



How Smaller Firms Engage in the Canada-US Supply Chain: *The Canadian Small Business Perspective*

Presentation to the Midwestern
Legislative Conference - Midwest-
Canada Relations Committee

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CFIB

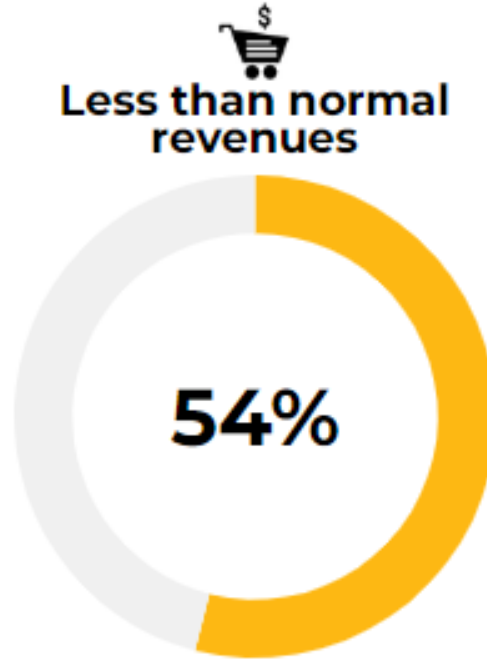
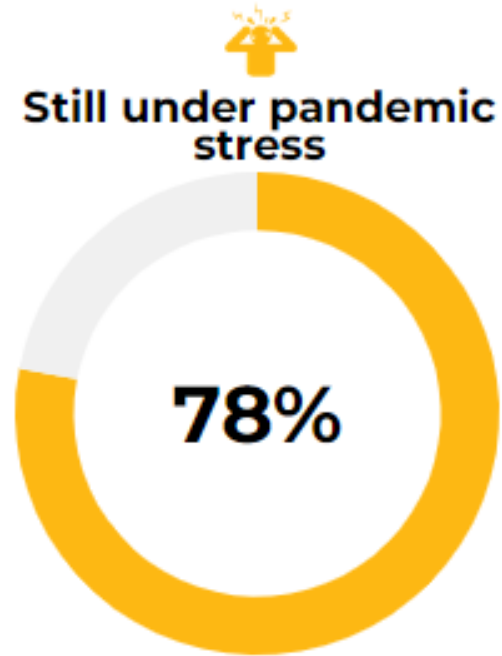
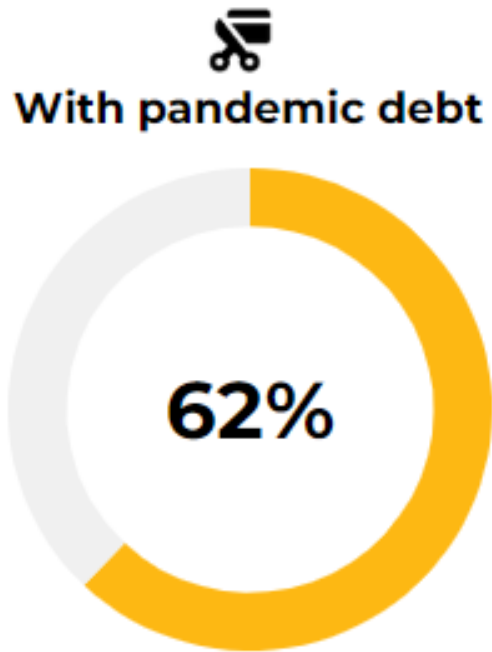
**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business.

About CFIB

- Small business association created in 1971 (51 years)
- Mission: create a climate that supports independent business success
- Membership: strictly limited to independent business owners
- 95,000 members in Canada, in all industries and regions
- Non-profit, non-partisan organization: financed with membership fees
- Democratic: policy orientations decided by membership (1 member = 1 vote)
- 3 pillars: advocacy, advice, savings

