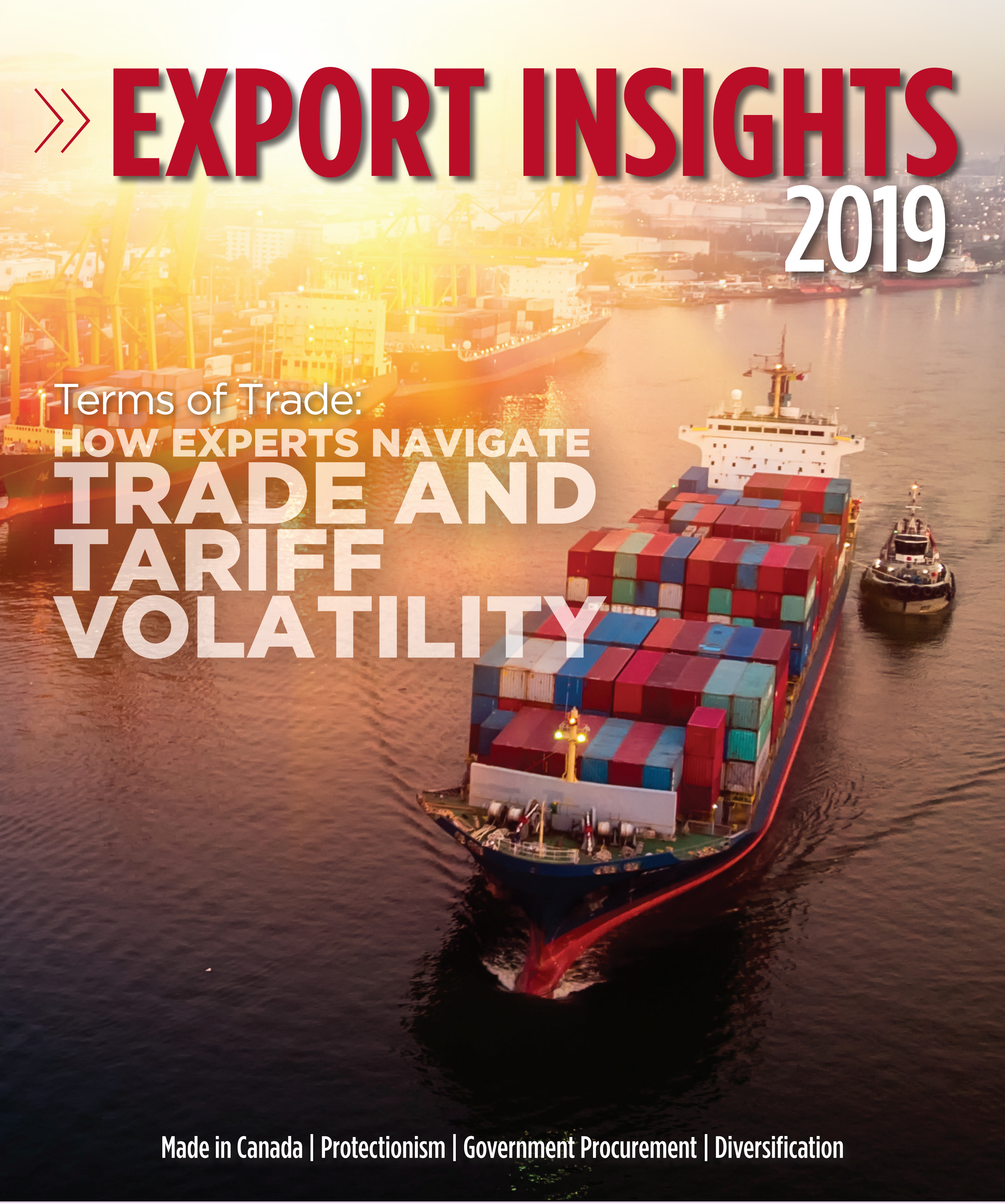

EXPORT INSIGHTS 2019

Terms of Trade: HOW EXPERTS NAVIGATE TRADE AND TARIFF VOLATILITY

Made in Canada | Protectionism | Government Procurement | Diversification

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SYSPRO CANADA

SYSPRO Canada is proud to sponsor the 2019 *Export Insights* report and grateful to once again partner with *CanadianManufacturing.com* on the roundtable.

The 2019 report is based on more than 178 responses from manufacturing and industrial sector executives who provided a strong C-level snapshot of the state of Canada's export market.

Questions probed firms on where their sales are concentrated, their reasons for not exporting more, the new markets they plan to enter, their export volumes, and the impacts of geopolitics, trade tariffs and their level of awareness about trade accords.

We applaud this year's roundtable participants for being forthright in articulating their concerns about how they're hurt by the threat of overreliance on the U.S. as a trading partner, and sharing compelling accounts of how they're either hunkering down or seeking loopholes in order to stay competitive.

Clearly, there are challenges in the Canadian and global economies, and export companies are feeling the effects. While these challenges need to be managed, there are many areas of encouraging, export-oriented growth across value chains.

As a global organization that takes pride in delivering simplicity, innovation, and partnership through business software solutions, SYSPRO Canada is interested in how technology enables success in exporting. As much as firms are invested in capturing gains based on the exchange rate, they are also trying to compete on a productivity level. It is why we also paid close attention to the sources of information firms deem valuable and the tools they use to foster success.

Indeed, the proliferation of buzz phrases such as Industry 4.0, Industrial Internet of Things, or digitization of production can be foreboding, so we remain mindful of how firms view technology. Overall, 55% of survey respondents said technology plays an important role in their exporting success, while 43% of firms ranked ERP (enterprise resource planning) as being critically important. The survey sample confirms with reasonable levels what we know to be of importance to this sector, but it also enhances our awareness of what firms could learn from new capabilities.

At SYSPRO Canada, we're challenging ourselves to bring awareness to Canadian manufacturers about advanced manufacturing technology and we endeavour to enable industry and provide opportunity for our customers. The 2019 *Export Insights* provides an occasion to really understand what Canadian manufacturers are feeling, understanding, and planning for the years ahead.

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From left to right: Dale Kehler, Walter H. Weber, Gwenaële Montagner, Geoff Atkins, James Johnson, Gregory Rust, and Andrew Ellis

Welcome to the 2019 *Export Insights* report, Canada's foremost global business study identifying market trends and challenges and the ability of Canadian companies to find success on a global stage. This year's report includes highlights from more than 178 exporting and non-exporting executives, as well as insights from a follow-up roundtable discussion where trade experts and export executives explored the challenges and opportunities facing Canadians in the international market. Along with delving into how the operating environment and geoeconomics affect trade and trading relationships, the report uncovers trends, tactics and strategies for new and mature exporters. New to this year's report is the inclusion of a "Ready to Trade" section, which relays best practices and first-hand accounts from veteran exporters.

ROUNDTABLE PARTICIPANTS

GEOFF ATKINS
Executive Advisor,
Silfab Solar Inc.

ANDREW ELLIS
Director, INKAS Armored Vehicle Manufacturing

JAMES JOHNSON
Project Manager/Trade Analyst,
Industrial and Capital Goods,
Machines Italia

