

AGENDA FOR GROWTH

Policy playbooks to elevate Canada

Canadian Global
Cities Council 

TRADE & INNOVATION

POLICY PLAYBOOK

2019 FEDERAL ELECTION



TRADE & INNOVATION

Canada's economic performance puts us in a position of strength. Economic expansion has been broad-based, with strong job creation, investment, and exports across sectors and regions, with urban centres driving much of that success. But this growth has also seen a rise in wealth and income inequality, precarious employment, and vulnerable communities under-equipped to handle the changing economy.

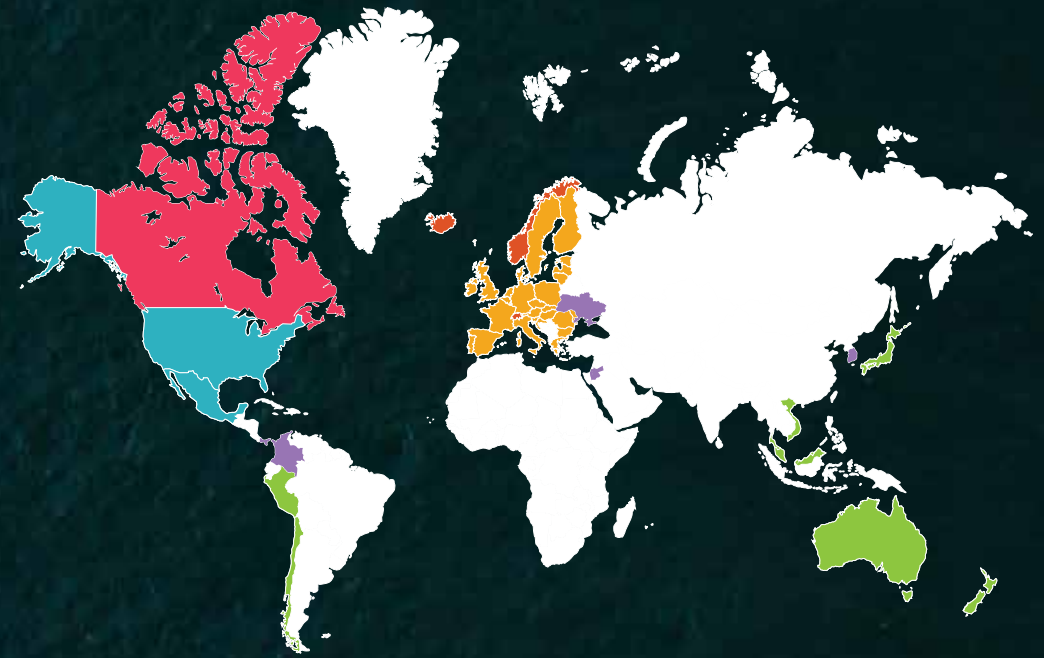
Technological disruption in nearly every sector of our economy is also challenging conventional wisdom about what it means to be globally competitive and creating brand new industries and jobs that were hardly imaginable a decade ago.

The CGCC calls on the campaigning parties to commit to create a business climate that will help firms not only cope with the swift pace of change but also capture the opportunities of the innovation economy and come out ahead. That includes a focus on enabling legislation, helping businesses enter new markets and growing their operations in Canada.

"For Canada to continue to be at the forefront of the global economy, we must adapt to the changing nature of competitiveness. We need decisive action to build policy frameworks that unleash our ability to commercialize great Canadian products and ideas."
JAN DE SILVA, PRESIDENT & CEO, TORONTO REGION BOARD OF TRADE

"Thriving businesses create jobs, give back to our communities and contribute to the fabric of Canadian society. By taking bold steps to boost market access and trade both within Canada and beyond our borders, the federal government can ensure Canadian businesses have access to the customers and suppliers they need to grow, compete and succeed."
JANET RIOPEL, PRESIDENT & CEO, EDMONTON CHAMBER OF COMMERCE

Read our complete series: AGENDAFORGROWTH.CA



CANADA HAS 14 TRADE AGREEMENTS PROVIDING MARKET ACCESS TO 51 COUNTRIES WITH 1.5 BILLION CONSUMERS

CUSMA Canada-United States-Mexico Agreement	CETA Comprehensive Economic and Trade Agreement	CPTPP Comprehensive and Progressive Agreement for Trans-Pacific Partnership	EFTA Canada-European Free Trade Association
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BILATERAL



