



CANADA 360°

ECONOMIC SUMMIT

Toward a National Economic Strategy



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A special thank you to the Canadian business leaders who shared their ideas and insights at the Canada 360° Economic Summit:

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Karen Swager, Senior Vice President of Potash, The Mosaic Company

Peter Tertzakian, Managing Director and Chief Energy Economist, ARC Financial Corporation

Garrick Tiplady, Head of Facebook Canada



On January 30, 2020, we convened some of Canada's greatest business minds, all coming together with a common purpose: to find and develop new ideas to stimulate our economy.

This was the genesis for the inaugural Canada 360° Economic Summit, so named because we understand that every Canadian and every business leader has a stake in our shared economic future. Our objective was to bring together a plurality of views, opinions and insights to help guide the growth and direction of the Canadian economy.

Like any economy in the world, Canada has challenges and advantages, and we considered both in our discussions. For all of our problems, we remain the most fortunate people on the planet. Our quality of life is exceptional. We have an abundance of natural resources that remains the envy of the world. We have one of the most educated workforces among the G7. However, for all of the advantages that we enjoy, we cannot take them for granted.

We asked business leaders the big questions about how the economy is changing underneath our feet and how can we best position Canada. These discussions focused on three main areas: Canada's declining levels of competitiveness, Canada's place in the world amidst a changing global economy and Canada's role as a nation of innovators in an increasingly disruptive economy.



Based on these discussions, the business community identified eight priorities to attract investment to Canada, help create jobs and grow and strengthen our communities:

- A regulatory system that works for everyone, including business.
- Infrastructure and innovation to make Canada the most connected country in the world.
- A workforce with the skills, education and training to prosper.
- Access to new markets around the world and the elimination of trade barriers at home.
- A tax system that is fair, efficient and modern.
- Resources to help small- and medium- sized businesses grow and succeed.
- Addressing climate change by lowering emissions and increasing energy supply.
- A healthier pharmacare system for healthier Canadians.

This report details what we heard directly from Canadian business leaders about the issues they are facing on the ground and what this means for our economy and our country. The challenge now is to ensure our governments have the vision, the principle and the strength of purpose to achieve our economic potential both here at home and in our relations with the rest of the world. Canada urgently needs a comprehensive national economic strategy focused on these priorities.



Our Global Economy panel discussed featuring leaders from The Mosaic Company, Port of Vancouver, Export Development Canada, Organigram and Bombardier Transportation.

Canadian Competitiveness: What We Heard

Canada ranked in the top 10 in the World Economic Forum's (WEF) Global Competitiveness Rankings in 2010. Our ranking declined steadily since then, falling to 14th in 2019.

Business leaders have somewhat more negative views across several dimensions in our competitive landscape. Canada ranks 26th in creating a stable policy environment for doing business and 38th in having a long-term economic vision in place, according to WEF.

Productivity growth and growth in GDP per capita, the economic output per Canadian, is anemic. Canadian productivity growth has diverged from U.S. levels for the entire decade—year-over-year productivity growth was 0.3% in Canada in

2019 compared to 1.8% in the U.S. Meanwhile, Canada's GDP per capita decreased by 3% since 2010, while the U.S. saw a 35% increase over the past decade.

Long-standing structural issues continue to hamper growth. Foremost among these are interprovincial trade barriers. Canadian household balance sheets remain highly leveraged, which will hamper consumer spending this year. A split is also emerging among Canadian households, with a third of households having no debt compared to a wedge of very highly indebted households. The number of unfilled jobs also remains stubbornly high amidst labour mobility challenges.

Our CEO Competitiveness panel discussion featuring leaders from GE Canada, Manulife Canada, Suncor, EY Canada, and Cogeco.





What does this mean for Canada?

While governments all share the goal of economic growth, they must be more thoughtful in the way they work with Canadian companies to help remove barriers to private investment. These barriers include overly complex regulatory systems, interprovincial trade barriers and a burdensome tax system that discourages investment and business expansion. Given the limited fiscal capacity of the federal and provincial/territorial governments, addressing regulatory issues is a low-cost way to generate growth. Canada can also maximize the value of all communities with initiatives such as increased Indigenous procurement — one area where governments can learn from the leadership of the private sector.

