



Export Now

It's Time

BY LINDA WOLSTENCROFT

The Canadian dollar is at a low that we haven't seen in years. As a result, over the past several years, products and services with a high labour content have suffered with high cost internationally, particularly with US buyers.

Not so anymore: NOW is the time to ramp up export growth initiatives.

The largest market for Canadian defence companies is the gazillion-dollar US defence market (it was actually \$600 billion for 2015, but you get my point). The budget in this market is SO LARGE that opportunities for most companies are also usually very substantial.

Whether a certain product or service is eligible for export depends on the trade controls in place, regulations, and other factors, including political and perception factors.

The 1956 Defence Production Sharing Agreement between Canada and the US allows Canadian firms to compete for US military contracts substantially under the same terms and conditions afforded to US companies. The Canadian Commercial Corporation (CCC) is a useful source for information on this agreement and other trade agreements that affect trade between the two countries.

Specifically, CCC is the prime contractor for all US defense contracts entered into between Canadian companies and the US Department of Defense (DoD) and there are many examples of success. This special treatment is afforded only to Canadian companies. And with our dollar being low, we now have a built-in advantage.

On the flip side, recent sentiments about closing borders, putting up walls, and buying American, does indeed exist and has colored the perception of the likelihood of export success for many of us. It has also colored the perception of our US buyers, unfortunately; but if one looks at the legalities, one will find

that Canadian companies can compete on an equal footing with US companies for many products and services.

In the mid 1990s, when the exchange rate was around 70% or lower, my company developed business with the US DoD for MRO services. Breaking the barrier of being approved to compete was not simple. It took a lot of effort to educate and convince the bureaucracy to hold the competition instead of sole-sourcing it to the US OEM. There were many individuals in the large infrastructure to convince that this was allowable and even attractive. But it was done and the resulting business outcome was in the \$100s of millions; this was well worth the effort.

Canada has a lower level of labour productivity than the US and this has been worsening in recent years. So as with all business growth decisions, it's important to remember to account for this when competing against US-based companies.

GOVERNMENT CAN ASSIST WITH EXPORTING

Our Canadian government departments and agencies stand ready to help companies export. Innovation, Science and Economic Development Canada (formerly Industry Canada) has a useful guide called "Canadian access to the United States defence market," which provides relevant information and resources for business developers. The guide recognizes that rather than trying to enter this market on a minimal budget, companies should invest seriously. One rule that I tell my clients is to look at the infrastructure a company has in place for obtaining new business from its traditional customer base and use this example to understand what is needed to obtain business from

a new customer or market. It's not enough to put a couple of people on the case and expect easy and early success. The new market entry deserves focus and determination.

In addition to assisting with US DoD exporting, CCC can also help with business development work internationally. There are defence trade agreements in place between Canada and several countries in South America, for example, and these can provide an advantage. And because the US dollar is the standard currency in play, our Canadian dollar advantage serves us well.

The Canadian Trade Commissioner Service (TCS) is also a useful resource. It operates in several countries and a recent survey showed that exporters who used the TCS were more successful than those who did not. The TCS recently launched its CanExport program that will distribute \$50M to Canadian SMEs over the course of five years. It has already selected 29 Canadian SMEs to receive more than \$800k in funding for pursuit of new opportunities in Latin America, Asia, Europe, the Middle East, Africa, and the United States.

Export Development Canada (EDC) provides a wealth of information and support for exporters in all industries. The Business Development Bank of Canada (BDC) is another source that helps entrepreneurs with financing and business advice.

The tools and the expertise exist. Do you have what it takes to grow your business through exporting?

NOW is the right time to start, to continue, or even to plan. Diversifying into export markets is always a good option for long term stability and risk mitigation, and this could be your time to turn your exporting aspirations into reality.

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