OUR TRADE & INNOVATION PLAY IN 3 MOVES

1 BUILD ENABLING FRAMEWORKS

Intellectual property (IP) and data are increasingly valuable assets in today's economy. The permeation of technology in nearly every aspect of our lives mandates the need for new legislation that creates a predictable and level playing field for businesses while ensuring that Canadian interests are protected. In an increasingly data-driven economy, companies with the greatest access to data have a significant comparative advantage, while serious concerns around privacy and personal control of data have also emerged.

All Canadians should expect the same privacy protections regardless of where in the country they live. Businesses should also be provided with regulatory consistency in their operations wherever they are located in Canada.

The global nature of the economy also means that enabling legislation needs to both be aligned with international partners that share our values, while remaining nimble to accommodate innovation and changing conditions. It is a complex balancing act but getting it right will set Canada on a successful course in emerging industries and be able to better deliver services to its citizens. One of the main challenges ahead is establishing a data governance framework for the country, as well as helping businesses better leverage their IP and data. This can be achieved in three ways:

Establish a National Data Strategy

- The next federal government needs to establish a data governance framework, turning the Digital Charter's principles into meaningful data portability, privacy, security, and commercialization policies, in consultation with the business community.
- While ensuring nationwide standards, the framework also needs to allow lower levels of government the flexibility to execute the finer details within their jurisdictions to consider local interests and spur innovation.

- The framework should prioritize the enablement of smart city projects that help solve urban challenges and use data to run municipal operations and deliver services to residents more effectively. It should also be designed to facilitate the development of artificial intelligence (AI) and machine learning technologies in balance with privacy and security principles.

Better leverage the data collected by Statistics Canada

- The next federal government can improve access to critical information for business by better leveraging the research and data collection undertaken by Statistics Canada. The information collected and research performed by this federal agency could be made more freely available by improved management processes and open data architecture. In turn, public service delivery would be improved, and new market and commercialization opportunities would be created, furthering economic growth.

Capture the value of Canadian IP

- The next federal government should significantly accelerate the implementation of the various initiatives under Canada's National IP Strategy. Focus should be placed on free or affordable programs that offer guidance and legal support. Initiatives' impact on businesses' and academic institutions' ability to better leverage their IP also needs to be measured and reported.
- Simplify application processes and review existing business support programs and research grants to prioritize IP generation. Consider expanding Quebec's First Patent Program, which provides matching funds of up to \$25,000 to Quebec companies seeking their first patent, nationwide.
- Explore opportunities to improve and clarify the Scientific Research and Experimental Development (SR&ED) tax credits to better support innovation in both large and small firms.

2 DIVERSIFY TRADE

Although Canada's share of exports to the U.S. has slowly declined since the early 2000s, 75% of Canadian exports of goods and services still go south of the border. Only about 9% of Canada's trade is with faster-growing emerging economies like China, India, South Korea, Mexico and Brazil. This highlights Canada's vulnerability to one dominant trading partner and is in stark contrast to our global peers.

As trade uncertainty and tensions continue, all campaigning parties should commit to upholding existing free trade agreements, support their ratification, and look for strategic opportunities to expand partnerships with other emerging markets. Established cross-border supply chains and customer bases, as well as ongoing two-way investments reach every corner of our economy and we need to ensure that those channels remain open, so they can continue to fuel our growth.

More importantly, the next federal government should help Canadian businesses leverage that preferential access to more than 1.5 billion customers in 51 countries, as foreign companies appear to be making better use of Canada's network of free trade agreements than our own firms. Only 7% of recently surveyed exporting businesses said they were familiar with the details of CETA or CPTPP, with the majority saying they had never heard of Canada's bilateral deals with countries like Israel, Chile, South Korea, Colombia, Costa Rica, or Peru. In 2018, four times as many Canadian businesses imported goods from abroad as exported.

