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Canada-Mexico Business Insights

Welcome

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Welcome to The Conference Board

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NAFTA 2.0 and Canada.

Upgrading a 20th-Century Deal for a 21st-Century World

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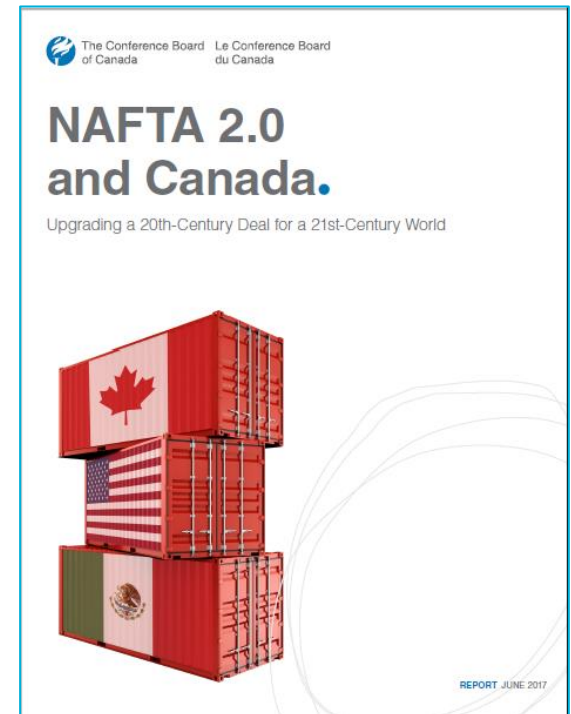
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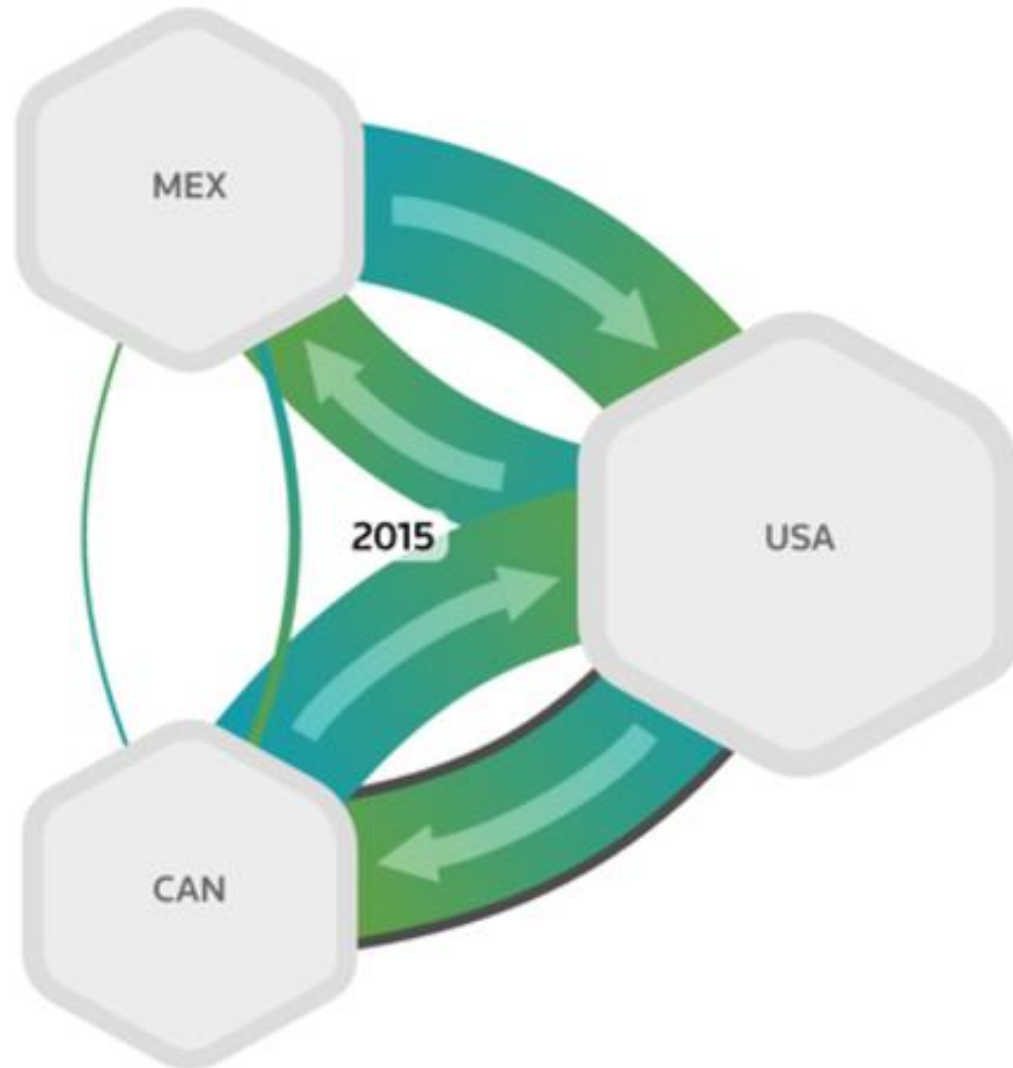
Upgrading a 20th-Century Deal for a 21st-Century World