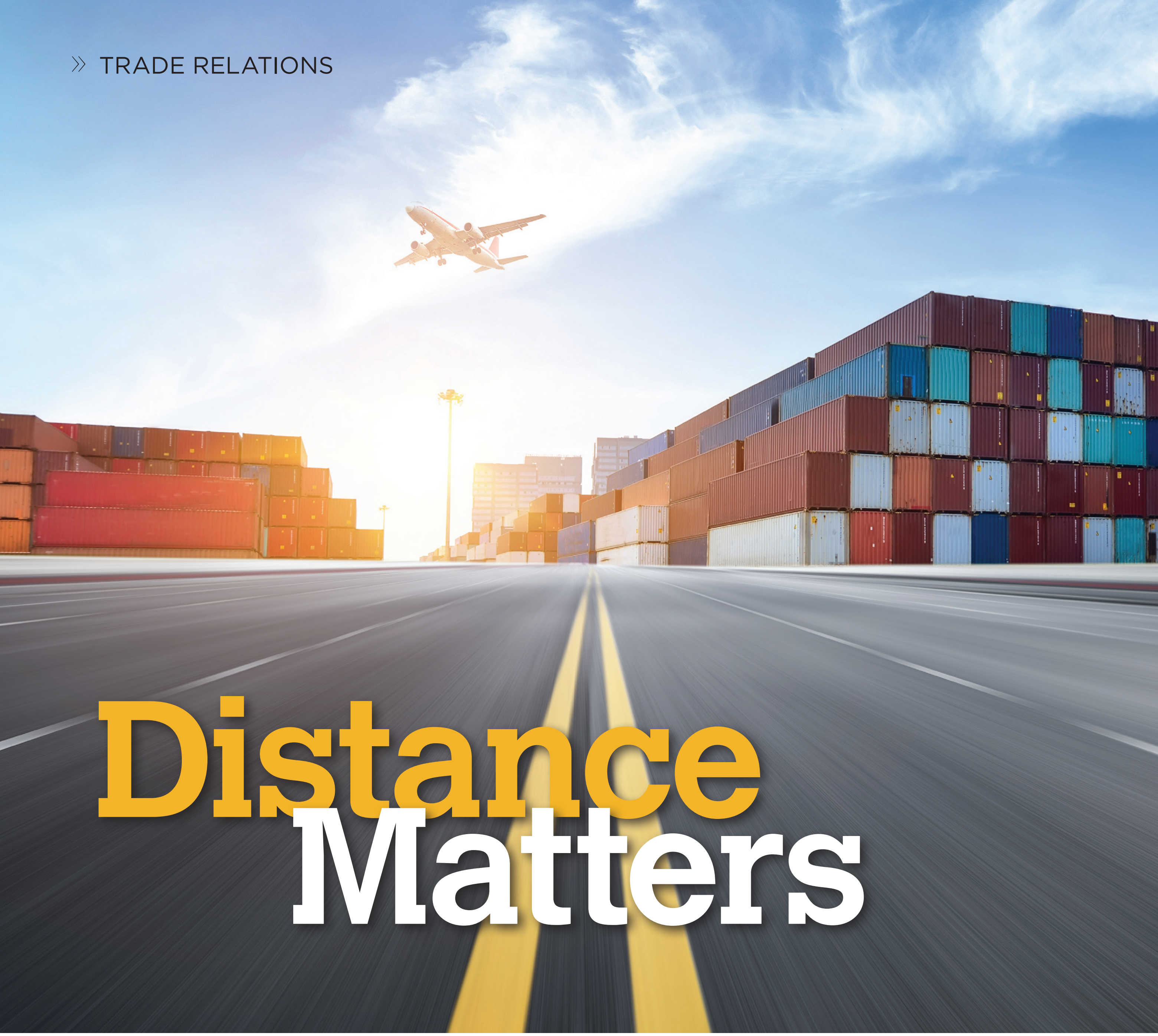
DALE KEHLER
Vice President, Solutions,
SYSPRO Canada

GWENAËLE MONTAGNER
Senior Director,
International Trade Development,
World Trade Centre Toronto

GREGORY RUST
Trade Commissioner, Advanced Manufacturing, The Canadian Trade Commissioner Service

WALTER H. WEBER
CEO, UTEX Scientific Instruments Inc.

Photo Credit: Stephen Uhraney



Distance Matters

Why success abroad depends on the ability to navigate geo-economic and cultural terrain

BY REHANA BEGG

The U.S. has always been, and remains, the export market where Canadian exporters focus their efforts, but exporters would be wise to prioritize diversification.

That was the rallying call for this year's panel of experts who participated in a roundtable discussion based on the 2019 *Export Insights* report. Produced by *CanadianManufacturing.com*, and sponsored by SYSPRO Canada, the survey asked exporters, business owners, and industrial executives about their trade challenges, knowledge gaps and overall export readiness.

The report reveals that Canadian manufacturing companies that export make 40% of their revenues from exports, on average. Consistent with market expectations, 93% of respondents export to the U.S. Mexico is the runner-up, at 35%, followed by the U.K. (27%), Western Europe (26%), Latin America (25%) and other Asia markets (22%). Exports to China came in at 20%.

The survey was fielded in the spring of 2019, at a

> We're finding that our wins are because of political alignment and our losses are because of political misalignment.
>
> *Geoff Atkins,*
> *Executive Advisor, Silfab Solar Inc.*

time when macroeconomic news triggered a wave of risk aversion brought on by protectionist trade measures, and when slow growth in the oil sands was a drag on the economy. By July, analysts pegged the U.S.-led trade war as a major factor weighing on the global economy and the top reason behind delayed business investment decisions around the world. In fact, the Bank of Canada projected that trade conflicts and uncertainty about oil prices would reduce the level of Canadian GDP by as much as 2% by the end of 2021.

Still, Canadians crossed their fingers when The Bank of Canada governor, Stephen Poloz, noted the global economy could receive a significant lift later this year if trade conflicts are resolved.

For panellists at this year's *Export Insights* roundtable, unpredictability in the future global trading system, uncertainty around international trade policy, backlash from protectionist rhetoric and competition from dominant

Push for Procurement

Trade agreements should facilitate cross-investment

By Rehana Begg

There was a new question posed in this year's *Export Insights* survey: *How often do you sell your products and services to governments outside of Canada?*

The data reveals that less than half (41%) of respondents sell products and services to governments outside of Canada, while 59% "never" sell to foreign governments.

In theory, trade agreements are designed to create advantageous conditions for SMEs by facilitating cross-investment. The Comprehensive Economic and Trade Agreement (CETA), for example, eliminates tariffs on 99% of current Canadian exports to the EU and provides enhanced access for service providers.

Gregory Rust, whose current focus is advanced manufacturing, industrial machinery, with The Canadian Trade Commissioner Service, says the results are paltry. "It would be nice if [the number] was bigger, because government procurement was the negotiating priority of the European Commission. We gave part of the farm away [in negotiating CETA] in exchange for getting access. That number needs to be much bigger."

But while trade agreements open markets to two-way trade opportunities, they also bring obstacles. Respondents list unexpected costs such as tariffs (29%) as the leading obstacle when dealing with foreign governments. In addition, regulatory hurdles impacting shipment (29%) and supply chain breakdown/lack of visibility (13%) are also noted as drawbacks.

For Rust, the aversion to grow in the global marketplace calls to mind a perspective advanced by Andrea Mandel-Campbell's book *Why Mexicans Don't Drink Molson: Rescuing Canadian business from the suds of global obscurity*. She argues that Canadian businesses undervalue their products, and in the fight to stay competitive, they tend to focus on local markets—which is a recipe for disaster.

"Are Canadian firms behaving according to the *Molson* book, where Canadian firms are working away on detail and not paying attention to the shift?" muses Rust.

Yet, it's not easy to get rid of trade tariffs, he says. "We have a rules-based mentality, so we push to have tariff elimination and free trade-type agreements. The Trump administration doesn't see it that way necessarily, and they've pulled what levers they can. But this is what CETA was about: tariff elimination. It was what NAFTA [North American Free Trade Agreement] was about at the time. CPTPP [Comprehensive and Progressive Agreement for Trans-Pacific Partnership] is about tariff elimination. So my organization doesn't necessarily see tariffs as easy to get rid of, but they're negotiated away. What we're mindful of is other barriers that could be put in place—non-tariff barriers, a new regulatory requirement, a localization requirement. You know, something that prevents it. But, overall, we're rules-based, and work toward making it so."

How often do you sell your products and services to governments outside Canada?	
41%	Any
2%	Almost always
7%	To a considerable degree
11%	Occasionally
21%	Seldom
21%	Never

Which of the following obstacles/failures have you experienced exporting to governments outside of Canada?	
Any	64%
Unexpected costs such as tariffs	29%
Regulatory hurdles impacting shipment	25%
Supply chain breakdown/lack of visibility	13%
Fraud or corruption in market	11%
Didn't receive payment from buyer	9%
Shipment went missing/didn't arrive	7%
Unsatisfied end customer	4%
Other	13%
None of these	36%

players have made exporting companies vulnerable as they consider expansion to foreign markets.

"The data shows that we really haven't diversified our markets very much—whether it be through European trade agreements or Asia-Pacific trade agreements," says Andrew Ellis, a director with Toronto-based INKAS Armored Vehicle Manufacturing. "That's the way it should be. That's the way it's always been."

The question of whether businesses should diversify within markets is overshadowed by negative market sentiment brought on by domestic hurdles such as market access and a growing regulatory burden, says Ellis, who helps the armoured vehicle company navigate exporting challenges, such as getting loan guarantees or insurance for the defence industry.

What Canada needs as a trading nation is to bolster top-down strategies to try and capture new markets. But in the absence of an international strategy, exporters are dogged with investment uncertainty, and it's tenuous for many operators to survive.

The Department of Foreign Affairs, Trade and Development is an example, says the former assistant director of operations for the Canadian Security Intelligence Service. "More and more countries are putting them apart because they have a slightly different responsibility—trade is to promote trade, and foreign affairs is to carry on diplomacy. How does one trade in some areas of Latin America and some areas of Africa when they may not mesh with our foreign policy objectives?"

Instead, Ellis contends, Canada ought to revise its governance policies, as competitors are quicker to respond and have more support from their government agencies. "If we keep pushing at the United States, we're going to max out," he says.

Survey respondents seeking to expand ties in developing markets, such as Latin America and the Middle East, will find the price of exports comes with natural curses and blessings. "If you travel to Latin America or Africa, there's one country doing the infrastructure work there: China. They're our top competition....China's costs are low. They can bring a lot of people on the ground, and they do a lot of infrastructure," Ellis says, warning that Beijing's interest takes centre stage in these regions through its ambitious geopolitical and geoeconomic program—the Belt and Road Initiative—along with the much-needed capital China brings to bear in these regions.

