

ROUNDTABLE DISCUSSION ON  
CHALLENGES OF CANADIAN BUSINESSES IN INTERNATIONAL TRADE  
AND SOLUTIONS FOR  
CANADIAN BUSINESSES CONDUCTING INTERNATIONAL TRADE

April 20, 2010

Calgary, Alberta

A meeting was held in Calgary on April 20 at the Global Business Centre attended by 19 individuals representing the private sector, government and education to discuss the challenges and opportunities faced by Canadian organizations conducting international trade. The following document summarizes the discussion points raised by the group with details provided around areas of significant concern and potential solution offerings.

The meeting started with an overview of the current global environment and questions to the group to gauge their reaction to the information presented. In this way we were able to validate whether the information available to corporate Canada is in fact accurate or if there is perhaps media or government spin creating a false impression.

Next the group was led through a series of questions relating to the facilitator's guide for these round tables and while the following information is not presented as direct answers to the questions asked, it does reflect the answers these questions sought.

#### Global Trends Highlights:

The following points were presented to the group with the recorded comments:

- In 2009 manufacturers and exporters were hit the hardest
  - This is accurate. Alberta was highly insulated from the global recession due to its strong base of energy interests, but anyone connected to manufacturing, agriculture or services exports saw a significant drop in international trade activity. This is also largely due to the over reliance of Canadian exporters on the United States.
- Training became unimportant and unless legally mandated or required as a result of new equipment or operational changes
  - Training is not being considered by most companies. They no longer have training or conference budgets and many organizations stated they do not have time for training. They are most concerned with ensuring existing operations can be sustained.
- Skills knowledge is lacking
  - Despite there being a lack of funds for training, companies recognize a need to have better educated staff capable of handling international trade activities. Most participants expressed their international trade "training" comes about as a result of actually doing the work, i.e. experiential learning or "learning by making mistakes". Many participants were not aware of FITT's programs and services and would welcome the chance to learn more, but expressed concerns about taking off time from work for classroom based training. On-line or short courses must be the norm.
- More than 180,000 manufacturing jobs were lost in 2009, Exports dropped by 35% from 2008 to 2009 and Imports dropped by 27% from 2008 – 2009
  - It was generally agreed that this statistic from CME is accurate.

- Manufacturing employment has fallen by 420,000 jobs since 2005
  - As per above comment.

Forward discussion around the proposed questions around challenges, opportunities, trends and strategies:

1. Are the downward trends still an issue?
  - Gulf Cooperation Council Region has no hint of a recession
    - The oil and gas sectors see no hint of recession. The economies of the GCC are robust and even growing across all areas and there is a strong demand for Western talent in many companies. While there is not a strong manufacturing base in the GCC construction, retail, and services sectors are strong.
  - GCC wants Canadians but can't get them to move to the region and expand internationally.
    - Opportunities are there for Canadian companies but most are unaware or afraid of doing business in the GCC. The only way to overcome this by telling the success stories of Canadian companies and by getting companies to the Region.
    - Information sessions on Islamic Trade Finance are a must. Canadians are not aware of the realities of doing business in the Middle East.
  - GCC companies looking to buy technology from Canada. Waves of companies will start moving to Canada from the Middle East.
    - Companies must realize that trade is a two way street and that investment is as much a potential component of global business as is sales. In stronger economies, what requirements companies may not possess they will seek to obtain. They may try to create it, but in many cases they will simply seek to buy it from an existing source. Look to the potential interests of China wanting to buy bitumen but process it on their own shores. In the GCC companies are flush with cash and the easiest and fastest time-to-market option for many of them is to buy what they need.
  - Canadians will not get out of the Oil & Gas industry, when it comes to other industries outside of oil and gas the UK, Asia and other countries have the advantage.
2. How can Canadian companies go after the opportunities before them?
  - Canadians need to have long term business in international markets instead of just working on projects. They need to have ongoing presence and name recognition.
    - Canadian companies do not follow up well and do not aggressively plan and pursue business opportunities. There is too much effort by governments at the provincial and municipal level to organize trade missions but most are "one-offs" and do not give companies the opportunity to revisit markets. This leads to companies focusing only on short-term sales or going after project-based work. At the Federal level, there has been a complete abandonment of interests in advancing Canada's international trade profile. Team Canada no longer exists and government is only interested in pursuing Free Trade

Agreements but does not consult with the corporate sector in developing or advancing these once they have been enacted.

