



CANADEXPORT

TRADE + INVEST + PROSPER

WWW.CANADEXPORT.GC.CA

VOLUME 25 | NUMBER 3
FEBRUARY 21, 2007

▶ TOP STORIES

Linking to the global value chain

Offshoring and outsourcing are now entrenched in today's complex world of international business. *CanadExport* takes a look at these practices and their place within the global value chain. Are Canadian businesses doing enough to keep up with this reality? [see page 3](#)



Be ready for the unexpected in emerging markets

You've worked for months in an unfamiliar, emerging market to negotiate and secure your first export deal. Now you've signed the contract, your buyer's financing is in place and you're about to ship the goods. The hard part is finished...or is it? [see page 5](#)

Foam insulation company expands on world stage

Every headline devoted to energy efficiency and indoor air quality is good news for a Canadian company that has become a world leader in foam insulation. [see page 6](#)



▶ ALSO IN THIS ISSUE

▶ **Environmental trade show a pan-American powerhouse**
Montreal, March 20–22, 2007 > The seventh edition of *Americana*, an international trade show and conference on environmental technology, promises to be an excellent promotion and distribution vehicle for Canadian businesses in this field. [see page 2](#)

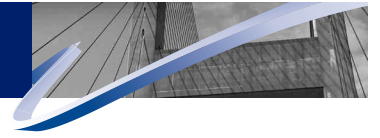
▶ **Hotel event rides wave of tourism and leisure growth**
Dubai, June 3-5, 2007 > There will be a Canadian pavilion at the *Hotel Show*, the largest trade show for the hospitality industry in the Arabian Gulf. [see page 4](#)

▶ **Canada's restrictions on FDI tightest of all G-7 countries**
The regulatory restrictions on foreign direct investment in Canada are tighter than in any other G-7 country, according to the OECD. [see page 7](#)

FACTS & FIGURES
[see page 7](#)

TRADE EVENTS
[see page 8](#)





Environmental trade show a pan-American powerhouse

Montreal, March 20–22, 2007 > The seventh edition of *Americana*, an international trade show and conference on environmental technology, promises to be an excellent promotion and distribution vehicle for Canadian businesses in this field.

The trade show is the largest multi-sectoral environmental show of its kind in the Americas. Over three days, exhibitors will showcase diverse solutions that promise to help mitigate or eliminate pollution.

Americana includes a conference, trade show and business matchmaking forum.

The conference, which is themed “The Environment: Fuelling the Economic Engine,” will address everything from air and climate change, drinking water, wastewater and solid waste management, soil and groundwater to eco-engineering, life cycle analysis and market development and opportunities.

Speakers will come from industry, engineering and consulting firms, government agencies and universities. Studies,

projects and technological solutions will be shared through presentations given by Canadians and international attendees.

The event’s business matchmaking forum is a unique service provided to Canadian and foreign companies that want to meet potential business partners. It will give participants the opportunity to exchange information on their services, expertise and technologies, and above all to discover business opportunities.

Canada’s Trade Commissioner Service will be there too. More than 30 trade commissioners from around the world are expected and they’ll be bringing potential partners interested in meeting Canadian entrepreneurs.

For more information on the business matchmaking forum, contact Normand Gadoury, email: ngadoury@videotron.ca, or Romy Régis, Réseau Environnement, email: rregis@reseau-environnement.com.

For more information on Americana, contact Jo-Ann Roux, Trade Commissioner, Foreign Affairs and International Trade Canada, tel.: (514) 283-8797, email: jo-ann.roux@international.gc.ca, website: www.americana.org. ◀

Rising exports the backdrop to Hong Kong fair

Hong Kong, May 13-16, 2007 > Hong Kong is considered an excellent market for Canadian food and beverage exports and a marketplace that producers should not ignore. Canadian trade experts say that **HOFEX 2007**, Hong Kong’s international fair for the food and drink, hotel, restaurant and foodservice industry, can open doors to the broader Asian market.

Hong Kong remains one of the most important ports in the region and plays a leading role in the regional re-export trade, notably as a stepping stone to China. This fair offers an excellent opportunity to meet with buyers throughout Asia.

The Canadian Consulate General in Hong Kong and Agriculture and Agri-Food Canada are organizing a Canadian pavilion and will provide local market support for all Canadian exhibitors.

About 28,000 visitors attended the exhibition in 2005, of which over 8,000 came from outside Hong Kong, confirming the fair’s position as one of the largest food and drink shows in Asia.