Risk of overreliance

Half of the companies surveyed have seen their export volumes change for the better in the last year; 11% reported a significant increase, 39% reported "somewhat increased" export volumes, and 36% reported the volume remained the same. The remainder, 14%, reported a net decrease. And when asked whether they plan to enter a

> Rather than compete on price, you want to go [abroad] because you have something that's differentiated.

Dale Kehler,
Vice President, Solutions, SYSPRO Canada

new market within the next two years, 51% of respondents reported they are definitely exporting to new markets or considering the idea.

If the data is valid, companies ought to look at exporting because the domestic market just isn't large enough to sustain the kind of growth any company wants, says James Johnson, project manager/trade analyst, Industrial and Capital Goods, Machines Italia – The Italian Trade Agency.

Silfab Solar is a case in point. Since its inception in 2011, the Mississauga, Ont.-based designer and manufacturer of photovoltaic (PV) solar panels for the North and South American markets has strategically targeted large distributors and third-party ownership throughout North America. With limited resources and capital, Silfab targeted the U.S. for its proximity and the ease with which it could enter the market. "We went to our closest neighbour, which had the most logical currency and political environment, and a trade agreement in place," says Geoff Atkins, Silfab's executive advisor.

Within a relatively short span, Silfab's source of revenue transformed from being 100% Canadian-based to becoming 100% export-based. "We've grown from $20 million to $250 million, so we sit in an odd spot because we depend on exports. We've had to look at new markets for survival."

But despite a compelling business rationale and impressive growth figures, Silfab faces a conundrum: deciding where its next export market should be. "We find that the world is changing, and the export markets are changing so dramatically that we don't have the depth of resources or the experience to go after some of those," says Atkins.

Silfab is hesitant about entering the European market—"a logical next step"—as the firm realized its competitors spent a significant amount of money to penetrate it. The way forward was to double down on current markets, explains Atkins. Today, revenue from the U.S. represents the lion's share of Silfab's export sales, with a small percentage earned in Mexico.

Unique and aligned

Relative to Silfab's experience, UTEX Scientific Instruments is in an enviable position. "We fall into a category where we wait for customers to identify themselves to us," says Walter H. Weber, president and founder of the Mississauga, Ont.-based engineering company. It builds software, instrumentation and mechanical systems for automating the inspection of nuclear weapons, and space exploration components such as rocket nozzles for SpaceX and Blue Origin.

The sheer nature of the products and services, as well as the company's niche clientele, reduces the sales/marketing and vetting costs to "near zero," says Weber.

But for Silfab's Atkins, the stakes couldn't be more different. "I wish I was in Walter's position. I envy that. If

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>
> *James Johnson, Project Manager/Trade Analyst, Industrial and Capital Goods, Machines Italia – The Italian Trade Agency*

> [The data] paints a concerning picture of new generations of younger businesses that don't seem to consider export as a viable destination.
>
> *Gwenaële Montagner,*
> *Director, International Trade Development, World Trade Centre Toronto*

any Canadian company believes that we're going to be in a position where we can create a trade environment that's dependent on the fact that we're unique and that that's why we're going to have trade, we die," he says. "We're finding that our wins are because of political alignment and our losses are because of political misalignment."

Where to go next

Among exporting companies surveyed, 20% export to China, while only 4% that are planning to enter a new market named China. This trading pattern is in keeping with panellists' impressions about broadening their export scope to China.

Yet, analysts report China to be ripe for importing products it can't make on its own. In fact, as a result of U.S.-China tariff wars, it is now 14% cheaper for China to buy from Canada, Japan, Brazil or Europe than it is to buy from the U.S. Yet, firms like Silfab remain leery of Beijing's influence and have shied away from building export ties there.

Still, Silfab's Atkins echoes INKAS' Ellis when he expresses being cagey about approaching new markets on two fronts: not being politically aligned with a prospective market is a hurdle that hurts any exporter, and having a unique proposition is not enough to succeed on the international stage.

On the political front, Latin America would be a viable market for Silfab's PV modules, but Silfab backed away, owing to China's domineering infiltration. "China is a force everywhere and if they decided they want to be in an industry or a country, it's incredibly hard to get into [that market]," says Atkins. "They're aligned politically and supported financially, and their infrastructure is far deeper than the Canadian infrastructure."

On having a unique proposition, Atkins points out that "Canada the Good" used to win on the international markets 20 years ago but has since lost meaning. "It's somewhat of a fight in the export markets. Being good isn't good enough; being aggressive isn't good enough. You actually have to be aggressive and good, and have all the infrastructure and resources behind you, or else you're going to lose in a very tough fight."

Cultural barrier

Based on the data, 80% of respondents have been in the export business for more than 10 years, while more than half of respondents who don't export noted that they have no plans to export. "[The data] paints a concerning picture of new generations of younger businesses that don't seem to consider export as a viable destination," says Gwenaële Montagner, senior director, International Trade Development, at the World Trade Centre Toronto. She characterizes Canadian exporters as "reactionary," because they tend to export only when companies ask for something specific.

The reason Canadians appear to be apprehensive about going international stems from a "strong cultural barrier."

> We have a rules-based mentality, so we push to have tariff elimination and free trade-type agreements.
>
> *Gregory Rust, Trade Commissioner,*
> *Advanced Manufacturing, The Trade Commissioner Service*

> The perception [in the U.S.] is that American wealth has been sent overseas, and they want it back.
>
> *Andrew Ellis,*
> *Director, INKAS Armored Vehicle Manufacturing*

And, generally, only 7% of small and medium enterprises (SMEs) actually go beyond Canada, whereas, in Europe, that number rises to 25%, she says.

The cultural divide might be one of the biggest barriers for Canadian exporters. Europeans from a very young age have a level of comfort dealing with other European countries, explains Montagner. But since Canada is isolated geographically, it's "unusual for Canadians to reach out to foreigners, and they're content with doing things on their own or with their neighbour next door."

How to make the leap

As Dale Kehler, vice president, Solutions, SYSPRO Canada, sees it, as long as companies are working on maturing their competency in the market, the perceived risk of going abroad remains high. "Rather than compete on price, you want to go there because you have something that's differentiated," Kehler says. "Until people understand what the opportunities might be and understand the risks and how they can mitigate those risks, they won't pursue it."

A CAGE analysis is a useful tool for supporting a company's specific resources and capabilities when considering global arbitrage, says Kehler. The metrics—cultural, administrative (currencies, trade agreements), geographic and economic—provide a convenient framework. "The U.S. is so easy because it's the same as Canada across all those four metrics," says Kehler.

But there is opportunity in places where there are massive economic differences. "Consider India. There are cultural differences. But administratively, we're both colonies of Britain, so there's a lot of alignment there. Obviously, the bureaucracy is very different. Their economic situation is completely different. They have a massive population that's coming into the middle class, or growing incomes. But that can be a huge opportunity for a certain type of product. So, where a perceived difference represents a risk, it's also opportunity on the flip side."

That kind of thinking and understanding, says Kehler, can make a big difference to where companies could actually go. **EI**

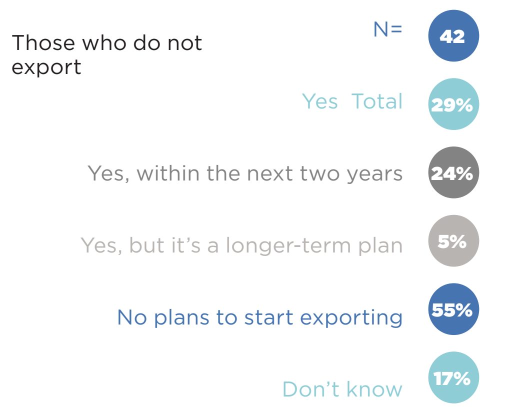
> We fall into a category where we wait for customers to identify themselves to us.
>
> *Walter H. Weber,*
> *CEO, UTEX Scientific Instruments*

Export Insights 2019 Survey Results

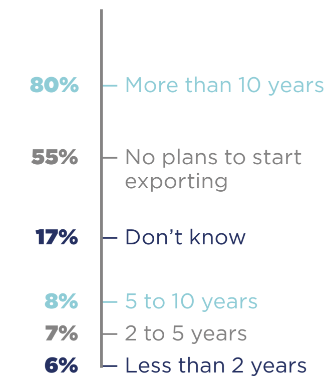
CanadianManufacturing.com polled 178 manufacturing and industrial businesses with the objective to gather a broad range of perspectives that help us identify the pressing exporting challenges and opportunities at home and abroad. On average, companies that export report that 40% of sales currently result from exports, and more than 80% have been exporting more than 10 years. The results, fielded by RK Insights, provide insight about Canada's supply chains and customers, and draws attention to factors informing the export plans and strategies of the nation's SMEs in the near term.