Succeeding in a changing economy also requires a more adaptive and resilient Canadian workforce. Canada must be more creative with its education systems to fill today's skills gaps while anticipating the needs of tomorrow.

Canada can create more economic resilience in its education system by focusing on critical thinking and creativity, in addition to important science, technology, engineering and math (STEM) skills. Canadian companies are often punching below their weight when it comes to talent and must do a better job of continually upskilling their employees and working with educational institutions.

Canada should continually improve its skilled workforce by bringing the right talent to Canada through immigration, facilitating labour market matchmaking between talent and companies and emphasizing re-skilling in a changing economy. Ensuring uninsured and underinsured Canadians have access to pharmacare will be an important factor in maintaining a healthy workforce.

Energy supply is also crucial to increasing the standard of living of the global population.

Our collective challenge is to continue to increase energy supply while lowering emissions. As the pace of global commerce continues to accelerate around the globe, Canada's ability to export its energy has continued to slow. For instance, major energy project approval in Western Canada takes a decade and repeatedly needs amendments to accommodate the technological and market changes over the review period.

A key takeaway for Canadian companies and policymakers alike is that in a rapidly changing economy, governments and businesses must adapt to market changes while capitalizing on Canada's existing strengths. Business must be more vocal with governments and the Canadian public about the links between productivity and our well-being and governments must be more proactive in reducing the friction to doing business in Canada.

Canada's Place in a Global Economy: What We Heard

A “geopolitical recession” created a G-zero world, where no single country or group of countries has the ability and will to drive a truly global agenda.

A key theme in this G-zero world is the fraught U.S.-China relationship, which has passed a tipping point where the two economies decouple and an economic Berlin Wall emerges. The case of Apple exemplifies the U.S.-China economic divergence, with the company unlikely to have a long-term home in the Chinese market given its incompatibility with the Chinese governance approach.