Canadian agricultural exports to Hong Kong exceeded \$334 million in 2005, an increase of 28% over 2004. This ranks Hong Kong as the 7th-largest export market for Canadian agricultural products.

For more information, contact Derek Complin, Unilink, tel.: (613) 549-0404, email: dc@unilinkfairs.com, website: www.unilinkfairs.com/cp/hofex07. ◀

GENERAL INFORMATION

CanadExport is published electronically twice a month by Foreign Affairs and International Trade Canada.

CanadExport paraît aussi en français.

ISSN 0823-3330

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Exporters should think about the global value chain

With so many headlines these days devoted to companies going offshore or outsourcing their operations, *CanadExport* takes a look at these modern business practices and the concept of the global value chain.

To some the mere mention of offshoring or outsourcing sounds like a losing proposition. But the changing face of international business means that these are realities exporters need to face.

While the terms are often used interchangeably, they actually have different meanings.

In outsourcing, a firm shuts down a segment of its production process and instead obtains the desired input from another company within the same country. Offshoring refers to the same shift of production, but in this case to a company outside of the country.

Offshoring can also be either done by an independent company located abroad or by a company abroad owned by the original firm.

While offshoring is a useful concept, it somewhat distorts the reality of international trade because it overemphasizes the aspect of loss—a common example, in the popular press, is the movement of jobs overseas.

A broader perspective, however, sees offshoring as part of the global value chain for a particular industry or sector, a chain that includes the movement of work, investment and knowledge both into and out of Canada.

Why have global value chains evolved?

While libraries have been written on this subject, a handful of influences are at the root of it. Companies have always identified parts of their operations as either high-productivity and capital-intensive, or low-productivity and labour-intensive.

Recently, the removal of trade and investment barriers, swift advances in information and communications technology, and lower transportation costs have allowed low-productivity, labour-intensive operations to be shifted to places where labour is cheaper.

This evolution has made it much easier for companies to shift segments of their business to different parts of the world,



that is, to different points on the value chain. As a result, large volumes of products and services that once stayed in their countries of origin are now being consumed abroad, and world trade statistics back this up. While global gross domestic product grew by 246% from 1982 to 2004, global exports grew by 413% during the same period.

So what's going where?

These shifts have happened in almost every service and industrial sector, and there's no sign of a slowdown. While Canada's auto manufacturers have traditionally obtained vehicle components from North American partners, for example, they are now establishing cheaper procurement chains elsewhere in the world.

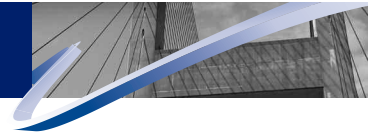
General Motors currently buys \$120 million worth of auto parts from India every year, and intends to raise that to \$1 billion annually by 2015.

The telecommunications sector also demonstrates how companies are distributing their business along the global value chains.

Nortel, Canada's biggest telecom firm, no longer manufactures its own hardware. Instead, it has focussed on its core value-added operations, primarily research, design and development, and has sold its manufacturing operations to Flextronics, a multinational based in Singapore.

Recently, the offshoring of Canadian information and communications technology services has also attracted considerable press. While the actual volume of these services that is moving abroad is uncertain, the key point to be drawn here is that work may not be leaving Canada, but rather that

see page 4 - Global value chain



Hotel event rides wave of tourism and leisure growth

Dubai, June 3-5, 2007 > There will be a Canadian pavilion at the **Hotel Show**, the largest trade show for the hospitality industry in the Arabian Gulf.

Over 7,000 hotel professionals from the United Arab Emirates, Saudi Arabia, Kuwait and other neighbouring countries are expected to attend.

This event is considered ideal for Canadians that supply any product or service to the hotel, leisure, restaurant or hospitality industries. Specifiers, buyers and decision makers from the UAE and other regional markets in the Middle East will attend.

Throughout the region, the growth of the tourist, business and leisure industry is being fuelled by large government initiatives and private developments. Business and tourist

destinations in countries throughout the Arabian Gulf are urgently seeking professional assistance, products, services and equipment to support their ambitious development plans, so the Hotel Show might be a good way for Canadian suppliers seeking to enter or expand in this market.

The Canadian exhibitor package will include a briefing on the region, introductions to buyers and distributors and the trade services of the Canadian Consulate. Canadians do not require a visa for the U.A.E., which is considered a safe travel destination.