State of small business: It's still far from normal for many

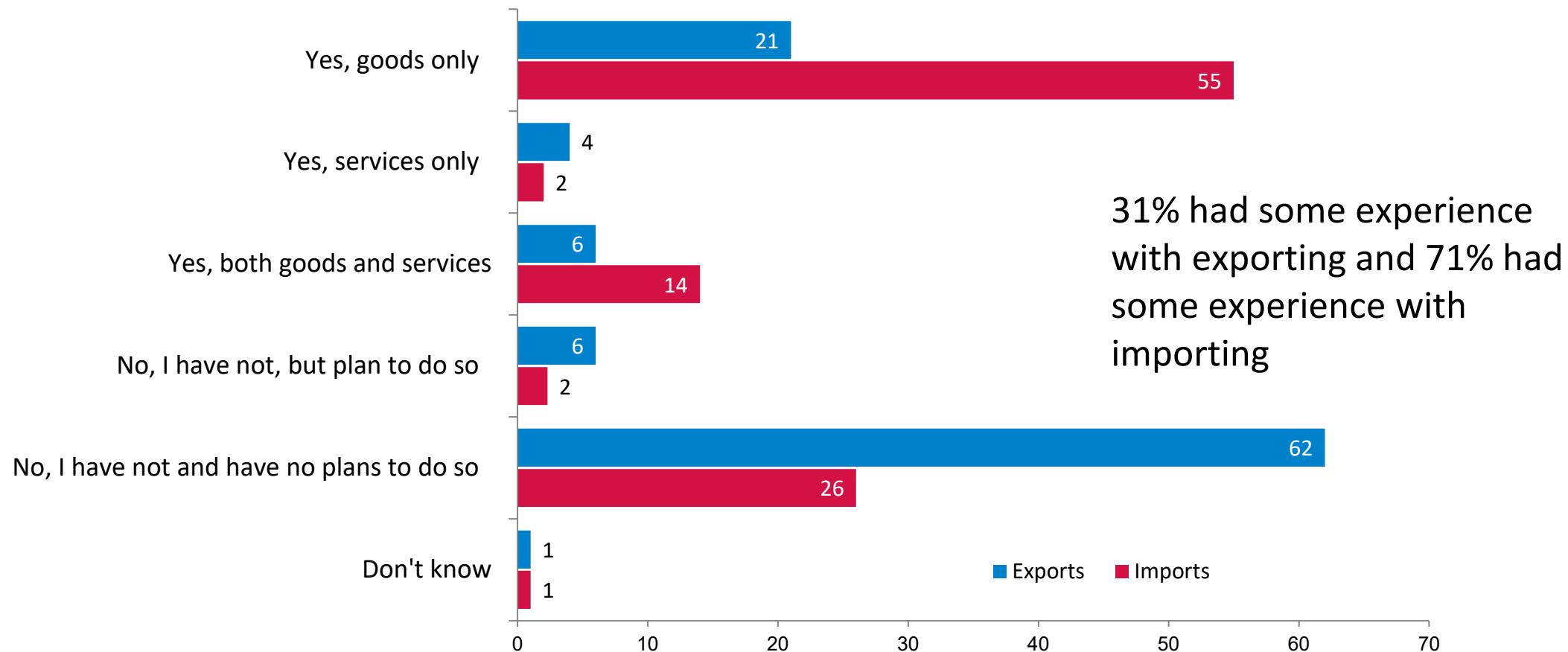


Top reasons businesses have not yet returned to normal sales:

- **58%** Lack of customers
- **50%** Operational challenges
- **45%** Government restrictions
- **36%** Each customer spending less
- **35%** Customers adjusting to price hikes