1. What are the reasons your company does not currently export more?

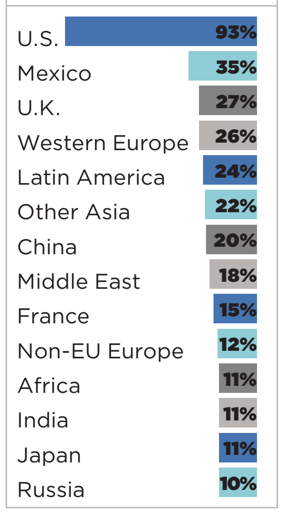
2. Does your company plan to start exporting?



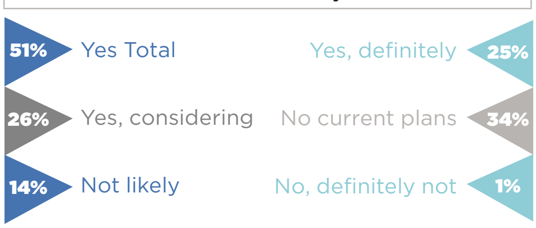
3. How many years has your company been exporting?



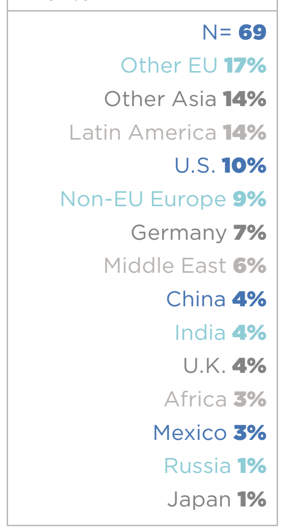
4. Where does your company export?



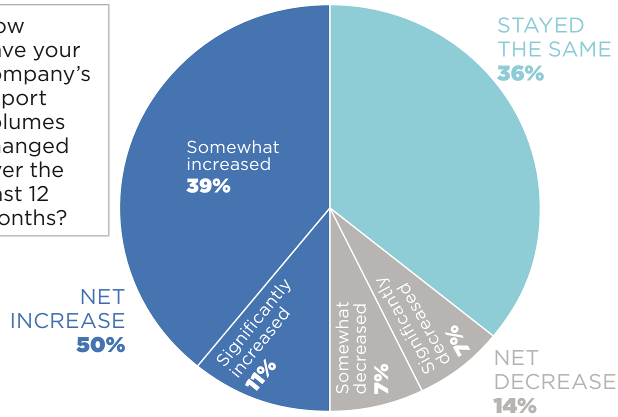
5. Are you planning to enter a new export market within the next two years?



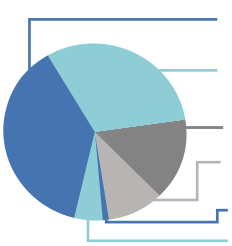
6. What new markets are you planning to enter?



7. How have your company's export volumes changed over the past 12 months?



8. What best describes your company's main export?



- **38%** Highly engineered/custom
- **31%** Mix of manufactured products and support services
- **15%** High volume/commodity
- **10%** Some/moderate value add
- **1%** Service or software
- **5%** Not applicable

9. What prompted your company to begin exporting?

- **56%** Need for sales growth
- **49%** Demand from existing customers
- **27%** Proximity or size of export market
- **24%** Low Canadian dollar
- **21%** Need for sales growth
- **15%** Unsolicited orders
- **10%** Offer from a foreign distributor
- **10%** Need to even out business cycles
- **7%** Trade mission or foreign trade show
- **5%** Other

10. Approximately what percent of your company's sales currently result from exports? N=178

24%	None to 0%	12%	51% to 70%
20%	1% to 10%	19%	More than 71%
13%	11% to 30%	30%	Overall average
12%	31% to 50%	40%	Average of those who export (1%+)

EXPORTING STRATEGIES

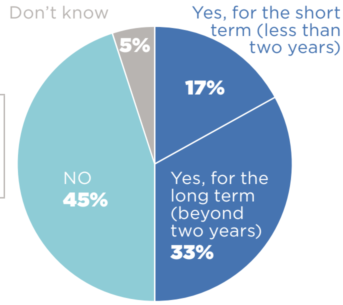
11. How does your company usually penetrate new markets?

- **77%** Direct sales managed from Canada
- **29%** Joint venture with local partner
- **11%** Existing customer going overseas
- **8%** Other
- **3%** Foreign language website

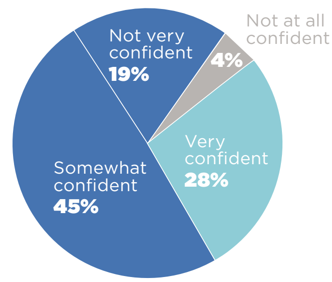
12. What factors have most contributed to your exporting success?

- Unique product or service **59%**
- Quality surpasses competitors **59%**
- Competitive price **46%**
- Lower Canadian dollar **34%**
- "Made in Canada" reputation **25%**
- Proximity to export market **24%**
- Effective supply chain **13%**
- Effective inventory management **10%**
- Unusually high demand in the export market(s) **4%**
- Other **3%**

13. Does your company have a comprehensive exporting strategy?



14. How confident are you that your company's exports will grow in the next 12 months?



15. Over the next 12 months, how will you invest in your business to grow exports?

Visits/travel to potential markets	55%	Consultants/outside expertise	11%
Hire additional staff	34%	Open foreign sales office	9%
Acquire shop floor machinery or upgrades	34%	Open foreign manufacturing	8%
Add capacity	32%	Upgrade or install new corporate software	6%
No plans to invest	18%	Acquire a foreign-owned entity	5%
Develop foreign websites/marketing	12%	Don't know	7%

DEALING WITH HOSTILE NEIGHBOURS, FINDING NEW FRIENDS

Our "special relationship" with the U.S. faces its greatest test in the form of a president who loves tariffs. It's high time Canadian firms look elsewhere for opportunities.

BY WILL MAZGAY

The U.S., our largest trading partner by a significant margin, has long been a champion of global trade. But that changed in 2016 with the election of Donald J. Trump.

The firebrand right-wing populist very quickly snubbed the idea of a global multilateral network of free trade agreements in favour of a more transactional, bilateral approach to trade—preferring to negotiate with individual countries instead of large trade blocs. He has also shown he isn't afraid to use tariffs to get what he wants, and has imposed punitive duties on adversaries and allies alike.

Trump's steamroller approach to trade has rattled global markets and sparked a trade war with economic goliath China, and Canada has also felt the brunt. We've seen a complete overhaul of the North American Free Trade Agreement (NAFTA)—the latest version of which has yet to be ratified—and we're still recovering from punishing metals tariffs just recently removed by the Trump administration.

To paraphrase one of our 2019 *Export Insights* panellists, Trump's "America First" attitude is having a trickle-down effect.

"There's a sentiment of anti-non-U.S. type of companies," says Gwenaële Montagner, director, International Trade Development, World Trade Centre Toronto. "I had a company ship to the United States, and every time they would get a crate there, product would arrive broken. When they decided to put a sticker with a U.S. flag on the crate, from one day to the next, everything arrived in one piece—no problem."

In fact, Geoff Atkins, executive advisor at Silfab Solar, says that when his firm is operating in the U.S., it bills itself as an American company. "Even though we have zero American interests whatsoever. But it's survival. It's no different than people who travel the world and put a Canadian flag on their backpacks."

Andrew Ellis, director, INKAS Armored Vehicle Manufacturing, says it's a good idea in this climate "to have some sort of terra firma in the United States—whether that be actual bricks and mortar or a legal entity. It makes business a lot easier."

Ellis cautions that political conditions in U.S. manufacturing states that favour "Buy American" principles suggest a continuation of the trend. "One needs to be prepared for continued nationalism in the United States," he says.

Atkins says, "The perception is that American wealth has been sent overseas, and they want it back."

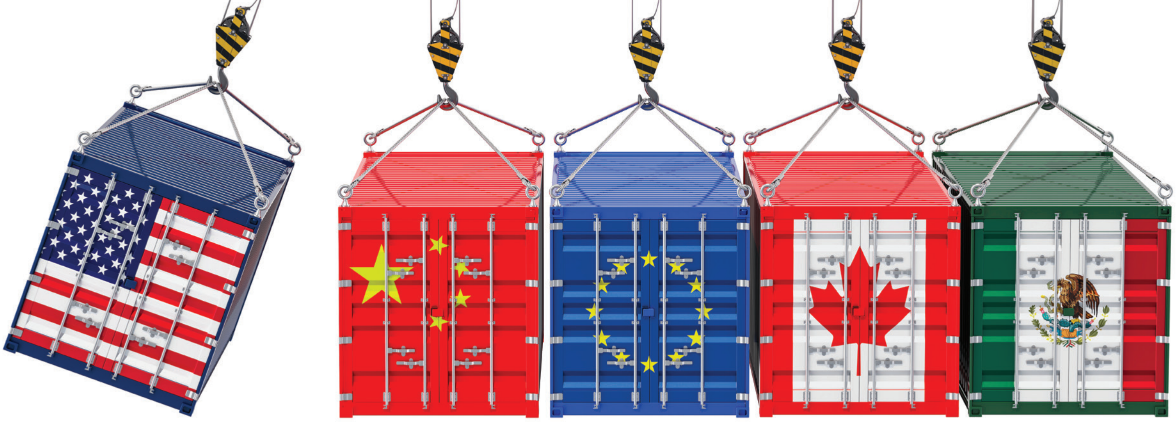
So how is the Trump effect shaping the decisions of Canadian exporters?

