

Editor's Welcome

Navigating Around Trade Barriers

Written by: Ela Malkovsky, Editor-in-Chief at NorthBridge Consultants

Venturing into new market territory is marked by risk and uncertainty, but can also bring many rewards and opportunities.

For a country, increased trade can lead to greater Gross Domestic Product (GDP) per capita, higher skilled employees and technology related jobs, and lower cost of consumer products. For a business, exports provide access to new markets and facilitate increased revenue and profits. However, in order to grow from a domestic to a global market, businesses must navigate around various trade barriers. Finding customers, managing tariffs, mitigating increased financial risk and overcoming social, cultural, economic, legal, political, technical, and physical differences can impede businesses from capitalizing on the various export opportunities available to them.



The government can help to mitigate the risk of exporting by providing insurance (on a federal and provincial level) and resources such as export financing, funding for trade shows and marketing tools, foreign market expertise, a network of international business contacts, and more. Additionally, private customs brokerage and compliance service providers can help to recover duty and tax overpayments.

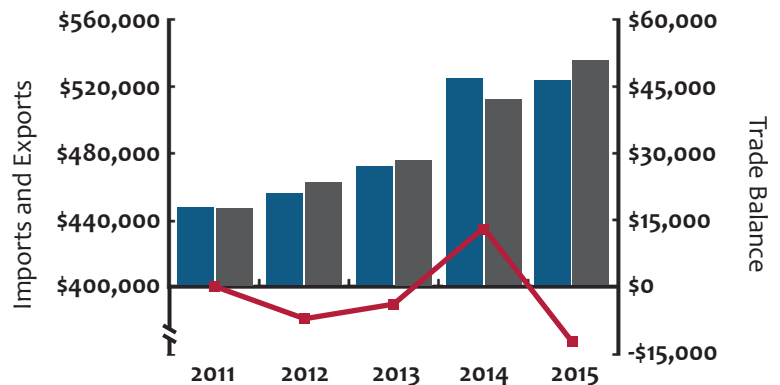
The following articles discuss various resources that are available to help your business navigate around trade barriers and move from planning to realizing your company's export goals.

Trade and Export Statistics

- Canada is the **11th largest export economy** in the world and the 23rd most complex economy, according to the Economic Complexity Index (ECI).
- Despite positive growth in trade volume, the **dollar value of world merchandise exports** declined by 14% in 2015, to US\$ 16.0 trillion, as export prices fell by 15%.
- In 2017, **world trade growth** is expected to accelerate to 3.6%, still below the average of 5.0% since 1990, according to the World Trade Organization (WTO).
- **Canada's top exports** are mineral products (\$135B), transportation (\$74.6B), machines (\$42.7B), metals (\$34.6B), and chemical products (\$30.8B).
- **Canada's main export destinations** are the United States (\$366.26B), China (\$19.24B), the UK (\$16.54B), Japan (\$10.44B), and Mexico (\$5.69B).

Canadian Trade Balances

Values in Millions of Canadian Dollars; from Trade Data Online



Values in 000,000s	2011	2012	2013	2014	2015
Total Exports	\$446,688	\$455,150	\$471,940	\$525,019	\$523,972
Total Imports	\$446,666	\$462,072	\$475,661	\$512,084	\$536,009
Trade Balance	\$22	-\$6,922	-\$3,721	\$12,935	-\$12,037

Global Trade for Canadian Businesses

Written by: Cora Di Pietro, Vice President and General Manager of Global Trade Consulting at Livingston International

There's been an unusual amount of chatter about trade and trade agreements lately. That's not surprising considering the prominence of trade debate in the recent U.S. presidential election campaigns. As a trade-services professional, I have been witness to profound changes in the growth of Canada's international trade activity and influence, much of which resides south of the 49th parallel in what is still one of the world's largest consumer markets.

But if changes proposed by the incoming U.S. administration to the North America Free Trade Agreement (NAFTA) come to fruition, it will have a tremendous impact on the trade relationship between our two countries and dramatically affect bilateral supply chains. It is likely also to accelerate Canadian firms' already growing level of participation in global value chains and internationally integrated trade.

A Globally Active Canada

While Canada has often been called out for putting too many eggs in the U.S. export basket, the truth is that Canadian businesses have been more global in their outlook and activity than many might realize. According to research conducted by Export Development Canada, Canadian businesses have been making fruitful gains in integrated global trade for quite some time.

As the study noted, much of this integration involves the establishment of overseas affiliates that have helped Canadian-based firms capitalize on steadily rising demand in emerging markets, bolstering revenue through activity in primarily services-based functions.

While it is true that production output among these affiliates has seen prolonged declines since the financial crisis, non-production activity in functions such as sales and marketing, logistics and accounting (among others) has allowed for greater investments in numerous onshore functions, including research and development.

These trends are an evolution from the more traditional roles Canadian firms have played as links in the global value chains of foreign-based multinationals, and demonstrate a higher level of global enterprise emerging from within Canada's borders. While geographic proximity, language and business-culture similarities will continue to keep our economy closely tied with the U.S., Canadian firms will persist in their pursuit of global opportunities with ever-increasing vigor.