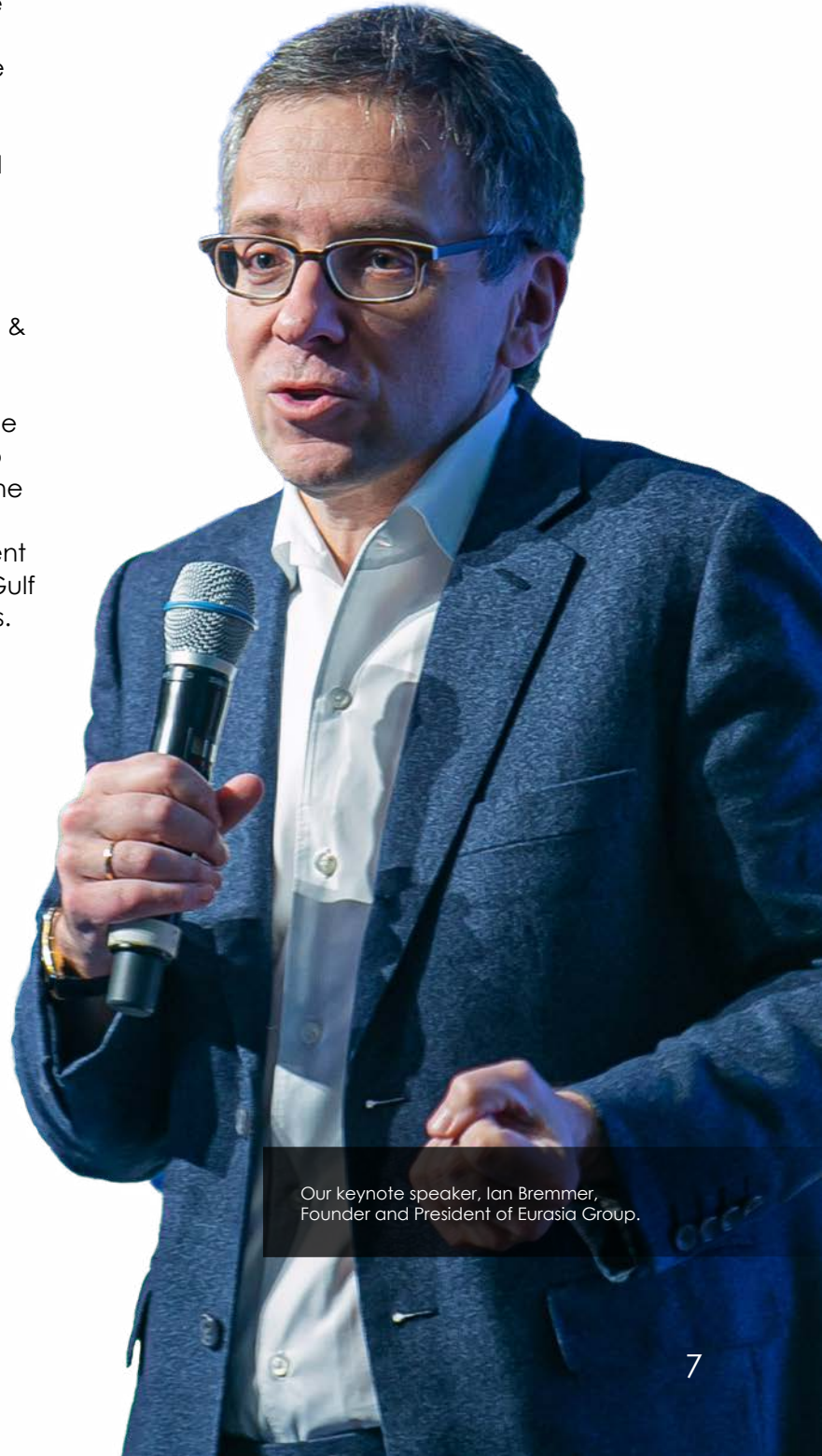
The U.S. is less interested in playing its traditional role as global power, as is evident from shifting global alliances. China's influence is proving particularly effective in Southeast Asia, Latin America and Southeast Europe. Additionally, China continues to aggressively pursue the Belt & Road Initiative with little American resistance.

At the same time, we are witnessing a shift in the Middle Eastern power balance, as the U.S. is no longer reliant on the region for energy. Given the threats posed by Iran and terrorism, the recent Middle East peace plan announced by President Trump now creates more scope for Israel and Gulf Arab nations to cooperate on mutual problems.

This global power vacuum is enabling rogue actors. Western industrialized countries will continue to face challenges from Russia and North Korea, including their efforts to continue to sow discord given a high tolerance for undertaking risky behaviour.

Global geopolitical and economic uncertainty continued to weigh down the economy in 2019. The U.S.-China trade wars and Brexit were two of the most significant events. Although both issues saw a degree of resolution towards the end of the year, growth for 2019 was less than 3% globally. Global growth would have been even slower in the absence of a quick reaction by central banks.

Uncertainty will persist in 2020, with a rough start to the year because of tensions in the Middle East and coronavirus. The U.K.'s changing relationship with the European Union and the prospect of a U.S.-China Phase II trade deal also remain on the horizon and will continue to evolve throughout the year.



Our keynote speaker, Ian Bremmer, Founder and President of Eurasia Group.



What does this mean for Canada?

Canadian companies need to keep a close watch on geopolitical risk and evaluate the impact on their supply chains and buyers. Beyond the day-to-day headlines, it is crucial for Canadian businesses and the government to play an active role in understanding and shaping the discussions on global standards that impact market access for exporters.

Canada's existing network of free trade agreements provides immense opportunities for Canadian companies to gain access to some of the world's largest economies and diversify risk. However, free trade agreements have limitations because countries maintain an extensive list of exemptions. Challenges also remain for small- and medium-sized businesses to take full advantage of these agreements. To capitalize on free trade, it is crucial for Canadian businesses to compete on a level playing field in terms of market access.