- Most of the gains in trade made possible by NAFTA have already materialized
- Canadian viewpoint is that the goal should be to strengthen and modernize it.
- What should Canada seek to improve in a NAFTA 2.0?



NAFTA 2.0 – CBoC's Five Recommendations



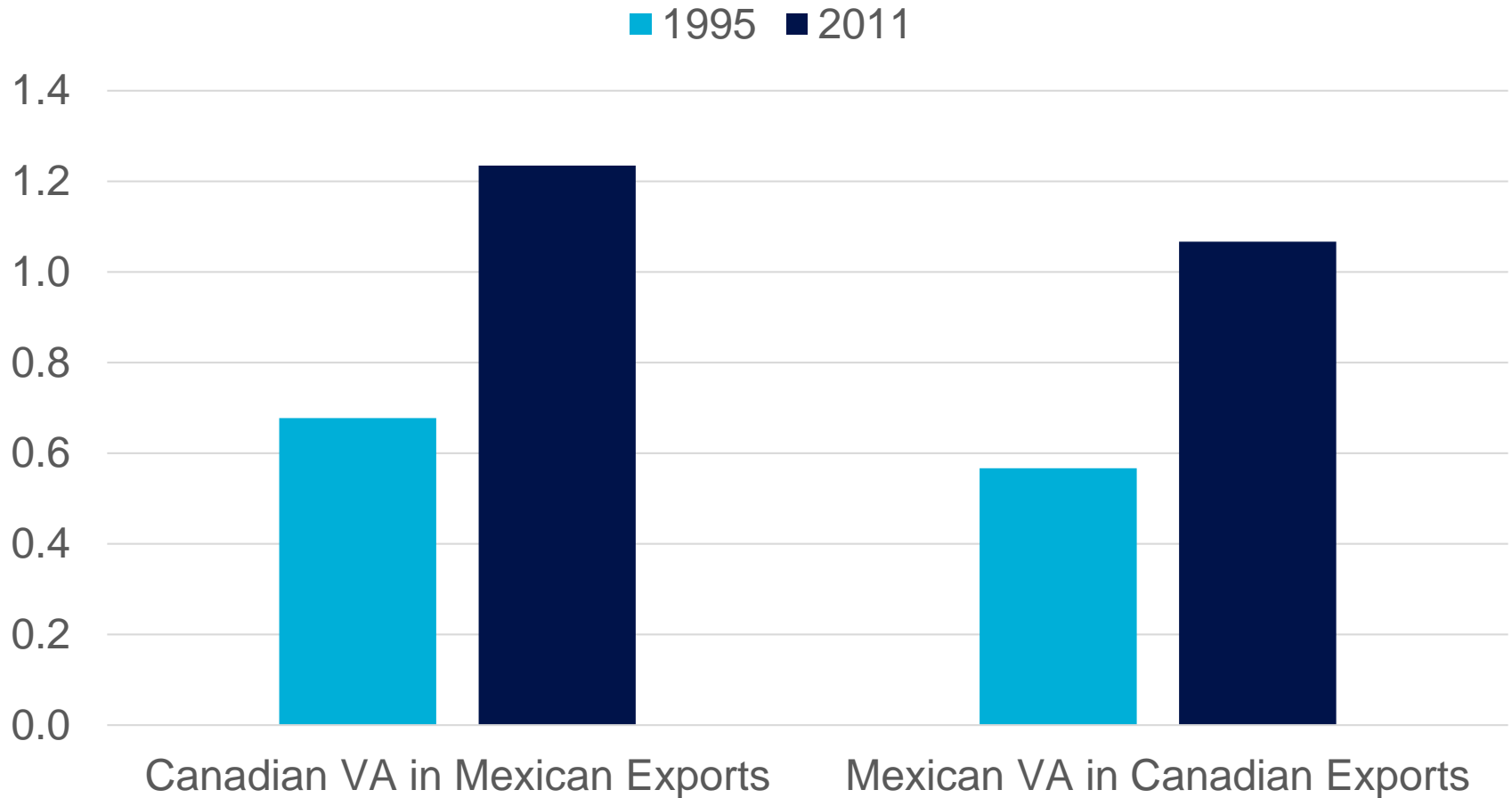


Source: Thompson Reuters Lab using UN Comtrade database.



Canada/Mexico Add Value to Each Other's Exports

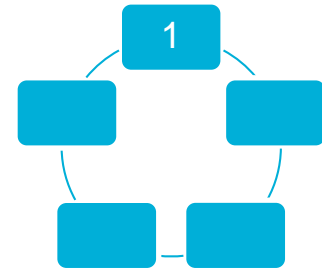
(value-added contribution to each other's gross exports; per cent share)



Sources: The Conference Board of Canada; OECD's TiVA database.



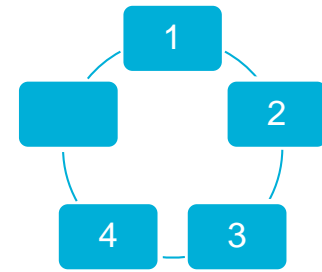
1. Adopt a transparent and trilateral approach.



- U.S. objections to NAFTA have focused on Mexico; many think Canada should distance itself via a bilateral deal.
- This would be a mistake. Value chains are truly North American & isolating Mexico would be costly.
- Must ensure the agreement is renegotiated with all three member countries



4. Encourage innovation while protecting IP and culture.



Modernize to reflect digital trade

- Commerce has changed since 1994. NAFTA doesn't reflect current realities.
- Recommend adding an e-commerce chapter (similar to CETA & TPP) to remove barriers to digital trade.
- Update and clarify business list of business professionals for visas to include “new” positions like “software developer” and “data scientist”



Conclusion

- The outcome of the NAFTA renegotiation will affect the prosperity of all Canadians for decades to come
- Canada should expect these negotiations to be unlike any other that we have undertaken in recent decades (eg short timelines, unpredictable negotiating partner)
- We think it likely that NAFTA will survive in some form. Hopefully a modernized, trilateral deal will emerge, reflective of current digital realities.





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Highlights of the Integrated Auto Sector