As we enter 2017, the only certainty with respect to North American trade is uncertainty. While Canadian entrepreneurs shouldn't sour on the opportunities for bilateral trade, they should also consider the opportunities abroad and how they can best capitalize on those while ensuring they minimize the costs and risks associated with doing so.



Reducing the Risk of Exporting

Written by: Alex Carey, Technical Writer at NorthBridge Consultants



In order to mitigate various barriers and risks to trade, the Canadian government provides export financing, insurance, expertise and other business solutions to Small- and Medium-Sized Enterprises (SMEs) registered in Canada through various federal and provincial programs. These programs aim to bridge the financial gap between planning and realizing your company's export initiatives.

Finding Customers

Various government programs exist to fund participation in trade shows in international markets by supporting 50% of eligible project costs.

The **CanExport** program provides grants of up to \$99,999 per project for all business sectors except agriculture and food and alcohol, which are supported by Agriculture and Agri-Food Canada's Agri-Marketing Program, as outlined below. The CanExport program covers the expenses of attending foreign conferences or trade shows such as travel, booth rental, and marketing tools.

The **Export Market Access (EMA)** program offers financing of up to \$30,000 to help Ontario SMEs gain access to international markets by supporting trade show costs and related expenses. Note: currently, the EMA program is open to funding trade show attendance before April 30th, 2017.

The **Agri-Marketing** program provides funding of up to \$50,000 for SMEs in the agri and agri-food industry to gain and maintain access to new markets and capitalize on market opportunities. This program covers the costs of administration, salaries/benefits, contracted services, travel, capital, and other direct project expenditures.

Mitigating Financial Risk

Export Development Canada (EDC) is a crown corporation that provides trade financing, export credit insurance, bonding services, and foreign market expertise to Canadian exporters to reduce the financial risks of accessing the global market. EDC can help companies who do not currently have a contract to sell their goods and services internationally to build a strategy, get practical advice and insight, find export opportunities, and access support. Furthermore, EDC can help companies that have a contract with an international customer protect against risk, as well as free up working capital and grow the business internationally.

Overcoming Social, Cultural, Economic, Legal, Political, Technical, and Physical Differences

The Canadian Trade Commissioner Service (Global Affairs Canada) offers a network of international business contacts, on the ground intelligence, and foreign market advice through a network of trade commissioners located in 161 cities worldwide to help companies navigate the complexities of international markets. Through this service, companies can reach new markets, expand their business internationally and connect with qualified international contacts for R&D, commercialization, sourcing or technology.





Canada's Free Trade Agreements

FTAs in Force

Written by: Gerry Fung, Vice-President of Business Services at NorthBridge Consultants

Comprehensive Economic and Trade Agreement (CETA)

The Comprehensive Economic and Trade Agreement (CETA) will benefit the advanced manufacturing, agri-food, metal/mineral sectors. The European Union is the world's largest economy, with 500 million people and annual economic activity of almost \$17 trillion. CETA could boost Canada's income by \$12 billion annually, and bilateral trade by 20 percent. With CETA, Canada will be the only G-8 country, and one of the only developed countries in the world, to have preferential access to the world's two largest markets: the EU and the United States.

Trans-Pacific Partnership (TPP)

Exporters of agricultural commodities stand to lose the Japanese market as the US has pulled out of the Trans-Pacific Partnership (TPP). President Donald Trump has withdrawn USA support for the TPP, which cannot take effect if either the USA or Japan fails to ratify it. The United States and Mexico already have a privileged trading relationship with Canada under NAFTA, but TPP's demise will mean that Canada will lose access to the world's third-largest economy, Japan. Export-oriented agriculture commodities (grains and oilseeds) stand to gain billions of dollars of exports were Japanese tariffs to be removed.

North American Free Trade Agreement (NAFTA)

There soon may be changes coming to the North American Free Trade Agreement (NAFTA), and it is uncertain what actions President Donald Trump will take upon announcing his intentions to renegotiate. Canada enjoyed a \$15.5 billion trade surplus with the U.S. in 2015. Canada is the United States' single largest market for U.S. goods and services, accounting for 15% of everything the US sells to the world. There is cross-border integration within the automotive, aerospace, and food product sectors, and nearly two-thirds of products and services that cross the Canada-US border are inputs for final products.

It is rumoured that President Trump would likely target Canadian lumber and livestock exports; however, the U.S. has already effectively removed lumber from NAFTA, forcing Canada into a managed trade deal. Moreover, reinstating U.S. labelling rules for livestock would make meat at the U.S. grocery stores pricier.

Ongoing FTA Negotiations

Canada is in ongoing FTA negotiations with the Caribbean Community (CARICOM), Guatemala, Nicaragua, El Salvador, Dominican Republic, India, Japan, Morocco, and Singapore.



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NorthBridge Consultants has been assisting companies access government funding for over 20 years. As one of the largest independent government funding consulting firms in Canada, our objective is to maximize our clients' funding potential.