The results of our 2019 report showed that 66% of firms have made, or plan to make, some level of adjustment to their export strategies because of the Trump administration. Only 34% are staying the course.

Of these exporters, only 16% believe the Trump administration's policies will facilitate an increase in their trade with the U.S.—higher than the 8% reported in our 2017 *Export Insights* report, but still not an inspirational number. Further, 29% indicated the Trump effect will negatively impact their U.S. trade, and 35% are observing no impact.

Are there any solutions for those fearing for their U.S. exports and the certainty surrounding the new NAFTA?

It turns out, yes. To try and salvage strategically important U.S. and Mexican sales channels, 11% of



exporters are doubling down on their U.S. and Mexican sales, 13% are focusing on domestic sales, and 8% are shifting resources to markets other than the U.S. and Mexico. All of these numbers have increased from 2017, which could suggest that respondents are opting to do something, as opposed to standing pat.

When it comes to looking at other markets, 83% of respondents agreed that it is important for their companies to diversify exports beyond the U.S. This number is slightly down from our 2017 report (87%) but still very high, and it suggests that Canadian exporters are actively trying to find other homes for their goods.

Gregory Rust, trade commissioner, Advanced Manufacturing, The Canadian Trade Commissioner Service, The Canadian Trade Commissioner Service, says there's a push on the part of his organization to encourage Canadian companies to think about markets other than the U.S. He says, "Minister Carr [of Trade Diversification] has been very clear on this." But while this isn't necessarily a new story, Rust says, "it's certainly being structured inside my organization in ways that haven't been done before."

INKAS, which specializes in security, manufacturing, and development services, is focusing on Latin America, East Asia, and Africa, says Ellis. "They're the most available. They don't have a domestic industry, and they have a need. And, for the most part, they have finances to be able to make the purchases."

Africa, in particular, holds promise, says Montagner. "For some reason, it has been excluded from a lot of people's lists because of the perception of risk and ease of market access. But, I'd argue, in many instances, Africa is open for business." She says there are opportunities on the continent in energy and infrastructure, and the possibility for funding from the World Bank exists.

"There's a lot of money in Africa, contrary to what lots of people think," says Montagner. Moreover, Africa offers an added benefit. Many African firms are prepared to pay upfront for products. "It's not as difficult a market as people think."

And while the sentiment of nationalism is starting to develop in Europe as well, "in many instances, it doesn't exist in Africa," she adds.

As far as Europe is concerned, opportunities do exist for Canadians. The EU is the world's largest single market, with 500 million consumers, and Canada has a free trade agreement with the bloc. The Canada–European Union Comprehensive Economic and Trade Agreement (CETA) will eventually eliminate 99% of tariff lines between Canada and the EU.

Yet, according to our survey, 33% of respondents expect CETA to increase their trade with EU markets, while a whopping 67% said either the deal would have no effect on their operations or they couldn't form an opinion.

For Rust, this isn't good news. He explains that during a recent conversation with an exporter, that individual didn't know CETA had been ratified, and all he knew about the deal was the snags in its adoption. "His knowledge was about the problems. His knowledge was not contained in the opportunities. It's a familiar rant, a familiar statement both at the political and bureaucratic level, that not enough people know about this trade agreement."

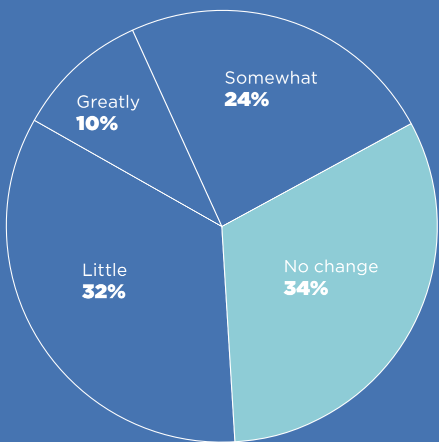
Indeed, the high rate of disinterest among respondents could be explained by the fact that 52% are unfamiliar with recent trade deals such as CETA, the Asia–Pacific Trade Agreement or the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This figure is down from 62% in 2017, which would suggest that the federal government and stakeholders are doing a better job of getting the word out about the benefits of these deals. However, more work remains.

One thing is certain: regardless of which markets exporters are in, protectionism and trade barriers are a challenge. Notably, 30% of respondents said protectionism is their biggest challenge, a 10% increase from 2017.

Things may be stabilizing somewhat on the Canadian front with a new NAFTA (U.S.-Mexico-Canada Agreementt, or USMCA) ready to be ratified and the removal of metals tariffs, but there are still many uncertainties stressing our North American trade partnerships. And, on the global front, the U.S. and China continue to grind against each other, while Brexit and other trade flashpoints are rippling throughout the world's markets. Ultimately, protectionism looks to be a long-term irritant for exporters. **EI**

The Trump Factor

16. How much have you adjusted, or plan to adjust, your exporting strategy because of the Trump administration in the White House?



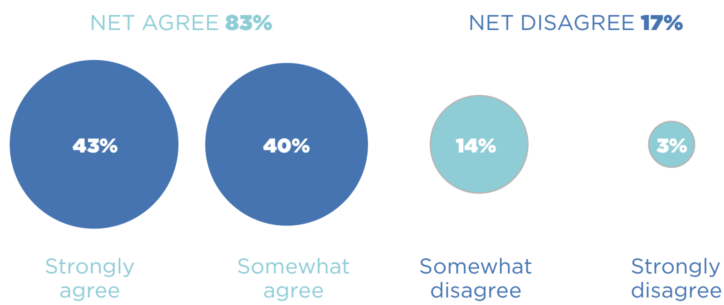
17. What impact do you think the Trump administration will have on your U.S. exports?

NET INCREASE	16%
Greatly increase trade with the U.S.	6%
Somewhat increase trade with the U.S.	10%
NET DECREASE	29%
Somewhat decrease trade with the U.S.	22%
Greatly decrease trade with the U.S.	7%
No impact	35%
Don't know	20%
Open foreign manufacturing	8%
Upgrade or install new corporate software	6%
Acquire a foreign-owned entity	5%
Don't know	7%

TRADE ACCORDS

18. Has the uncertainty surrounding NAFTA prompted you to do any of the following?

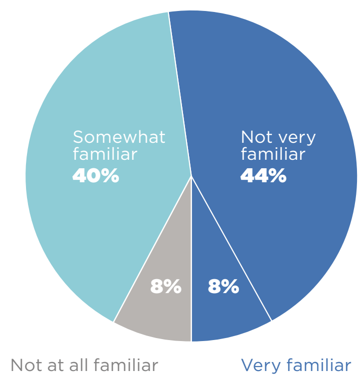
19. Do you agree or disagree with the following statement: "It's important for my company to find export markets beyond the U.S."



20. What impact do you expect Canada's CETA deal with the EU to have on your company's export strategy?

NET INCREASE trade with EU markets	33%
Greatly increase trade with EU markets	6%
Somewhat increase trade with EU markets	27%
NET DECREASE	1%
Somewhat decrease trade with EU markets	1%
No effect	48%
Don't know	19%

21. How familiar are you with recent deals (such as CETA, Comprehensive and Progressive Agreement for Trans-Pacific Partnership or CPTPP) and their potential impact on your exporting opportunities?



SUPPORT & SERVICES

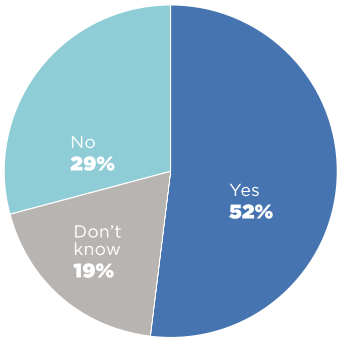
22. What are currently your biggest exporting challenges?

