mentioning the role of women entrepreneurs, because it's something that I hear a lot about in my own riding. In fact there are an increasing number of women entrepreneurs, and yet there are still challenges. You mentioned some of the challenges that I also hear echoes of in my own riding, so that's very important. You also mentioned the challenges of juggling family life and work life; they're not the same. I think something like looking into a national child care strategy would be something that we could find consensus on around the table.

I want to talk about something that Mr. Hodgson spoke about around, and this is a recurring theme in committee when we negotiate these free trade agreements. We have problems or challenges in making sure that SMEs can use these free trade agreements and turning SMEs into export champions. We know there are lots of barriers for SMEs. One barrier among many is the rules of origin regulations. I learned that many SMEs decide to pay the old tariff rates as opposed to taking advantage of the new tariff rates because of the enormous barrier this poses. There is also the question of intellectual property concerns and whether SMEs will have available, adequate resources to defend their own intellectual property.

Those are two barriers among many. Could you propose some solutions, or have you thought about some ways the federal government could remove those barriers?

• (1700)

**Mr. Glen Hodgson:** There isn't a silver bullet for solving a lot of those detailed problems. We think the federal government did the right thing by removing tariffs on imports. That was critical if you accept the integrative trade model where imports are important to exporting. Reducing the costs and the barriers for imports, or even for exporters, and getting that barrier out of the way was an important step forward.

For IP there is no magic solution. I'm well aware of businesses, as they start to trade with emerging markets, who are very fine when they think about what things they can afford to lose. Those are the things they'll trade or position in the market. The other parts of their value chain, and their production chain, they just won't let leave to Canada. There really isn't a single, one-size-fits-all solution here. It becomes very tailored by sector, by firm, or by nature of the product or service you're providing.

Maintaining control over IP I would argue is probably the single most important thing that a business can do. Don't give that away.

**Ms. Laurin Liu:** Do you have any idea of how many SMEs choose not to export because of IP concerns? Do you have any anecdotal information on that?

**Mr. Glen Hodgson:** I haven't seen anybody doing research in the area actually coming up with an estimate. You're going to cross this bridge at some point. When you arrive there, how do you maintain control of your intellectual property as an investor, as a trader?

**Ms. Dionne Laslo-Baker:** You protect as you begin your innovation. Right from the outset we were protecting our intellectual property by looking into patent applications, which we're in the process of doing, as well as trademarking in Canada, the United States, Asia, and Europe, from the outset.

So just thinking about it early on, I think, is important.

**Ms. Laurin Liu:** That's very interesting.

My colleague Marc-André mentioned Canada not signing on to the AIIB. I think as you mentioned and is underlined in your report it's essential to consider Asian markets. Again, those are where the new opportunities are really found.

In the next minute, could you possibly talk about what Canada's trade strategy in Asia should look like?

**Mr. Glen Hodgson:** First and foremost, being part of the Trans-Pacific Partnership is the cornerstone. I think it's really critical that Canada be there at the outset, that we not use domestic challenges as a reason not to be there at the table, knowing that some of our partners are negotiating from a very strong basis.

I think we've accepted in our foreign policy that China is the rising star in the world and building a constellation of other countries around that, but fundamentally we have to be engaged in Asia on every front. Europe will probably have a hard time growing at more than 1% on a sustained basis for the next 25 to 50 years. European countries are aging very quickly. We're not quite as old, but we have the same tendencies, whereas Asia is where the dynamic population growth is and where the integration is going on. You can see that the numbers are gradually shifting. Canadian companies are figuring out that they have to be in Asia in a big way.

But I think TPP is kind of the next step, finding a way to engage all the countries around the Pacific Rim. I don't know how big a market that is, but accessing about another billion people on a tariff-free basis would be a great step forward.

**Mr. Gali Bar-Ziv:** Do you mind if I steal 30 seconds?

We do business in Asia, especially in China. I think most people don't know how to do business in China and Asia. Forget the tariffs, forget the regulations; it's how you do the business.

I'm sitting in a shop with someone, closing a deal that just took six months to negotiate, and they want to change all the terms at the moment of signature. What do you do? I'm sick; I've just come back from Mexico and I'm throwing up. What do you do? You sit for four hours and you say no, no, no. They try to convince you that this will

make you rich, that it's so good, and that you have the greatest thing in the world. That's doing business in Asia.

In order to reverse it to the original terms, I had to go back to my relationship, a relationship that took a long time to build, with dinner after dinner of not talking business but just making them like you.

To me, that's the most difficult thing in Asia. We like to talk business. They don't want to talk business. It's a different reality, a different culture. Once we learn that, we'll start to be successful.

Thank you.

**The Vice-Chair (Ms. Chrystia Freeland):** I think that is a lovely note on which to conclude those sets of questions.

Normally when we have only one panel in this committee we tend to wrap up around now. Do I have the consent of the committee to do that?

**Some hon. members:** Agreed.

**Mr. Ron Cannan:** Thanks for building these relationships.

**The Vice-Chair (Ms. Chrystia Freeland):** There you go.

On behalf of all of us here, thank you very much to all of our witnesses. As usual, it was great to hear from Mr. Hodgson, but I think it was particularly inspiring for all of us to hear from these great Canadian entrepreneurs.

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

• (1705)

**Ms. Dionne Laslo-Baker:** Thank you very much for having us. We were honoured to be here. I'm sure I can speak for all of us.

**The Vice-Chair (Ms. Chrystia Freeland):** We're waving to Mr. Stebbins as well.

**Mr. Shawn Stebbins:** Thank you.

**The Vice-Chair (Ms. Chrystia Freeland):** The committee is now adjourned.







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