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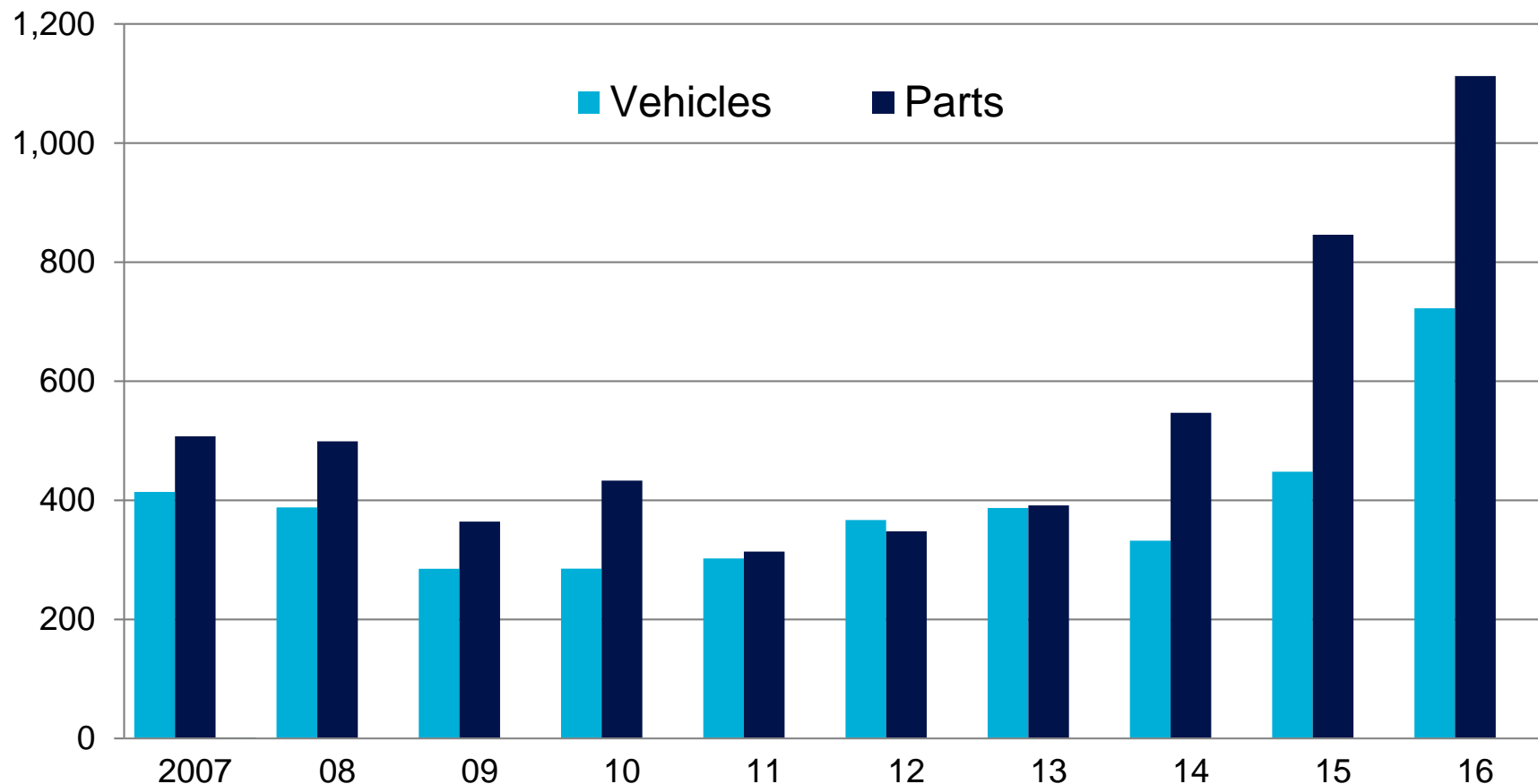
Canadian Auto Industry Overview

- Canada exported \$1.8 billion of automotive products to Mexico in 2016
- Since 2007, automotive exports to Mexico have grown at a compound annual rate of 8.0%
- Canada's value chain has a competitive advantage in production of design-intensive auto parts and parts systems, and high-margin trucks
- Strong innovation ecosystem in the Toronto-Waterloo corridor and connected public infrastructure in Stratford make Canada an ideal partner in developing connected/automated vehicle technologies



Mexican imports of Canadian auto products

\$ millions, by product.