Self-imposed limitations on access to foreign markets are also an issue, particularly the critical role of infrastructure in getting products to market. As a country, we need to ensure infrastructural capacity exists and the approval process does not become a bottleneck. Data, in particular, will increasingly deliver infrastructural efficiencies.

China remains a critical market for Canadian businesses, despite acute challenges, given its economic size and population. A third-country dimension to our commercial relationship also poses risks and opportunities: partnering with a Chinese company increases the opportunities for Canadian businesses in some markets, while in others, Chinese companies are competing against Canadian companies for contracts.

A nascent export market with growth potential has also emerged in Canada's cannabis industry, given our first-mover advantage. Canadian companies have access to capital that enables them to tap into the growing number of countries that are allowing access to medical cannabis. The sector still needs government support to leverage its innovative advantage.

Overall, the Canadian business community needs to advocate for macro-level policy levers, such as trade agreements, but also for tactical issues that are sector specific and trade-enabling to ensure we are reaching our full potential. Promoting the "Canada brand" could be a tool to open doors for companies by drawing on our national cache. Responsible business conduct and environmental, social and governance (ESG) factors are also becoming increasingly important for Canadian companies to maintain their competitiveness as partners of choice.

A Nation of Innovators: What We Heard

The digital economy is affecting all industries. Technology continues to augment human capabilities and processes, and advances in computing and telecommunications have changed how we think about business.

The impact of new platforms, big data and network effects has created new companies that can grow at exponential rates. The intangible economy, driven by data, knowledge, brand and design, has become a key source of economic growth and market value. While these new technologies undoubtedly affect how we do business, there is no less demand for physical resources that humans need to survive. The intangible and physical aspects of our economy co-exist and they are increasingly merging when it comes to the Internet of Things (IoT).

A key challenge and opportunity for Canadian companies in this environment is to keep pace with rapid changes in technology and consumer expectations. Customers compare higher expectations of service delivery with direct competitors and also with the user experience offered by any business. These rapid changes reflect the fact that the digital economy is growing faster than the rest of the economy.

What does this mean for Canada?

Disruption is the new normal for Canadian companies. To ensure Canadians and Canadian companies benefit and prosper requires governments and companies to be more flexible and forward looking so that all industries can compete in an increasingly connected economy.

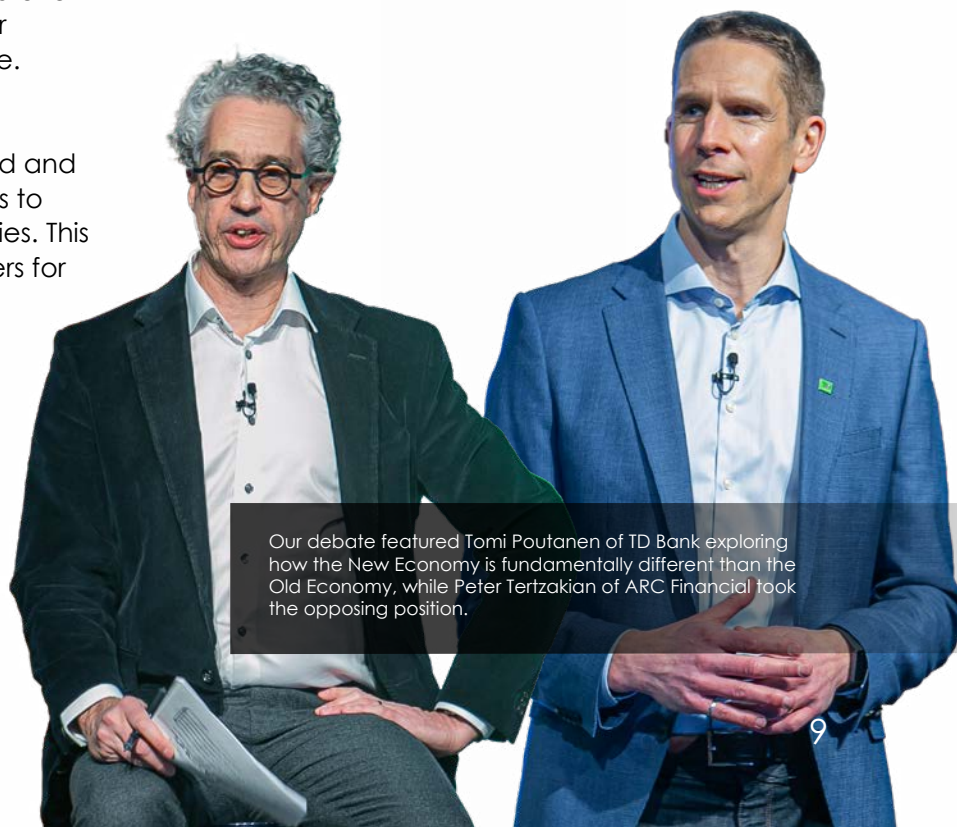
Canada must ensure the changes taking place do not leave certain groups, industries and people behind. As change accelerates, it has been particularly difficult for governments to keep pace and provide policy predictability to businesses. Specifically, regulatory challenges often prevent the private sector from introducing newer technologies, processes and infrastructure.