Transportation/logistics/ supply chain issues	43%
Trade barriers: protectionism/tariffs	30%
Lack of staff/internal resources	29%
Finding international partners	29%
Local competitive market	28%
Currency fluctuations	26%
Business practices in foreign markets	20%
Lack of demand	15%
Political instability in foreign markets	7%
Other	9%

23. How does your company minimize its exporting risks/ challenges?

Pre-payment from customer	61%
In-country visits	40%
Market research before entry	38%
Staff on the ground in export markets	23%
Logistics provider expertise	18%
Managing exchange rate arbitrage	15%
Consultant/outside expertise	12%
Legal help with IP protection	9%
Software/supply chain planning tools	3%
Other	6%

24. For the most recent export market your company entered, do you feel enough upfront analysis and research was done?



26. How important is technology (such as supply chain software or ERP) to your exporting success?

NET Important **55%**

NET Unimportant **46%**

17% Very important

38% Somewhat important

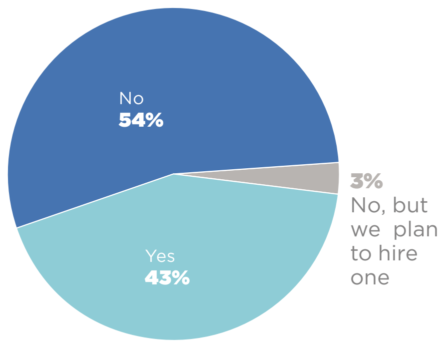
39% Not very important

7% Not at all important

25. What sources of information or support do you find most valuable to growing your exports?

Industry association	**57%**
Foreign trade shows	**44%**
Supply chain partners	**40%**
Trade missions/in-country visits	**25%**
Exporting agencies/specialists	**17%**
Trade commission service	**13%**
Consultant	**11%**
Other exporters	**11%**
Financial institution/bank	**7%**
Other government	**5%**

28. Does your company currently have an export manager or a staff dedicated to export sales development or management?



27. Which of the following technologies would you consider critical to your exporting success within the next 3 to 5 years?

	Currently Critical	N3 to 5Yrs	Change
ERP	39%	43%	+4% pts
CRM	28%	30%	+2% pts
CAD/PLM	25%	23%	-2% pts
E-commerce	22%	32%	+10% pts
MS Excel	20%	13%	-7% pts
Logistic software	19%	30%	+11% pts
EDI	14%	12%	-2% pts
IIoT (sensors, connected devices, etc.)	11%	14%	+3% pts
Additive manufacturing (3D printing)	5%	7%	+2% pts
WMS	4%	3%	-1% pt
AI/predictive analytics	2%	8%	+6% pts
Other	9%	8%	-1%

Take Foreign Orders

Overcoming hurdles, accessing programs

BY REHANA BEGG

Currently, only about 12% of Canadian small businesses are involved in exports. Making the leap into uncharted territory entails exposure to strategic, security, regulatory and currency risks. Yet the prospect of venturing into an international market ought not to be daunting, says Gwenaële Montagner, senior director, International Trade Development, at the World Trade Centre Toronto. Canada has 14 free trade agreements covering more than 50 foreign markets (which represent 60% of the world's GDP), and there is extensive help from both the private and public sectors. In fact, all levels of government have support programs, says Montagner, who has helped develop the Trade Accelerator Program (TAP), a six-week workshop that exposes SMEs to exporting advisors, resources, and contacts. Here she reflects on the 2019 *Export Insights* report and suggests ways to overcome barriers.

How desired are Canadian products?

Montagner: The Canada brand is generally well perceived around the world, as our companies have a real competitive advantage when they decide to export. However, we're now in a more difficult environment where many countries—including our traditional trade partner, the United States—are becoming more difficult to trade with. It's becoming more important than ever to take advantage of new trade agreements like CETA and CPTPP to diversify our markets and minimize the impact of new trade barriers.

The 2019 *Export Insights* survey revealed that 31% of respondents aren't exporting more because their businesses are "growing well at home," while 26% said their "product is not suitable for export." Based on your experience, what are the reasons Canadian companies don't export more?

Montagner: Our experience with SMEs has highlighted three levels of hurdles for Canadian companies that want or should be exporting. There are *external factors*, ranging from the fragmented export ecosystem, rules and regulations that cumulate and create barriers, to difficult access to financing and limited networks in both private and public sectors.

Then there are *internal factors*, such as high upfront costs before being ready to export, the lack of internal processes that lead to inefficiencies and loss of opportunities, limited skills in matters related to international development (for example, how to find a foreign partner), the absence of strategic planning and the lack of preparation.

In addition, we've identified *cultural factors*. Canadian SMEs tend to be risk averse and conservative in their approach to business growth. Many Canadian businesses have grown complacent, as our U.S. neighbour has always been a very easy market to penetrate. Consequently, businesses haven't taken the necessary steps to diversify. Add to this list the misperception of time leads in the sales process leading to cashflow issues, a distorted perception of risks beyond Canada and limited selling skills (or lack of aggressivity).

What are the biggest misconceptions about exporting?

Montagner: There are several misconceptions about exporting that are creating anxiety for Canadian SMEs contemplating to go international. Here are just a few:

- *Exporting is too risky.* There are many ways to mitigate exporting risks. Through proper market research, focus, planning, and engagement. With the right business network, any SME can export successfully while limiting exposure to risky situations. In fact, not exporting will

eventually become more risky, as the domestic market will show limitations, international competition will come home, and the company's growth will reach a plateau.
- *My company is too small to go global.* This is simply not relevant. Very successful start-ups and small businesses have achieved greatness on the global stage without waiting to be large corporations. With e-commerce and other new communication technologies, it is feasible to be present internationally from early stages.
- *Canada is big enough for my company to fulfill all the orders I need.* We live in a fast-changing economy. What appears strong today can become shaky rapidly. One example is Canada's steel industry. Who would have predicted the current situation prior to the current U.S. administration? The best protection for any company is to be present in several markets, beyond Canada.
- *Exporting is complicated.* It's true that exporting involves many aspects that do not necessarily exist when selling domestically. However, there's a plethora of expertise out there to support companies. Much of it is offered free of charge.

The Federal government announced a $6.7-million investment in the Toronto Region Board of Trade to expand TAP throughout Ontario. How do you plan to spend the funds?

Montagner: These funds are being used to build a team of experts who will mentor Ontario SMEs about all aspects of international trade. We're currently in discussion with many Chambers of Commerce across Ontario to deliver TAP where companies are. This funding will basically allow us to cover the cost of the TAP expansion.

What are the eligibility criteria for prospective exporter companies that want to access TAP's services?

Montagner: TAP is an intensive hands-on, practical training program designed for busy entrepreneurs who are interested in exporting. By following TAP, you'll join a growing group of successful entrepreneurs who have reaped the benefits of the program. We'll give you an invaluable business network of experts, give you some practical knowledge of how international trade really works, help you build your international strategy, and write a fully vetted export plan—all of this while exchanging ideas with peers and having fun in four days, spread over six weeks. Companies wanting to register for the program must have a minimum of $500,000 in revenue annually, have a clear value proposition for their product or service and have been in operation for a minimum of two years.

What are your clients telling you about disruptive trade policies?

Montagner: There's no doubt that we live in an environment that's not as friendly to exporters as it was a few years ago, especially for Canadian companies that are dependent on the U.S. for their business. The best way to protect your business against this trend is to push to new markets where policies are changing in the right direction.

Does trade diversification boost business growth?

Montagner: Definitely. It increases sales, gives you access to new ideas and technologies, gives you access to new potential partners and synergies, helps with R&D, helps you control your competition....The list is long.

What's your biggest piece of advice on successful exporting?

Montagner: I would summarize it in five points:
1. Understand and clearly formulate your value proposition.
2. Do your homework (market research, market analysis, competitive analysis).
3. Narrow the field to a few markets and then pick one.
4. Write an export plan. This is critical for many reasons.
5. Get help. You can't be an expert in everything. Use your time on what you do best.

What level of success can a company achieve through TAP?

Montagner: We've trained more than 600 companies across Canada and have pages of positive stories and testimonials we can share. Let's say that, on average, within three years of coming through TAP, a company doubles in size and triples its exports. Most companies have penetrated, on average, two new markets ranging from all continents.

What support is available for women entrepreneurs thinking of exporting?

Montagner: There are several funds and support mechanisms run by government, government agencies, incubators, and various organizations that specialize in supporting women entrepreneurs. Contact the Trade Commissioner Service, Export Development Canada, or the Business Development Bank of Canada. They'll be able to give you some directions on where to start. **EI**

Shipping Out

Shift to where the market takes you

BY REHANA BEGG

For the past 45 years, Alps Welding has provided custom fabrication services to North America's largest design engineers, equipment designers, and plant operators. The Woodbridge, Ont.-based manufacturer of pressure vessels, piping systems, heat exchangers, and other custom process equipment, has watched the market evolve as food and chemical companies closed down their Toronto-area plants, only to move to the outskirts or further afield to the U.S. The market shift effectively compelled Alps to transform its operations to becoming a manufacturer of equipment that can be shipped. With Toronto representing a very small part of its revenue today, Alps looks to Western Canada and the U.S. to keep growing.

In this edited Q&A, Dennis Dussin, president of Alps Welding, explains how the company is transforming the business, demystifying trade misconceptions, and making a case for clean technology.

What was the rationale for including the U.S. at the time?