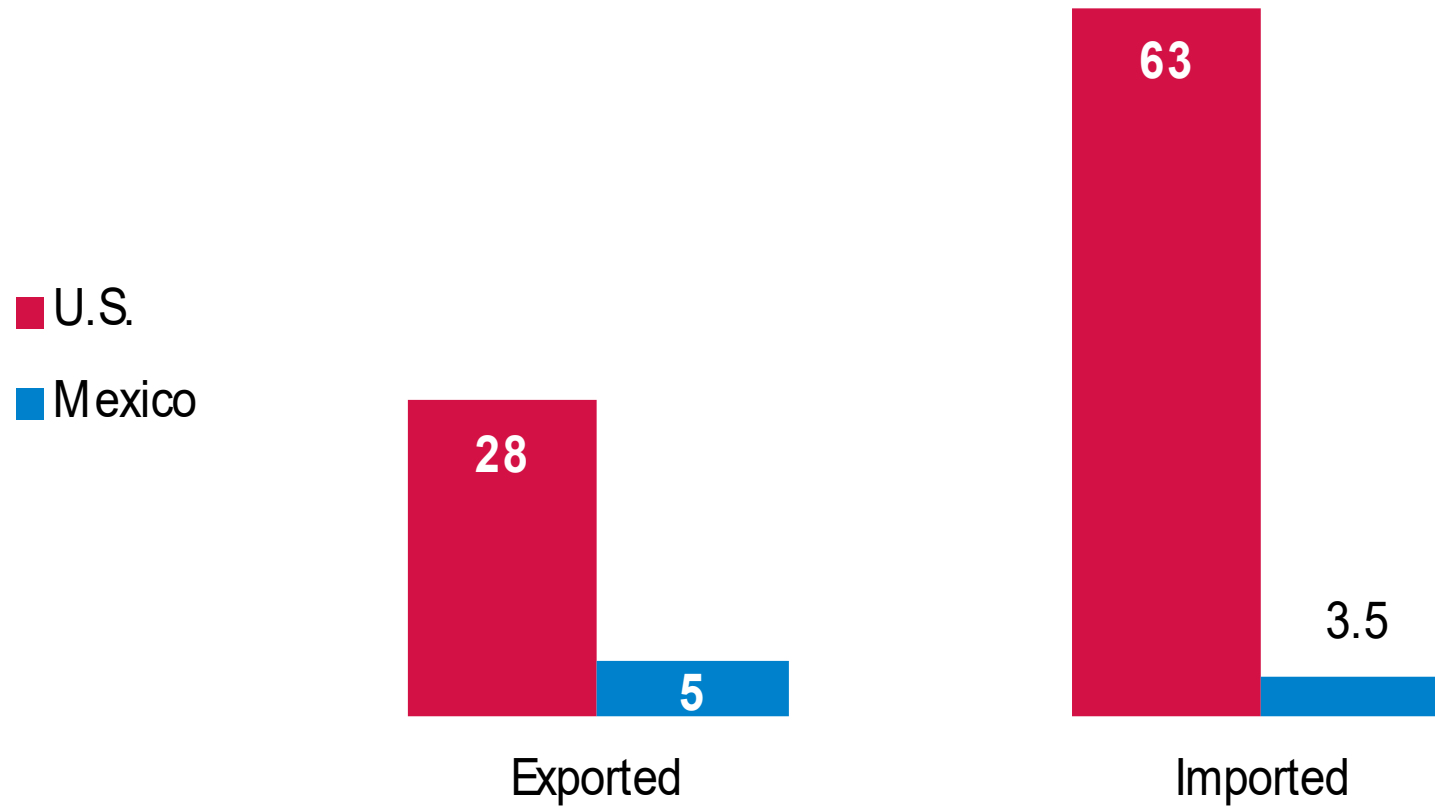
Source: CFIB, Your Voice surveys and Small Business Recovery Dashboard, as of June 2022, smallbusinesseveryday.ca/dashboard/

In the past 3 years has your business bought and/or sold goods and/or service from countries outside of Canada? (% response)



Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

Imports and exports to and from US and Mexico (% response)



Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

What are the main reasons your business does not have plans to export goods and/or services? (% response)



Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

What influences your decision to increase the amount that your business exports to countries outside of Canada? (% of response)



