



Submission on Export Market Development Program and new Trade Commissioner Service Resources

April 21, 2015

Purpose of this Document

On March 18, 2015, Prime Minister Stephen Harper announced that Canada will establish a new program for exporters and provide funding to expand the Trade Commissioner Service.

The Canadian Chamber of Commerce has gathered feedback on these new initiatives from several municipal and provincial chambers of commerce and boards of trade, many of which have extensive experience developing and delivering export promotion programs and working with federal and provincial trade agents. This feedback is based on a set of questions provided by officials in the Department of Foreign Affairs, Trade and Development.

New Export Market Development Program

Based on the Prime Minister's announcement, the export market development program will receive \$50 million over five years to deliver non-repayable matching contributions to companies seeking to export to emerging markets for the first time. The program aims to reach 500-1000 exporters per year and will cover market research and participation in trade fairs and business development trips. The maximum possible grant offered under such a program is \$100,000 and Canada's international trade obligations require that the program not be contingent on exports.

Within these constraints, the Canadian Chamber of Commerce consulted a number of local chambers of commerce and boards of trade to develop common views on the following aspects of the program's design and administration.

Eligibility and assessment criteria

The grants should be targeted at Canadian-owned businesses that have demonstrated growth potential in Canada and/or several export markets, and that are seeking assistance to enter a new foreign market. While the government will need to set eligibility criteria, these should be based as much as possible on the merits of business plans and an assessment of company needs.

Size requirements should therefore capture a wide range of companies. It is important to include start-ups and brand new exporters at the bottom end, and, at the top end, avoid excluding existing exporters or punishing firms for successful growth. For instance, the program might target firms with between 10 and 120 workers and annual sales of \$2.5-80M, with a cap of 500 employees and \$200M in revenue in exceptional circumstances where there is a high level of merit or need demonstrated.

While the program may focus on countries where assistance is needed more, market selection should ultimately be left up to the companies. Since companies will match the grant with their own funds, they can be expected to focus their efforts where they see the highest chance for success, which will prevent the program from distorting market decision-making. That said, companies should be either new to the market in question or have had a presence for less than 2-3 years.

Companies should have to demonstrate a sustainable competitive advantage in the relevant market, the capacity to develop and execute market entry strategies and an ability to expand production to meet projected sales demand. Such an assessment should be done through review by an expert panel drawn from the business community, or pre-qualification by accelerators, boards of trade or chambers of commerce. Considerations might include sales and employment growth, client or supplier references, product positioning versus competitors, and international management experience.

Repeat use of the program would require applicants to show how they used the previous grant. Successful utilization would be considered an asset for future applications, while unsuccessful grantees should be expected to refine strategies in a way that reflects their experiences.

Grant size and eligible costs

The program should focus on quality, not quantity. Canada will get higher results from giving larger sums to a smaller number of high-potential exporters. Grants should therefore range from \$20,000-50,000 per company and be based on the costs identified in the business plan.

The program should focus on implementation of a market entry program, including the creation of detailed business plans and initial marketing and sales activities. Eligible costs could include, in order of priority: trade fairs, development of marketing materials and samples; travel for exploratory and commercial missions; market studies and survey research; translation services; salaries for business development employees and in-market representatives; corporate, legal and regulatory due diligence. Costs of product or process customization for specific markets or regulatory requirements should also be considered.

Administration and assessment process

A simple and straight-forward application and assessment process is essential in order to reduce administration costs, ensure timely responses, and ensure access for small businesses. The process should make use of information technology solutions and leverage partner organizations in the private sector.

The initial application should be made online. Applicants who meet the baseline criteria should fill out a short questionnaire of 2-3 pages, submitting basic company information and a high-level market entry plan with projected costs. The application could be customized for new or existing exporters. Intakes for applications should be at least twice per year. Applicants should be able to submit questions online or by phone, with a guaranteed response time. Approved applicants could then be subject to an additional interview if needed.

Outside of basic criteria, the merits of an application should be assessed by a panel of experienced international management professionals, which could be managed by Department of Foreign Affairs, Trade & Development or Industry Canada. Alternatively, or in tandem, local chambers of commerce, boards of trade and other qualified business networks could pre-assess or otherwise certify the merits of an application. Many of these organizations offer and administer similar programs and already have a pipeline of potential applicants.

Market conditions and small business strategies are always in flux. Final decisions must be made as promptly as possible – ideally less than 30 days from point of initial application.

Ensuring program performance

Applicants should be responsible for reporting the results of their efforts at the end of the planned market entry timeline. Information recorded could be used to assess future applications by that business and others with similar profiles and objectives. It would also yield data on incremental exports or business developed as a result of the grant, allowing the government and assessment panel to further optimize criteria and administration.

The government should assign specific trade commissioners to work with grantees, identifying opportunities for parallel trade promotion or political support and encouraging trade commissioners to build lasting relationships with new exporters. Insights from trade commissioners could also be fed back into the system to identify operational improvements for the program and its coordination with other government initiatives.

Expansion of Trade Commissioner Service

The Trade Commissioner Service, which maintains a network of trade promotion officers around the world, will receive \$42 million over five years and an additional \$9.25 million per year afterwards. This funding will be used to hire and support 20 new trade commissioners abroad.

The following suggestions reflect input from members of the Canadian Chamber of Commerce.

Geographic distribution

Allocation of trade commissioners should be primarily based on market demand, focusing on missions and markets that are reporting rising company requests or reduced service quality. The Service's internal customer relationship management system records regular data on these indicators. In general, businesses need more assistance in emerging markets with complicated business environments. Markets where Canada has negotiated or is negotiating trade agreements may also merit special attention to raise awareness about new opportunities.

Individual profiles

New hires should be locally-engaged staff with deep business networks and proven sales success in industries of importance to Canadian exporters. Companies with unique or emerging business models, especially in the digital services sector, often report that Canadian-hired trade commissioners have trouble understanding how to serve their companies.

Activities

Companies primarily rely on trade commissioners to identify and introduce them to local business leaders, vet potential partners and manage their relationships with government decision-makers and regulators. Trade commissioners should treat Canadian companies as clients, providing them with a dedicated relationship manager and individually tailored services based on their business plans and other needs.

The government could also explicitly link this wave of hires to the new export market development program. The new trade commissioners would be assigned to grantees and/or the business association partners that pre-qualified them. The trade commissioners would help execute the approved market entry plan and organize workshops with business association partners. The workshops would highlight opportunities in the trade commissioner's resident market and provide

illustrative case studies of how businesses have used the grant program to their advantage.

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