To help steady and grow business confidence in the current global trade environment, the next federal government should:

Support the ratification of signed trade agreements

- Prioritize continued negotiations with the U.S. to ensure the ratification of CUSMA and work to prevent notice of withdrawal from NAFTA until the new deal is ratified.

- Work with remaining countries to ratify CETA and CPTPP.
- Offer to negotiate a bilateral UK-Canada trade agreement based on CETA should the UK leave the E.U. without a "Brexit" deal in place. The UK is Canada's most important commercial partner in Europe—a trade relationship that represents 40% of Canadian exports to Europe as a whole, with two-way merchandise trade in 2017 reaching over \$26 billion. Failure to finalize the terms will not only see tariff barriers go back up between the UK and Canada, but also the loss of other measures within CETA, such as intracompany transfers.

Prioritize new emerging markets

- Consider reactivating stalled negotiations between Canada and India to achieve a mutually beneficial trade agreement. The large India diaspora in Canada, our Commonwealth heritage, and a thriving emerging market make a trade relationship with India an appealing next step for Canada. But despite current and former governments supporting an agreement and 10 rounds of negotiations since 2010, nothing has been finalized.
- Begin formal trade negotiations with the Association of Southeast Asian Nations (ASEAN). Together, ASEAN represents Canada's sixth largest trading partner with total trade amounting to \$20.2 billion in 2016. The high growth rates in the region make it an ideal partner to foster deeper and more comprehensive trade ties.

Enable Canada-wide free trade

- Global trade uncertainty makes an even more compelling case to remove interprovincial trade barriers here at home. These fragment our already small market and unnecessarily restrict or complicate domestic sales growth and operations for businesses.
- The next federal government should continue to host First Ministers Meetings to facilitate conversations on breaking down internal trade barriers and work with industry to find other

- opportunities that mirror the success of the Red Seal Program, which standardized trades certification across the country.
- Pilot a national database in a sector that discloses the different laws, regulations, and standards with the goal of raising business and public awareness and encouraging provinces to harmonize standards.

Support SMEs to diversify exports

- Ensure that Canadian SMEs are more aware of existing tools, such as the CanExport program, that help to subsidize their exploration of international export opportunities.
- Continue funding results-driven, industry partnership initiatives that develop trade capacity, like the Trade Accelerator Program (TAP) that has helped more than 600 Canadian SMEs diversify, develop and execute their Strategic Export Plans in over 29 different markets since 2015. TAP provides companies with access to exporting advisors, resources and contacts, giving them the one-on-one training and confidence to become successful exporters in strategic international markets.
- Encourage international growth of Canadian firms by continuing to enhance trade funding and risk mitigation programs from organizations such as Export Development Canada (EDC) and Business Development Canada (BDC).

Accelerate Airport Screening

- In 2016, the CGCC called for federal investments at Canada's international airports to accelerate airport passenger and goods screening. The next federal government should continue this practice to further support these critical trade hubs, implement the 2018 recommendations of the Beyond Preclearance Coalition, and modernize the Canadian Border Services Agency legislative framework and provide stable year-over-year funding.

3 SUPPORT BUSINESS GROWTH

A robust ecosystem that encourages entrepreneurs to start businesses—and, just as importantly, to grow them—is the foundation of a diverse and resilient economy. Canada's leading startup ecosystem demonstrates that sustained focus and investment can lead to impressive results. But this success has also revealed that Canada has a scaleup problem, as we trail other mature economies in our ability to help SMEs grow into larger firms. While fostering the success of startups is imperative in an innovation economy, it leaves a major segment of existing companies, some that may have been in operation for years, without a coordinated approach to help them grow. Neglecting to support the growth of SMEs in more traditional sectors is a missed opportunity to spur significant job creation and GDP growth. With this in mind, the next federal government should:

Improve Procurement Opportunities for SMEs

- Canada should level the playing field to create more opportunities for Canadian SMEs to scale up and grow. The Phoenix pay system rollout demonstrates the difficulty of successfully implementing large-scale IT procurements. Structuring procurements to provide opportunities for multiple solutions, including from Canadian innovators, would help identify the best products and avoid significant costs to fix broken systems.
- The Innovative Solutions Canada program is designed to create challenge-based procurement opportunities, but only 15 government departments and agencies have issued challenges so far, and participation is only mandatory for another five departments. The federal government should scale this program and further support Canadian innovators by requiring the remaining 11 departments to issue at least one challenge per year.