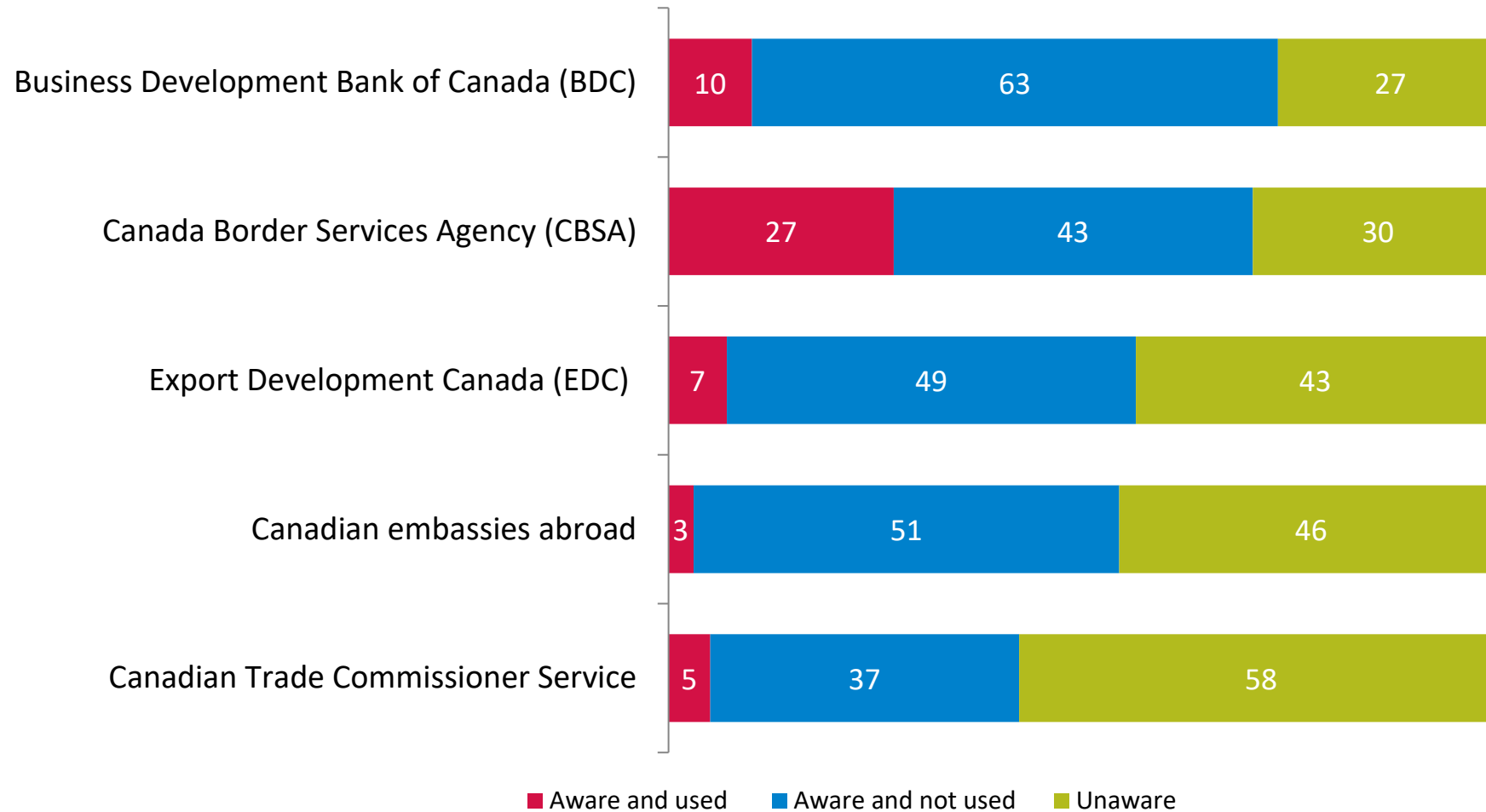
Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

What would you say are the biggest challenges for your business when exporting your goods and/or services outside of Canada? (% of response)



Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

Please indicate whether you are aware and have used the following services? (% response)



Source: CFIB, 2017 International Trade Survey, May-June 2017 based on 4,399 response.

Small business priority areas for Canada/US trade

Movement of labour: Inconsistent rules, lack of clarity
Governments should improve and clarify labour mobility rules

Dealing with sub-national governments: Taxation issues, dealing with different regulations and requirements that lead to additional costs.
Sub-national levels of government should be included in trade discussions and in discussions on regulatory cooperation.

Rules of origin: Complicated and daunting task for many SMEs
Make rules of origin easier to understand, clearly communicate by providing examples of what is required, and provide SMEs with guidance on how to navigate the rules.