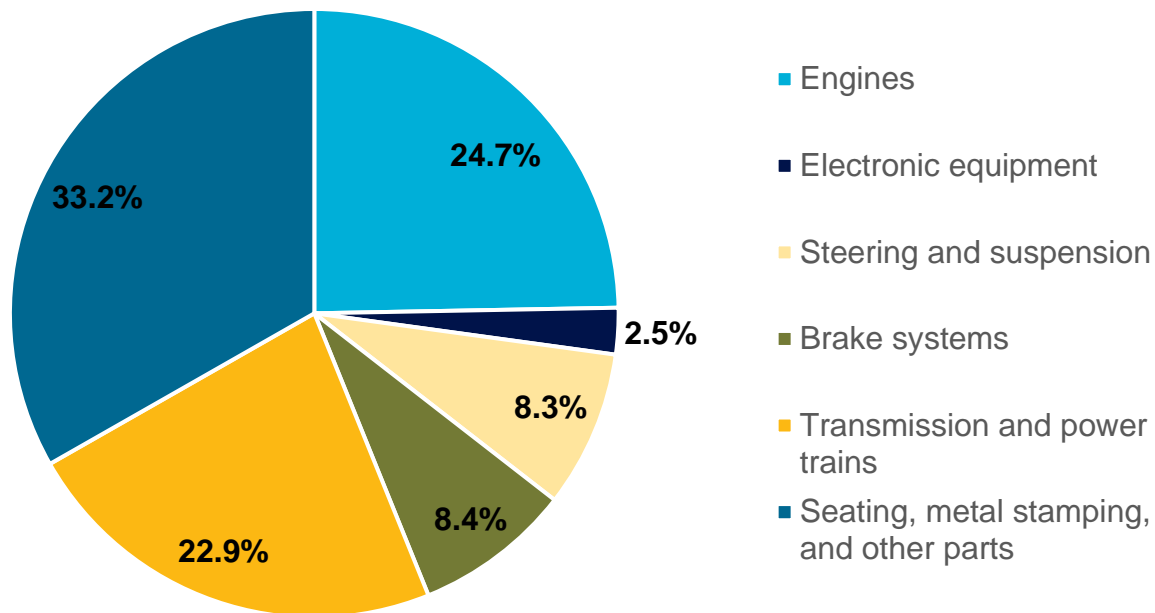


Source: OECD; Statistics Canada.



Mexico imports \$1.1 billion of motor vehicle parts from Canada annually

2016 share of Mexican imports of auto parts, by component.