For more information, contact Terry Gain, Show Agent, email: terry.gain@interlog.com, tel.: (416) 932-1173, or Sanam Shahani, Canadian Consulate in Dubai, email: sanam.shahani@international.gc.ca. For a range of products and services that will be on display at the Hotel Show this year, go to www.dmgdubai.com. ◀

Cont'd from page 3 - Global value chain

knowledge-intensive services like ICT have become much more mobile than they used to be.

The list goes on. Canadian apparel companies, furniture businesses and textile manufacturers are just a few of the other sectors adjusting to the new realities of the global value chain.

Challenges of the chain

Canada's businesses, however, aren't moving as quickly in this direction as are firms in other countries, and experts say failing to catch up could threaten our competitiveness, standard of living, social programs and productivity.

However, it is also important to note that shifting production to a foreign location isn't a magic elixir for success. A low-wage country, for instance, isn't necessarily a low-cost place to manufacture a product or provide a service. The decision to move operation can't be based solely on the presence of cheap labour.

Due diligence requires that a company also consider a host of other factors, such as the business and legal environment, trade barriers and local regulatory issues the quality of the country's infrastructure and shipping costs. Other things to bear in mind are political risks and buyer financing risks, corruption levels, tax issues, cultural differences and issues of contractor performance.

For a Canadian entrepreneur, any one of these factors can turn the expected net gain of an offshoring initiative into a net loss.

Linking up with opportunities

Shifting production or services along the value chain can, if managed properly, help a company raise share values, improve service and product quality, enhance customer satisfaction, expand market share and increase profits.

Moreover, not all the opportunities are abroad since Canada is also an offshoring location for many foreign companies.

Multinationals are often happy to move high-value activities to a country with the right economic, social and policy mixes, and Canada qualifies as such a location. We have a first-class education system, a highly qualified workforce, excellent infrastructure, very low political risks and a known reputation for market transparency.

Ultimately, no one disputes that trade is good both for the world's countries and for the world economy as a whole. Offshoring, with its focus on using the global value chain to locate production where it can be done most efficiently and effectively, can contribute a great deal to Canada and to the well-being and prosperity of all Canadians. ◀

Get primed for unforeseen obstacles in emerging markets

Even if you're experienced with shipping to the United States or Europe, moving your goods into an emerging market can present unexpected difficulties, experts say. In consequence, you should clearly understand what's involved in the delivery process well before you put it into motion.

Take certification, for example: Just as you'd expect, you're responsible for certifying that your product meets the standards of the importing country. But in emerging markets, certification can include some very unfamiliar requirements.

Many Islamic countries, for instance, are very strict about the importation of food products containing alcohol, and even trace amounts that remain from some kinds of processing can stop your shipment at the border. In general, never assume that Canadian certification of a product will meet the import requirements of another country, and be aware that cultural differences may affect how, or even if, your product can be certified.

Exporters must also be careful about labelling. Even using the Canadian date format, when the importing country uses a different one, can cause a customs official to turn back a shipment. One way to forestall such problems is to obtain exact labelling information from the buyer and have the labels approved as part of the contract.

Also, never take responsibility for moving the goods within the buyer's country, as the transportation infrastructure in many emerging markets leaves much to be desired. Exporters can avoid these and similar troubles if their contract clearly specifies that the title to the goods is to be transferred to the buyer at the port of entry. In fact, it's generally very unwise to accept any responsibility for the goods past this point.

Use the Trade Commissioner Service

If you're new to an emerging market, where can you go for accurate information about delivering to a buyer there? The best place to start is the Canadian Trade Commissioner Service at www.infoexport.gc.ca, which can link you to trade commissioners in Canadian embassies and consulates all over the world.

These officers know how their local markets operate and can advise you on dealing with regulations, labelling, certification requirements and related issues. This will help you move your goods into the country with a minimum of fuss, so



be sure to check with the embassy's trade officers well before your contract is finalized.

Even given such assistance, however, many emerging markets can be so difficult that you should employ a local agent who can shepherd your goods from the entry port to your buyer's warehouse. If all goes smoothly, of course, you may wonder why you bothered hiring the agent.

But if your buyer abruptly refuses to accept the goods and abandons them on the dock, you'll be very glad the agent is there to help you. A good agent can not only assist with customs clearance when necessary, but will also ensure proper transfer of title to the goods and, if the buyer is slow to pay, help you get your money.