Encourage sector collaboration

- To spur innovation, commercialize products and carve out our competitive advantage in sectors that will lead the new economy, the federal government should work closely with industries to provide funding that will help companies adopt technology and improve collaboration within sectors. By aggregating economic activity, clusters create and reinforce linkages between firms and associations. This generates better market insights, more refined research agendas, larger pools of specialized talent, and faster deployment of new knowledge, which can ultimately accelerate regional economic competitiveness, job and wage growth, and the formation of new business.
- The 'Superclusters' initiative was a step in the right direction, identifying important regional strengths and future opportunities, such as AI, advanced manufacturing, protein and ocean industries, and digital technologies. However, the lack of or slow release of promised funds has been a detriment to this initiative's success. The next federal government should work with the identified 'supercluster' entities to resolve funding impediments and review the progress of the program after five years.

Modernize the tax system

- The last comprehensive review of the Canadian tax system was in the 1960s. Since then, the rules and complexity of the system have increased dramatically. This is especially punitive for SMEs and start-ups, many of whom lack the resources and time to deal with the increased complexity and requirements. To remain competitive, and drive growth, innovation, investment and overall competitiveness, Canada should undertake a review of the current tax system. This should focus on restoring Canada's competitive advantage, simplifying the system and modernizing rules to keep up with an ever-changing economy. Where possible, tax information should be available to businesses through online single windows that act as a



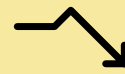
one-stop shop. We need a tax regime that facilitates investment and ensures Canada is a globally competitive place to invest.

Streamline regulation

- Canada must ensure a sound macroeconomic environment that does not stifle investment and trade with uncompetitive regulatory processes. Inefficient processes and uncompetitive regulatory policies increase time and costs for businesses, hamper investment, send negative signals to the international investment community, and lead to fewer economic opportunities for Canadians. Increasingly, critical infrastructure and private sector investments are languishing amid cumbersome and complex review processes. Canada should continue to simplify the complex layers of regulation that hinder our ability to build projects, with a lens on certainty and timeliness. The next federal government should ensure early and regular consultation with the business community when developing regulatory measures to protect regulatory competitiveness.



22% DECREASE IN PATENT FILINGS FROM CANADA BETWEEN 2014 AND 2017 WHILE GLOBAL FILINGS GREW BY 14%.



28% FEWER PATENTS OWNED BY CANADIANS THAN INVENTED IN CANADA.



EXPORTS OF NON-ENERGY GOODS HAVE REMAINED STAGNANT FOR THE LAST 10 YEARS.



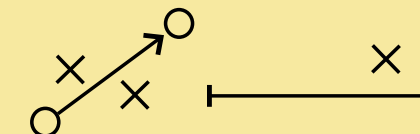
REMOVING INTERNAL TRADE COSTS SHOULD BOOST CANADA'S ECONOMIC POTENTIAL BY NEARLY \$80 BILLION.



CANADA'S OVERALL INVESTMENT IN ICT LAGS WELL BEHIND THE OECD AVERAGE AND THE U.S.



THE WORLD ECONOMIC FORUM RANKED CANADA 53rd ON BURDEN OF GOVERNMENT REGULATION IN 2018.



Read our complete series:
AGENDA.FORGROWTH.CA



CANADA NEEDS AN AGENDA FOR GROWTH

Founded in 2015, the Canadian Global Cities Council (CGCC) is a coalition of CEOs of eight of Canada's largest urban Chambers of Commerce and Boards of Trade coast-to-coast: Vancouver, Calgary, Edmonton, Winnipeg, Brampton, Toronto, Montreal, and Halifax. Representing half of Canada's GDP and population, the CGCC is a strong voice for national policies that build competitive and sustainable urban economies.

For Canada and its metropolitan regions to continue to be the best places to live, own a business, and invest, this election we are calling on campaigning parties to champion our Agenda for Growth.

Read our full policy playbooks series on Trade & Innovation, Infrastructure, Talent, and Energy at agendaforgrowth.ca.

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