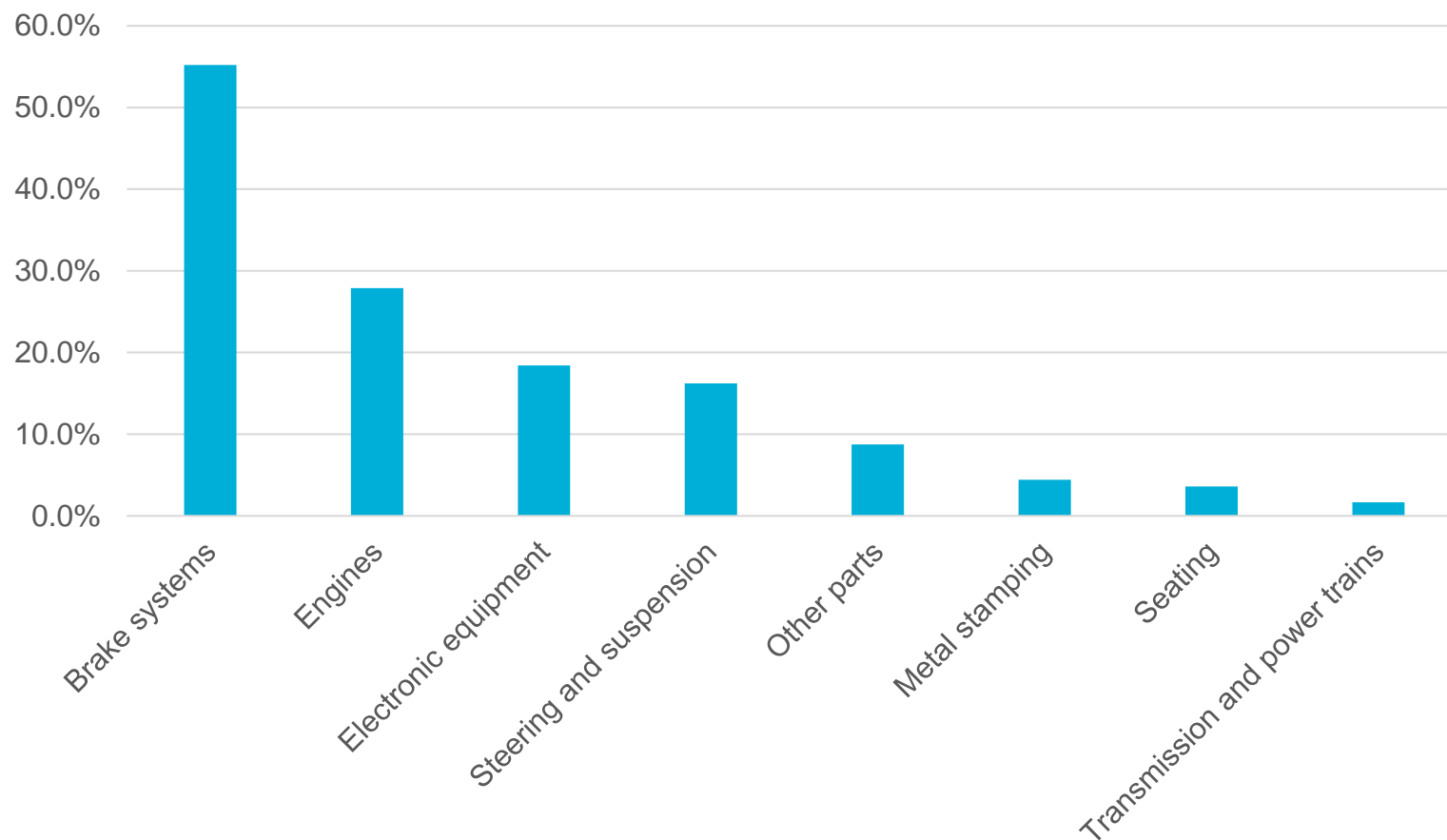


Source: Innovation, Science and Economic Development Canada trade online database; Conference Board of Canada.



High growth opportunities for trade expansion with Canadian auto parts makers

compound annual growth rate by type of auto parts exports, 2007-2016.



Source: Innovation, Science and Economic Development Canada trade online database; Conference Board of Canada.





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Overview of the Food Industry/Comercio agroalimentario México y Canadá

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Comercio con EEUU.

US Agri-Food Exports						
	Bulk ⁴		Intermediate ⁵		Consumer Oriented ⁶	
	Trading Partner	2016 Value (SUS Thousand)	Trading Partner	2016 Value (SUS Thousand)	Trading Partner	2016 Value (SUS Thousand)
1	China	16,388,033	Mexico	4,068,650	Canada	16,160,261
2	Mexico	5,746,573	Canada	3,297,576	Mexico	8,034,608
3	Japan	4,072,126	China	2,857,112	Japan	5,767,394
4	Korea, South	1,693,053	Japan	1,220,821	Hong Kong	3,666,395
5	Indonesia	1,688,430	Korea, South	1,101,495	Korea, South	3,407,001