For all their potential difficulties, emerging markets can be very inviting ones for Canadian exporters. With good planning, thorough research and careful preparation, sending your goods to these distant places can become a familiar and everyday routine.

For more information on doing business in emerging markets, go to Team Canada Inc's website at www.exportsource.ca. Export assistance is also available through TCI's Export Information Service at 1 888 811-1119. ◀

Foam insulation company expands on world stage

Every headline devoted to energy efficiency and indoor air quality is good news for a Canadian company that has become a world leader in foam insulation.

Icynene, a Mississauga, Ontario-based company with its own insulation system, does 85% of its business outside of Canada and has expanded to markets in Asia, the United States, Europe and Mexico.

Developed by a chemist in 1986, Icynene is a spray foam that seals all crevices, making it ideal for insulating areas—such as cathedral ceilings—that would be difficult or impossible to reach with conventional insulation.

Unlike other foam insulation, however, it is water-based, reducing the number of indoor pollutants. It dries soft, limits air flow (including the spread of allergens) and expands and contracts with the structure. Even the American Lung Association uses Icynene in its demonstration home for asthma sufferers.

With the assistance of Canada Mortgage and Housing Corporation (CMHC) International—Canada’s national housing agency—the company’s product has become popular in the U.S. market through the American Institute of Architects, trade shows and media coverage, putting Icynene’s properties in front of architects, building inspectors, developers and other building industry professionals.

Jeff Hood, Icynene’s vice-president of business development, says once you use the product, potential buyers become converts.

“The environmental aspect of Icynene really resonates in the marketplace,” he says. “When people see and hear about our product, they want it. CMHC has done a great job of helping us; we definitely would not have grown as fast as we have without them.”

The company’s expansion has been remarkable, recording at least 35% growth in each of the past 10 years. The number of employees has increased from 22 to more than 100 since 1999.

Following Icynene’s participation in a CMHC trade mission to China last year, the company signed a host of contracts with its first major Chinese clients. In China, where potential counterfeiting of everything from motion pictures to insulation is a concern for foreign suppliers and Chinese buyers alike, CMHC has assisted Icynene by providing new distributors with an official letter confirming the distributor’s relationship with Icynene.



The Canada Mortgage and Housing Corporation is helping Icynene, an Ontario-based spray foam insulation company, to find buyers around the world.

Elsewhere, Icynene is working through product approvals in the U.K. and France, and CMHC is assisting with marketing and finding representatives for the company in Europe and in Mexico.

If Icynene was to do anything differently, Hood says that if budget permitted, it would be nice to have additional manpower when seeking business outside the country. “This is why CMHC is such a great help in making the initial contacts with foreign buyers, which helps us to be more productive on our overseas trips.”

Icynene received a major boost in North America when the company was featured on the popular home renovation program *This Old House*. It has made nine appearances on the program over the years and that has helped to boost penetration in the U.S. market.

“*This Old House* is still working for us,” says Hood.

Still, exporters cannot always count on widespread television coverage to boost their brand. Hood says one must be patient when entering foreign markets, and be prepared for the long haul. Icynene goes into foreign venues with a five-year plan, developing rapport with local business contacts, searching out agents who know the area. He also suggests Canadian exporters look outside North America.

“A lot of Canadians think the U.S. is the only market, but there are plenty of others,” he says.

For more information, go to www.cmhc.ca or www.icynene.com. This was the last (Fourth) in a series of CMHC success stories. ◀



Network your goods at Japanese IT fair

Tokyo, June 11-15, 2007 > Canadian companies are being invited to get their message out to over 150,000 information technology professionals and key buyers at **Interop Tokyo**, a major event covering network devices, solutions and wireless mobile technologies.

Interop Tokyo attracts network professionals looking to learn about the latest networking products and services and offers conferences, interactive product demonstrations and technical discussions. Organizers expect over 300 companies to exhibit.

The Canadian Embassy in Tokyo has secured exhibition space at the venue and invites Canadian companies interested in exploring the Japanese and Asian market to register with them. They can display their promotional material or use the pavilion as their base during the event. A special exhibitors' package is also available for companies wanting to exhibit as part of the Canada pavilion.

For telecom companies, Internet providers, network infrastructure equipment suppliers, broadband technology and wireless technology providers, this event is the place to network and partner with Asian and world leaders of the information technology sector.

The registration deadline is February 28, 2007.