Dennis Dussin

Dussin: It really was the proximity. The equipment that we build is large and heavy, so transportation is a factor and a cost. We're more competitive in markets that are closer, but pretty much everything we build is shipped by road. Having markets that we can access by road is critical. Essentially, that's to the U.S. That's not to say we don't ship globally—we have equipment in projects all over the world—but it's a smaller part of the business.

How do you go about researching a new market for opportunities?

Dussin: We're in a lot of different sectors. We build equipment for oil and gas, chemical, mining, power generation....The research we're doing is looking for companies that are making big investments, such as a company that's expanding a refinery, or a new resource development project. We look at where those projects are and that forms the basis of our research. We look at the engineering company that's looking after that project and [figure out] whether we have any contacts or referrals to get into those relationships.

What percentage of your business is exporting?

Dussin: About half of our business is exporting. The lion's share of that is to the U.S. Our reach is across the U.S., across California, and down in the Gulf, including Louisiana, Texas, and Oklahoma. The other area is Europe. We've had projects and partnerships with European companies that are executing projects in North America, and that were looking for a manufacturing partner in North America. We would consider that a sale to a European customer, even though the project is still in the U.S. We've done a couple of projects in Central America as well.

How do customs and regulatory requirements impact your production?

Dussin: It's generally a non-issue. Because we ship so much equipment to the U.S., we are well-versed in the documentation that's required. We have a good customs broker that assists us. However, in the past 12 to 18 months, with the steel tariffs, it has become more of an issue. But costs come into play mostly on material coming in or when we're importing. Tariffs haven't applied to products we're shipping. There may be some customers who are skeptical of doing business in Canada because they worry about customs and border control issues, but we tell them that because we have the knowledge to export from Canada, we make the border transparent and make it a non-issue for them—we handle all of that.

What are the biggest misconceptions about providing large custom fabrication services to North American clients?

Dussin: One of the misconceptions is that because the equipment is large, one needs to procure it really close to the site. Some of our American customers say, "How can you be competitive if you're in Toronto and we need that equipment in California? It's too far." I tell them transportation and logistics are not that complicated; there are excellent logistics and trucking companies that we use and partner with that solve a lot of problems. The cost of shipping a big vessel from Toronto to California is not that much in the context of the total value of that vessel or [piece of] equipment.

Another misconception is, because we're in Canada, we might not understand the specifications, regulatory, and health and safety requirements because we're in a different jurisdiction. That's a false reading because we do so much business in the U.S., and we're very familiar with its regulations and requirements, so that's not a big problem.

Would companies starting out need staff on the ground in the foreign country?

Dussin: No, I don't think so. There are different standards. In the U.S., there's the AWS—the American Welding Society. And we have the CWB—the Canadian Welding Bureau. It does take a little bit of work to make sure you're in compliance with the standards, but it's not rocket science. There are good resources at the CWB to help you navigate. We've done business in the U.S. for many years and haven't needed people on the ground in the U.S. We've been able to do that from Canada. I don't think it's something that should hold companies back.

Are you planning to adjust your exporting strategy because of geopolitical factors?

Dussin: We have good relationships with our U.S. customers. Regardless of what happens with geopolitics, it hasn't really impacted our relationships. I think our American customers are committed to having us in their supply chain because of the value we provide. It has made things a little more complicated and maybe we want to talk about things that we didn't have to talk about, but it hasn't really changed our relationship even through the whole unravelling of NAFTA....So what does that mean for the future? We always have market diversification on our mind. We try to be diversified in terms of industries we serve [and] in terms of geography, but it has highlighted the fact that, as a company, we're very dependent on the U.S. as an export market. Should something happen, it will be a major problem for us. It made us think: Can we grow our business in Europe, South America, Central America? We're looking at those things but definitely not at the expense of our U.S. exports. Business continues to be strong.

What do you want to accomplish over the next few years?

Dussin: A big part of our strategy going to market in the next few years is really around clean technology. A lot of our customers are in oil and gas or chemical or steel making. They face environmental challenges. A lot of what's driving our investments in equipment is around improving the environmental performance of somebody's facilities. The three things are controlling emissions (CO_2 and other emissions), saving water (water treatment and conservation), and saving energy (heat exchangers, condensers and economizers). Our customers are all investing in those things. What we see in our strategy is becoming a vendor of those kinds of technologies. We partner not only with the end users—our customers include companies like Chevron and Suncor and ConocoPhillips—but more and more we're seeing our customers as the engineering companies that design those environmental technologies. They design emission-control equipment or heat exchangers, and they need a manufacturer that can build the equipment in compliance with the specifications of Chevron or Suncor or ConocoPhillips, which we're very well versed in. I think Canada is particularly well positioned to become an exporter in clean technology. Our strategy is to be a part of that.

A good piece of advice is...

Dussin: A real transformation in our business has come from getting involved with other business groups. Joining the CME—Canadian Manufacturers and Exporters—opened our eyes to best practices that other manufacturers are engaging in. Joining an organization like the CME allows you to learn from other companies. Get out and do lots of shop tours, either in your industry or in other industries. To compete outside of your local area, you really have to incorporate best practices. It's lean manufacturing, it's the best sales and marketing, it's leveraging the latest technology....And all of these ideas are going to come from outside your company, from associations and plant tours you take. And, if you're competing in your local market, you have to be the best, say, in the Toronto area. But if you want to compete across North America, then you have to be the best in North America. You have to be as good as everybody in California, Texas, and Alberta. Be open to ideas from outside your company, and be ready to change and improve and adopt best practices. **EI**

Can You Sell it?

Take exporting beyond the next level

BY REHANA BEGG

Peng-Sang Cau

If breaking into new markets is the goal, having an innovative solution can be a game changer. But for some entrepreneurs, an innovation is merely a springboard to further R&D investments and opportunities for global expansion.

Consider Transformix, a mid-size purveyor of automated production machinery. The Kingston, Ont. firm exports about 90% of its business and boasts a roster of clients ranging from automated car-part assembly to cosmetics packaging, medical devices, and custom technology for processing organic products.

While Transformix had been providing design and fabrication services for traditional automated machines in Ontario since 1995, it wasn't until 2005 that it started in earnest to develop what has become its proprietary rapid-speed matching technology used in the manufacturing of organic packaging and products. The technology has a quick-change tooling capability that enables one station to perform a range of duties in the production process.

At the outset, selling automation technology was no easy feat, says Transformix's CEO and president, Peng-Sang Cau. Along with her engineering partners, Cau applied for a bank loan and funding through the National Research Council of Canada Industrial Research Assistance Program (NRC IRAP) to help kick-start their initial innovation: a smart scale for liquor service, or Liquid Management System (LMS).

Cau recalls that she sold 38 LMS units and was prospecting in Boston when she encountered a lawyer who held a patent for the LMS technology in both Canada and the U.S. Unfortunately, her company had failed to secure a patent for its invention and the lawyer was able to sue for patent infringement, says Cau, who worked as a marketing manager for a software recruiting company before venturing out on her own.

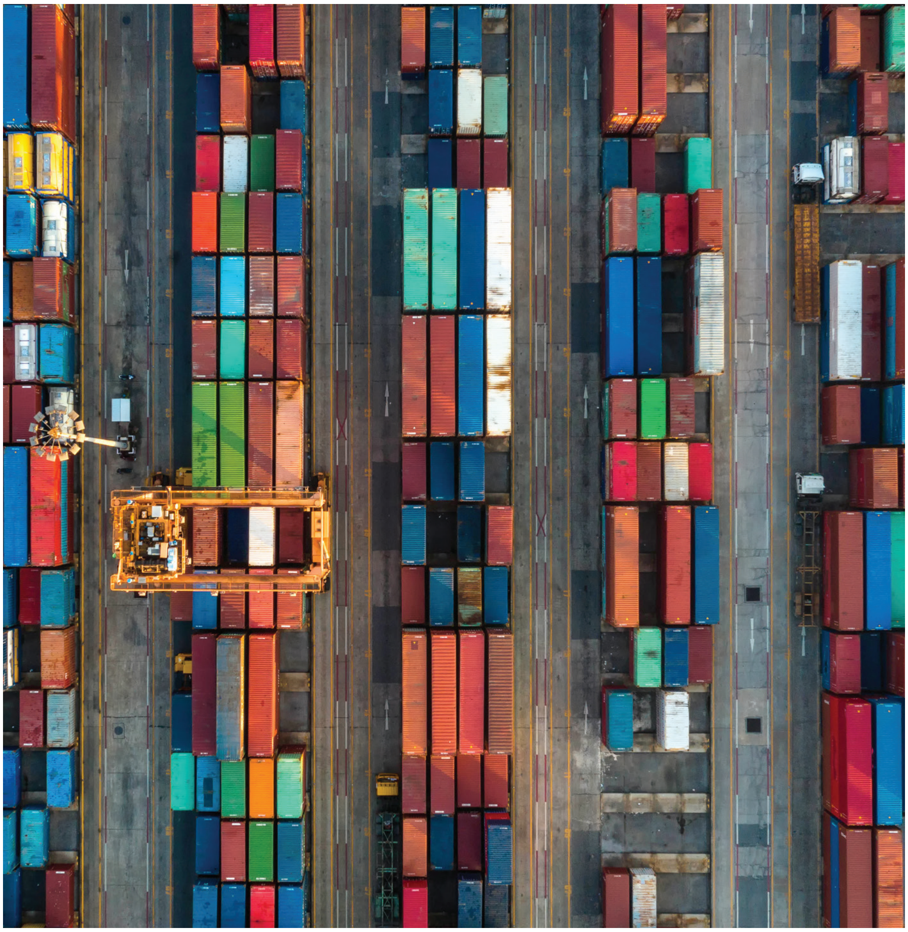
The litigation experience forced an otherwise promising prospect to flounder and brought the company to the brink of bankruptcy. To keep the automation company going, Cau and her team would take on projects that no other company wanted. For example, she resorted to selling Transformix's engineering and design services to factories located along Ontario's Highway 401 as a way to stay afloat.