Non-tariff barriers: SMEs noted a growing number of regulations and red tape making it more costly to trade despite a free trade agreement.
Governments must focus more on simplifying trade-related rules to reduce overall administrative burden.

Trade facilitation and cooperation within governments: Many unnecessary and unexpected fees and paperwork due to poor communication between and within governments.
Need better alignment between government departments/agencies and between national governments by improving customer service, providing easier and timelier access to information and quicker response times.

How governments can improve trade opportunities for small business

- Commit to clear communication of trade rules that apply to SMEs
- Provide easy access to information related to trade (like referring to relevant materials from other states/provinces/countries).
- Develop a joint web site with sub-national and national governments to explain various trade rules/provisions in plain language.
- Provide guidance to assist small firms with some of the more complicated aspects of the trading process.
- Work to ensure trade facilitation programs reflect the needs of smaller firms.
- Create a strong, influential small business committee that consults regularly with small business and reports issues to be addressed by all USMCA members in future discussions.
- Work to find solutions to non-tariff trade barriers that have a particularly significant impact on smaller companies.
- Collect relevant data on trade among small firms to monitor the success of programs/approaches to encourage trade among small companies.

Other recommendations to consider

- While currency fluctuations are not a direct result of government policy decisions, government entities could provide guidance and approaches to help SMEs navigate these fluctuations.
- Ensure that government funds related to trade are invested in areas that provide the most benefit to smaller business, including the overall costs involved in trade. For example, lowering some of the ancillary costs that add to the overall costs of shipping such as reducing border-related fees for smaller firms/shipments.
- Consider ‘alternative’ versions of border programs that recognize lower risk, smaller volume importers and exporters.
- Focus more border policy/programs on the movement of people and trade in services

Canadian trade programs that work for small business

Saskatchewan Trade and Export Partnership (STEP)

- Longstanding program that is funded by SK government but run as a non-profit with SK business members on its board
- Provides wide variety of services including:
 - Funding to help business access new markets but also for international businesses looking to do business in SK
 - Education, training and networking
 - Provide qualified trade leads and market intelligence
 - Trade development through trade missions
 - Customized advice, guidance and international finance and logistics solutions

CanExport program

- Federal funding program of up to \$50,000 to assist SMEs with international market development activities in markets where they have little or no sales (either in-person or virtually).
- Cost covered include: gathering market intelligence, IP protection and certification, legal and business advice fees, SEO, translating or creating marketing materials, attending trade shows, meetings, conferences, trade missions, etc..



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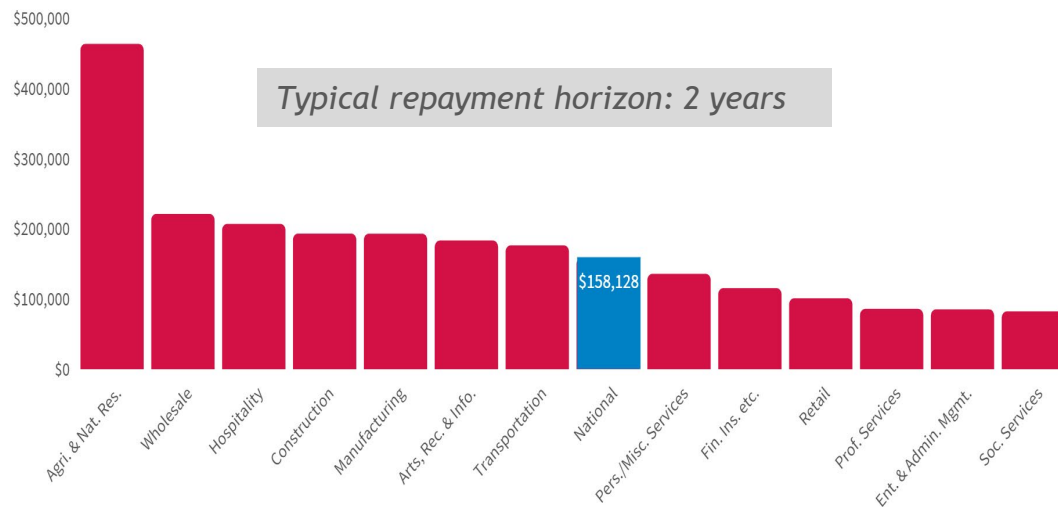
Impacts of the pandemic: Financial situation and future intentions