6	Taiwan	1,479,819	Philippines	900,112	China	2,167,087
7	Vietnam	1,358,999	Thailand	580,524	Taiwan	1,447,890
8	Colombia	1,270,360	Colombia	563,879	Netherlands	1,234,336
9	Netherlands	875,737	Netherlands	557,320	United Kingdom	1,192,246
10	Canada	784,419	Indonesia	537,370	Australia	1,030,373
Imports						
	Bulk		Intermediate		Consumer Oriented	
	Trading Partner	2016 Value (SUS Thousand)	Trading Partner	2016 Value (SUS Thousand)	Trading Partner	2016 Value (SUS Thousand)
1	Canada	1,667,230	Canada	6,505,946	Mexico	20,803,106
2	Brazil	1,538,008	Ireland	2,270,412	Canada	13,405,752
3	Indonesia	1,139,700	Mexico	1,516,726	Italy	3,545,121
4	Colombia	1,120,273	Indonesia	1,346,515	Chile	2,863,324
5	Cote d'Ivoire	902,166	China	1,240,356	China	2,798,722
6	Thailand	692,621	Malaysia	915,178	Australia	2,705,071
7	Mexico	639,408	India	843,619	New Zealand	2,482,469
8	Vietnam	568,600	Italy	714,967	France	2,394,821
9	Guatemala	450,214	Spain	704,311	Netherlands	1,597,243
10	India	405,224	Germany	624,190	Thailand	1,543,231

Source: USDA-FAS Global Agricultural Trade System



Importaciones canadienses desde México.