The turning point came when an accounting firm performed a walk-through at Transformix's Kingston facility. The accounting firm provided much-needed affirmation, says Cau, as they recommended Transformix file an R&D claim under the Scientific Research and

Experimental Development Tax Incentive Program (SR&ED). "After we received SR&ED money, we paid back debt and we hired a marketing firm to decide where we should go next," she says.

Transformix made two decisions that changed the course of business. The first was to go international, and the second was to specialize in its two signature technologies—a continuous motion solution for high-speed assembly machines, and automation for handling steel tubes and pipes in industrial applications.

"My vision was to have the firm focus on seven industries that would protect us from what we went through during difficult financial times," says Cau, who then structured the company so it could work with clients on live projects funded by SR&ED, as well as by NRC IRAP and by the Business Development Bank of Canada.



Growth spurt

International agrochemicals and seeds behemoth Syngenta came calling with an inquiry about adapting Transformix's technology for picking and treating sugarcane seeds in 2009. Cau describes the Swiss company's request as a "weird fluke" and a catalyst for the company's growth spurt.

Syngenta was researching emerging technologies that could solve an antiquated and expensive process for harvesting and treating sugarcane seeds. "At the time, big oil companies were buying small mom-and-pop sugarcane farms in Brazil and India and other parts of the world," says Cau. Sugarcane, which has a higher ethanol yield than corn, was on its way to becoming a successful alternative as a source of liquid fuels in Brazil.

The combination of Transformix's experience dealing with long tubes and being able to work at high speed qualified the company as a partner. Cau and her engineering team accepted an offer to develop 67 machines that could harvest seeds at a rate of 15 seeds per second without killing the buds—all to be installed in Brazil.

"That was only Phase 1 of the contract," says Cau, referring to the client's five-year business plan, which had 15 phases. "So, we thought, well, this is our business. We went from 25 employees to 103."

Opportunity cost

Then in 2012, what should have been a period of steady growth, turned into a time of risk and uncertainty.

Canada's customs officials blocked Transformix from importing the sugarcane it needed to test its technology in Canada. "Our technology depended on taking the raw sugarcane, stripping the leaves off and locating the seeds on the outside of the cane before two blades come in and cut it like butter," says Cau.

By then, Syngenta had already failed at two previous automation applications. But the company had also informed the market about the product it was launching using Transformix's technology, says Cau. The workaround was to set up rotating R&D groups so the company could co-develop its prototypes in Brazil and Canada.

But what was lost in productivity was gained in other opportunities. Cau filed her patent in Brazil because her client could get a 40% to 42% tax break. "If a company can prove that no other Brazilian company has the technology, then the import tax can be reduced by about 42%. These are things we learn along the way."

Preparing to negotiate Phase 2 of the contract with Syngenta, Transformix was up against stiff deadlines and even stiffer competition. John Deere was developing automatic farming machines and building up greenhouses to grow sugarcane off-season in order to have product in the growing season, says Cau.

With no competitive advantage and odds stacked against Syngenta and Transformix, Phase 2 of the contract came to a halt. "We lost 90% of our revenue."

Still, Transformix had grown from nothing to almost $10 million in six years. "That's a pretty hard task when you enter a new market," says Cau. "We were able to get to executive levels and show them succinctly how our technology can help increase their top and bottom lines.

In hindsight, the Brazilian sugarcane experience may have come at a huge opportunity cost, says Cau, but with Transformix's technology fervently disrupting manufacturing processes across industries, other manufacturing automation players took note.

In December 2018, Cau negotiated a deal with ATS Automation Tooling Systems, an industry-leading automation solutions company, to acquire Transformix's intellectual property assets for a total consideration of $10 million.

Always astute at closing the sale, Cau negotiated a role for herself into the deal. She starts her new role this fall. **EI**

Peng-Sang Cau's advice for SMEs

As an advocate for start-ups and SMEs, Peng-Sang Cau is forthright about her stance on how best to help Canadian entrepreneurs. She offers these insights and growth tactics for small businesses venturing into international trade.

Where to go next...
If you're a technology-based business, go to Europe. It's more open to competitive technologies than the U.S. and is less inclined to have a nationalistic view. The emphasis is on the technologies, not who you are and where you're from. If you have the money to fly to Texas, it's not that much different to fly to Germany. My experience is, clients do tend to take more risk if they perceive that what the technologies give them is an advantage.

The deal is in the bag when...
Until they give you a PO [purchase order], it means nothing. A lot of entrepreneurs don't understand the difference between features and benefits. Learn how to succinctly describe the value you bring. It doesn't matter what country you're from—we all think the same way. If you're concerned about the U.S. right now, go to Europe, go to Asia. There's a big world out there. You don't have to go to China. If you're a small business, you may need one or two, or maybe half a million dollars for your transaction. That's not hard to get.

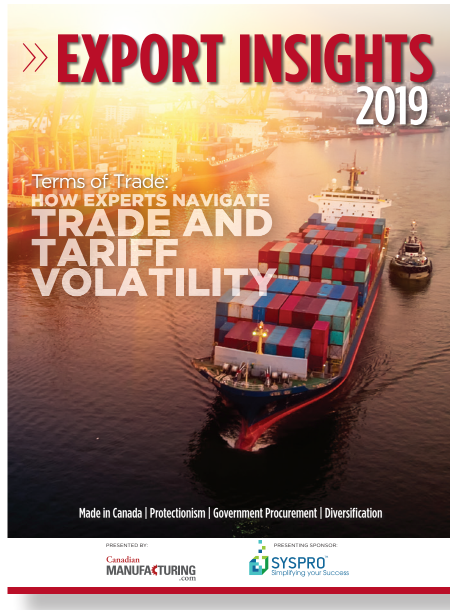
Where to seek out funding opportunities...
I think SR&ED is a great program. NRC IRAP is a great program. I would say, however, that although I'm familiar with the various government programs, I don't apply to most of them. The red tape getting access to that capital is just not worth it for a small business. As a small business owner wearing multiple hats, would I spend my time going after $1- or $5-million contracts, or $50,000 from the government? I don't have time, so guess which one I'm going after?

Do your own legwork...
I probably won't make friends saying this, but I tried and tried working with trade commissioner services and haven't been successful. When I contact trade commissioners—it doesn't matter in which part of the world—they all say the same thing: Who are the people you want to meet? Who are the customers? What are their profiles? My response is, I could spend time creating that for them or call them myself. I'm good at picking up the phone and speaking to people and can probably close a sale faster than getting a trade commissioner involved.

The challenges with securing credit...
I'm grateful to Canada and want to help it grow. I've said this to a former Minister of Trades: Export Development Canada [EDC] is great if you're a big Bombardier. But if 80% of our economic engine is driven by SMEs like me, then let's shake up the program to truly help entrepreneurs. They say, "We need you to have a line of credit." That would imply that I need to work with a chartered bank. Have you tried working with a chartered bank, trying to argue R&D? You can't have a program that seeks to help exporters and at the same time put a big wall in front of them. The chartered banks hate risk. I've lost more deals because of EDC and chartered banks because I'm a small company. Some of my European clients want security on their down payments. But I can't get EDC support because I can't get chartered banks to support me. So I lose deals.

About *Export Insights*

This report is a culmination of a national survey of industrial executives and a follow-up roundtable of exporters, partners, and trade experts. The survey was fielded during May and June 2019, and drew more than 178 responses. The survey was conducted by RK Insights, a third-party research firm based in Toronto, commissioned by *CanadianManufacturing.com*, and sponsored by SYSPRO Canada. The research delved into exporters' current level of overseas trade, and asked about their perceived challenges, knowledge gaps and proven success strategies. Among the respondents, 76% are current exporters. The 24% that reported they don't currently export shared insight on the reasons they prefer to keep their businesses focused on Canada, along with challenges preventing them from starting an exporting program. The roundtable discussion was held in June in Toronto and hosted participants from a range of market segments.



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