\$158,128

in average COVID-related debt
(January 2022, for businesses that took on debt)

16% (1 in 6)

still contemplating permanent closure
(April 2022, 'net agree')



Hospitality: 32%	Wholesale: 13%
Arts, Recreation & Info.: 22%	Manufacturing: 13%
Social Services: 18%	Enterprises & Admin. Mgmt.: 11%
Personal, Misc. Services: 18%	Construction: 11%
Natural Resources*: 18%	Professional services: 10%
Transportation: 17%	Fin., Ins., Real Est. & Leasing: 9%
Retail: 16%	Agriculture: 6%

Source: CFIB, Your Voice - January 2022 survey, final results, n = 5,630.

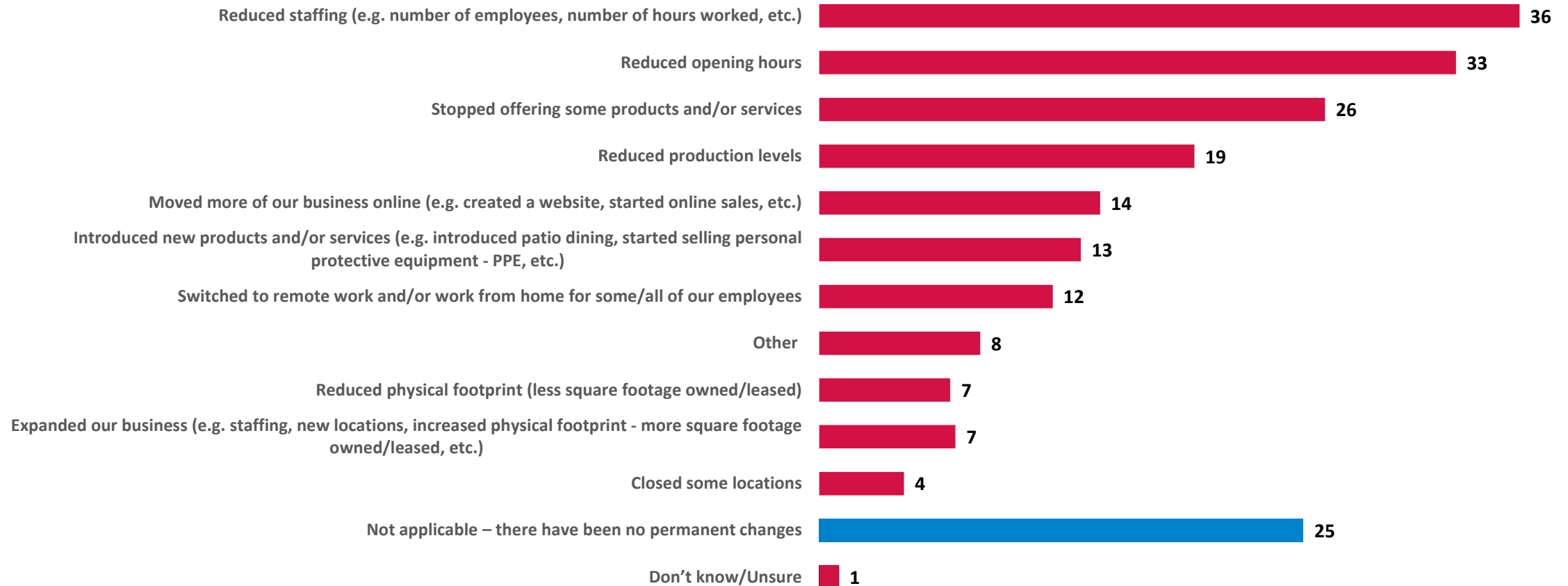
Note: Average additional debt due to COVID, for businesses that took on debt (67% of all survey respondents).

Source: CFIB, Your Voice - April 2022 survey, final results, n = 2,886.