C\$ millones

HS 0702 - Tomatoes - Fresh or Chilled	\$337,536,769
HS 0703 - Onions, Shallots, Garlic, Leeks, Chives and Other Alliaceous Vegetables - Fresh or Chilled	\$57,982,867
HS 0704 - Cauliflowers, Broccoli, Brussels Sprouts and Edible Brassicas	\$74,100,547
HS 0705 - Lettuce and Chicory - Fresh or Chilled	\$5,804,575
HS 0706 - Carrots, Turnips, Salad Beetroot, Salsify, Radishes and Similar Edible Roots	\$16,686,717
HS 0707 - Cucumbers and Gherkins - Fresh or Chilled	\$62,520,134
HS 0708 - Leguminous Vegetables, Shelled or Unshelled - Fresh or Chilled	\$49,774,891
HS 0709 - Mushrooms and Other Vegetables - Fresh or Chilled	\$390,704,030
HS 0710 - Vegetables - Frozen	\$27,816,336
México (total vegetables)	\$1,026,529,245
Others	\$3,017,176,641
Total All Countries	\$4,043,705,886



Otros importaciones importantes.

C\$ millones

HS 080440 - Avocados - Fresh or Dried	\$219,690,894
HS 081020 - Raspberries, Blackberries - Fresh	\$185,744,794
HS 2203 - Beer	\$134,781,959
HS 6109 - T-Shirts, Singlets and Other Vests - Knitted	\$73,142,908
HS 2208 - Spirits, Liqueurs and Other Spirituous Beverages or Alcoholic Preparations	\$61,260,456
HS 6110 - Sweaters, Sweatshirts and Waist-Coats - Knitted	\$22,120,507



Capacidad empresarial y industrial.

- ¿Siente que su negocio PYMES o industria carece de capacidades para satisfacer las demandas de los importadores?
- Posible razón:
 - Falta de incentivos financieros
 - Competencia demasiado fuerte
 - Alto costo de logística
 - Falta de apoyo
 - Desconocimiento de las oportunidades comerciales
 - Falta de conocimiento para exportar o hacer comercio a nivel internacional



Impacto en los negocios.

- ¿Las limitaciones comerciales y las barreras han impactado negativamente en su negocio? Posible razón:
 - Interrupciones en los procesos de producción
 - Costos de financiamiento del comercio más altos
 - Menores márgenes de beneficio
 - Baja en las ventas
 - Pérdida de competitividad
 - Dificultad para expandir las ventas
 - Dificultad en la obtención de nuevos mercados
 - Mayores costos de producción o costos de insumos



Escojer proveedores.

- ¿Cuáles son los principales factores que influyen en su decisión de abastecer a proveedores de mercados?

–Calidad/salubridad del producto	72%
–Precio	56%
–Fiabilidad de la oferta a largo plazo	44%



6th Canadian Food & Drink Summit.

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Canadian Food & Drink Summit 2017: Measuring Performance, Taking Stock, Inspiring Action

Monday **December 4** - Wednesday **December 6** 2017 • Calgary TELUS Convention Centre • Calgary, Alberta

For the first time the Canadian Food & Drink Summit is coming to Calgary—JOIN US!

Preliminary Agenda Available!

The preliminary agenda for this event is now available.

> [View it now](#)

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Temporary Foreign Workers in Agriculture

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The State of Canada's Agricultural Workforce

- Labour gap is 59,000 people, equal to 15% of demand
- Labour gap has doubled over the past decade, and is expected to double again by 2025
- TFWs fill about $\frac{3}{4}$ of the gap today, will this continue?
- Unfilled vacancies cost the industry \$1.5 billion in sales in 2014, 2.7% of the sector's total
- 17% of employers report delaying or cancelling expansion plans as a result of unfilled vacancies



Some Facts About TFWs and Canadian Agriculture

- Agriculture is now the largest user of TFWs, accounting for nearly 2/3rds
- TFWs account for a growing share of the agricultural workforce, now at 12%
- Most TFWs work on fruit and vegetable farms, where they can account for about 1/3 of workers
- Mexico is now the largest supplier of TFWs, accounting for about 40%



What Makes Agriculture Unique?

- High degree of seasonality: 100,000 more workers needed at seasonal peaks
- Challenging work conditions: the sector has the longest work week of any sector
- Rural location: Canada's rural population is flat and ageing fast
- Below average pay: about 25% below the average for all sectors



Policy Recommendations Regarding TFWs

- Expanding the national commodity list
- Increasing the speed and efficiency of LMIA's
- Implementing a trusted employer program
- Providing seasonal workers with multi-entry visas
- Facilitating pathways to permanency for migrant workers who are filling a permanent labour market need





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Q&A Group Discussion

Facilitated by
Craig Alexander,
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Adjournment.

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