- Recession was positive in the fact that it helped some people to get out of the reliance on only the strongest sectors and work in other industries.
  - Canadians are too focused on the USA; we have become too comfortable to expand internationally.
    - There is no question that all participants agreed Canada's over-reliance on the U.S. makes us vulnerable. Whatever happens to the U.S. economy affects Canada to far too great an extent. If Canadian companies were better diversified there would not be such drastic impacts. All participants also agreed that we cannot lose our strong position as a leading trade partner with the U.S., Canada's overall trade mix must be broadened.
  - Companies that succeed go into international markets and don't spread thin.
    - Knowing the markets that will offer the best opportunities is key to success and this requires proper research which most companies do not undertake. They pursue markets based on reactions to enquires for sales, they go on trade missions because they know no other options, or they choose a market because it is a "hot trend", i.e. China and India. With these later two in particular, if a company is not adequately informed and prepared to enter China or India, they have no hope of success.
  - Companies fear success and often go on trade missions, over succeed and don't know what to do.
    - Careful planning must start from the inside out and companies must know that they can accommodate any increases in business that will arise for their international activities. Most importantly, they must know they will be able to sustain these efforts.
  - Transportation business will take 20 years to come back. Might see a bump from October – April.
    - Everything from ocean, rail, air and road freight has been significantly impacted and companies operating in these environments must be continually seeking to revamp their core operations. It is not business as usual. Costs have risen, customers have disappeared and competition is stronger now than ever.
3. How do you see education, skills and knowledge development playing a role?
- SAIT – outbound & inbound workforce development works with major oil and gas companies, not countries but companies. Domestic market had the worst hit but in the last few months it has started to pick up. HR
  - Canada's asset is intellectual property and education.
    - Knowledge is power and Canada has a well-educated workforce, but there are gaps in this knowledge and practical global business skills are a major area of concern for companies. There is also a strong feeling that the up-and-coming workforce has salary and job title expectations that are far too high. Younger employees with a great deal of education feel they "deserve" higher salaries and positions without having any or even some level of experience.

- This leads to concerns that Canada is too high priced for our IP and training, people from other countries will go find talent somewhere else.
  - Research and Development is strongly lacking in Canada with RIM being one major exception. Governments at all levels do not do enough to encourage companies to engage in R&D.
- We need to have young middle management employees working with older managers to push into the international markets. Young managers are open to international business while the older generations do not want to expand.
- Canadians need to grow strength in languages and cultural understanding.
  - The one thing we are lacking the most is cultural understanding. We need to have cross cultural management courses and negotiation and bargaining skills but these need to focus on specific markets and not be generalized to cover all countries and cultures.
  - Training on cultural understanding in the class room is hard; there needs to be more connection between education and the private sector that would make international internships or an exchanges as a must and thus provide students and companies with real value.
  - MRU – all business students must take an international business course. “ We have international internship programs available (students don’t have to pay) and they are still not taking the opportunity. We need to train students to understand why international internships are so great and beneficial to their career.”
- Alberta needs to focus and learn more in school on what drives this province – Oil and Gas Industry.
  - Albertans must derive more from Oil and Gas than just selling it. Like any commodity, the real value in the product lies in what extra value can be added to the commodity to increase its worth in the eyes of the consumer.
- How can we make Canadians better at competing for contracts?
  - This again comes back to better cultural negotiating knowledge.
- Training is still in the back seat, it is a catch 22. We have to have it but somebody has to pay for it.
  - Many participants agreed that one of the best uses of tax dollars for business would be in the provision of information and resources that will help companies learn, understand, get prepared, enter and then grow into international markets. A group of companies with an interest in Peru, who are trained and prepared to enter the market and who then accompany the Prime Minister to sign a Free Trade Agreement, will have more impact and realize more success than two governments holding meaningless talks.
- 4. What is needed from Calgary Economic Development (CED) and FITT?:
  - Seek sponsorships or partnerships for the development and maintenance of intern placements. Do this in conjunction with the educational partners of FITT and the corporate clients of (CED)
  - Better align the services of the Federal, Provincial and Municipal governments so there is not as much overlap and companies are clearer on their understanding of “who does what” and “who do I go to for...?”

- Influence education to understand that international business is important. Make connections between the private sector and education to demonstrate to students the importance of an education in international trade that is ready for the real world.
- Keep doing these sessions where business, government and education are connected. Review previous meetings and demonstrate what has been achieved or what additional needs to be done.