Digital innovation and advances in telecommunications level the playing field and allow small- and medium-sized enterprises to compete with large established companies. This levelling also removes participation barriers for underrepresented groups while providing consumers with louder voices. Canadian companies must adapt to these new realities and invest in new technologies and platforms.

Canada enjoys several innovation advantages, such as extensive primary research, on issues like artificial intelligence and big data.

Canada must lean into commercialization at scale to take advantage of this research at a global level. We can gain an advantage in a big data economy by building a strong data ecosystem through partnerships and consortiums that do not simply monetize data but create true value with it.

However, in doing so, Canadian firms must realize that privacy and security issues are becoming existential issues. Businesses must be proactive, clear and simple with consumers and their information.



Our debate featured Tomi Poutanen of TD Bank exploring how the New Economy is fundamentally different than the Old Economy, while Peter Tertzakian of ARC Financial took the opposing position.



A Call to Action

The role of business is more than just creating and providing goods and services people want or need. Business matters in more vital ways. It invents. It innovates. It invests and builds wealth. It creates the jobs that allow us to provide for ourselves and our families. Along with government and others, it contributes to building strong communities and to addressing social problems.

Business plays a vital role in building and sustaining our great nation. Business matters to the individuals whose household incomes depend on their jobs. It matters to the communities that depend on local businesses to support the local economy. Canadian entrepreneurs and job creators are the single largest driver of our economy. In short, business matters to us all.

Canada's businesses are the front line of the economy and what affects them affects the economic well-being of every Canadian. There is no path to affordability for all Canadians without business growth to fuel the creation and sustainability of new and better paying jobs. To ensure a better future for all Canadians, we encourage the government to embrace a comprehensive plan for economic growth in this year's federal budget and beyond. This involves focusing on priority areas that will help enhance competitiveness and productivity to grow our economy.

Without a strong economy, our country will not be able to meet the serious challenges Canada faces as a result of climate change and an aging population. Without a focus on growth, we will not be able to foster the innovation and sustain the vital public services needed to address the challenges of a sustainable economy.

Canadian business has always had a positive social impact throughout our great nation's history. Governments cannot address the issues we are facing alone and, in many cases, significant business investment will be required. Growing the Canadian economy in pursuit of a better society is the key to addressing many of the challenges we are facing.

Canada's vital interests require our active engagement because they face unprecedented economic and social challenges. Canada needs to develop and implement a coherent economic strategy, one for the betterment of all Canadians, something we conspicuously lack today. Ideally, it would be led by our political leaders, but if they are incapable of doing so, then business will need to lead the way. The economy will not wait for us.

Our President and CEO, Hon. Perrin Beatty, addressing the attendees of our Canada 360° Economic Summit.



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