Question: Please indicate the extent to which you agree or disagree with the statement: "We are actively considering bankruptcy/winding down our business as a result of COVID 19"

*Note: *Small sample (<40).

Impacts of the pandemic: Permanent changes made

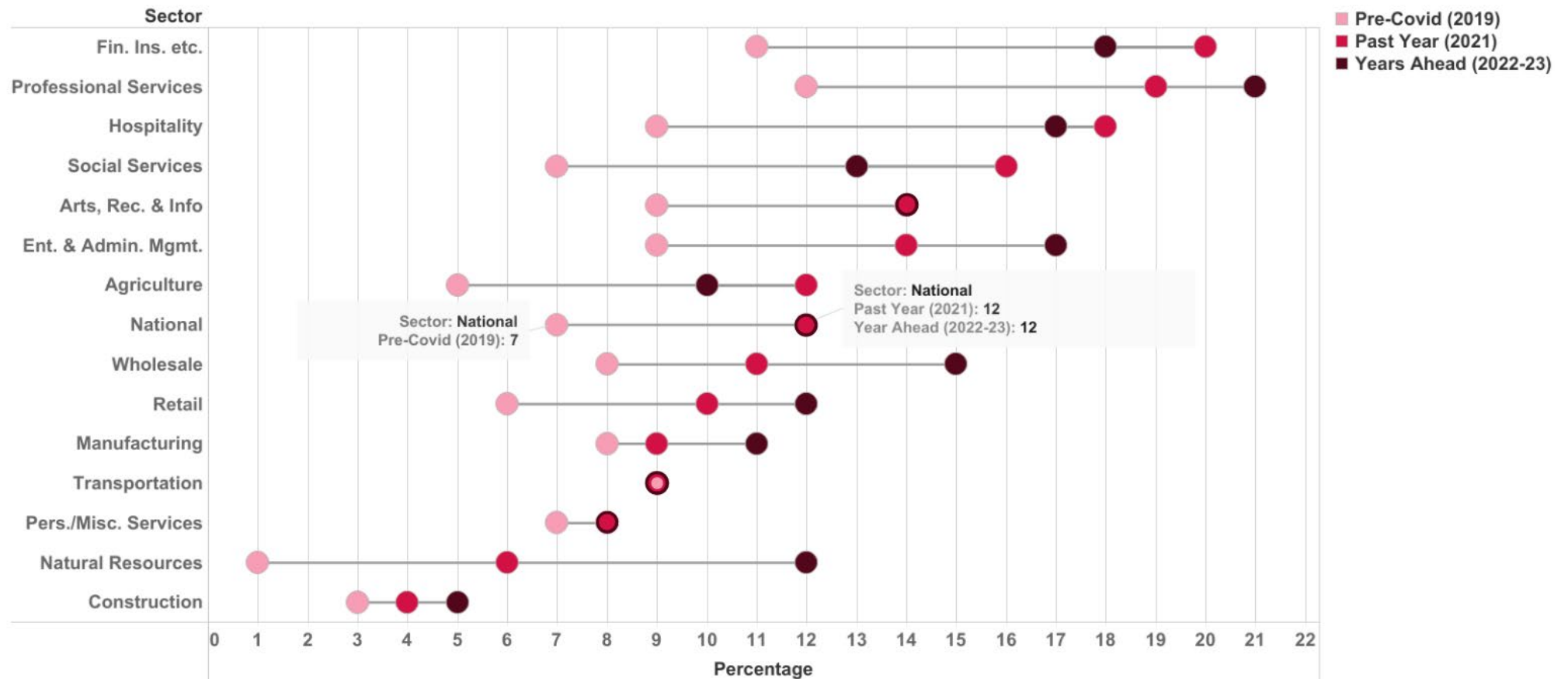


Source: CFIB, Your Voice - February 2022 survey, February 9-25, 2022, final results, n = 3,993.

Note: Respondents were allowed to select more than one answer choice. Percentages will not add to 100%.

Question: Two years into the pandemic, what has permanently changed in your business?

Impacts of the pandemic: Share of sales done online



Source: CFIB, Your Voice - February 2022 survey, February 9-14, 2022, preliminary results, n = 2,267.

Note: *Small sample (<40).