For more information, contact Stephane-Enric Beaulieu, Canadian Embassy in Japan, tel.: (011- 81-3) 5412-6232, fax: (011-81-3) 5412-6250, email: stephane.beaulieu@international.gc.ca, or Kojiro Ichikawa, Canadian Embassy in Japan, tel.: (011-81-3) 5412-6403, fax: (011-81-3) 5412-6250, email: kojiro.ichikawa@international.gc.ca, website: www.infoexport.gc.ca and www.interop.jp/2006/english/index.html. ◀

Canadians can build up in the United Arab Emirates

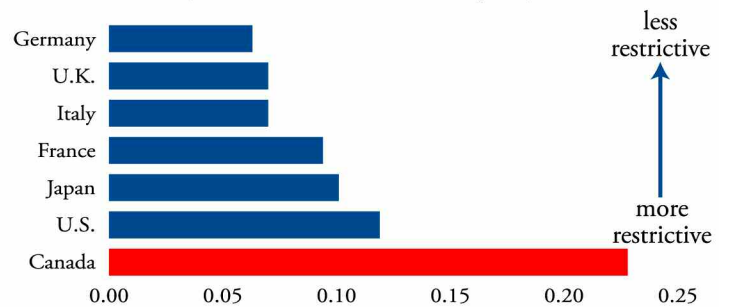
Abu Dhabi, May 8-10, 2007 > Attending **Cityscape 2007** is a widely recognized way for Canadian exporters to tap into the United Arab Emirate's residential and commercial property boom.

With many investment opportunities as well, it's no wonder many international firms are already securing contracts there.

Canada's restrictions on FDI tightest of all G-7 countries

The regulatory restrictions on foreign direct investment in Canada are tighter than in any other G-7 country, according to the OECD. The most restricted sectors are telecommunications and transportation—especially air transportation—as well as electricity. While this is broadly consistent with the regulations of other countries, where electricity, transport, telecommunications and finance are generally the most controlled, it is nonetheless an issue of concern. Foreign direct investment brings with it many benefits, such as new technologies and processes and increased competition—which helps drive productivity growth in Canadian companies. The purpose of regulation is to support clear policy objectives with a minimum of negative effects on the economy. With productivity being the long-run determinant of economic growth, and Canada's productivity performance lagging behind most OECD countries, revisiting foreign direct investment regulations could be one solution.

Regulatory Restrictiveness on Foreign Direct Investment (index: 1=closed, 0=open)



Data: OECD FDI Regulatory Restrictiveness Index (WP 2006/4), December

Provided by the Office of the Chief Economist, Foreign Affairs and International Trade Canada (www.international.gc.ca/eet). ◀

Canada will have a national pavilion at this year's event, which is open to firms in the architectural services, engineering design and property development sectors.

Last year, more than 23,000 people and 280 international exhibitors from 85 countries participated in this event.

For more information, contact Venky Rao, Overseas Representative for the Show Organizer, email: venkyrao@rogers.com, website: www.cityscapeabudhabi.com. ◀



ADVANCED MANUFACTURING TECHNOLOGIES

Amman, June 11-14, 2007 > JIMEX 2007 is the international machines and electro-mechanical equipment exhibition.

Contact: Golden Gate for Organization of Exhibitions, tel.: (011-962-6) 565-8501, fax: (011-962-6) 565-0085, email: goldgate@go.com.jo, website: www.jordan-fairs.com.

AEROSPACE AND DEFENCE

Ankara, May 22-25, 2007 > The International Defence Industry Air Fair is the only international fair in Turkey specialising in defence equipment and systems used by military land, naval and air forces, and also transportation and logistical support equipment used by all branches of the armed forces.

Contact: Commercial Section of the Canadian Embassy in Turkey, tel.: (011-90-312) 409-2753, or Levent Metinoglu, Overseas Fairs Group, tel.: (011-90-212) 886-6843, fax: (011-90-212) 886-6744, email: lmetinoglu@tuyap.com.tr, website: www.tuyap.com.tr.

AGRICULTURE, FOOD & BEVERAGES

Mexico City, June 5-7, 2007 > Agriculture and Agri-Food Canada and the Canadian Embassy in Mexico City is organizing a Canada pavilion at **Alimentaria Mexico**, one of the most important international food and beverage expositions in Mexico.

Contact: Dan Bristow, Foreign Affairs and International Trade Canada, tel.: (613) 944-7103, email: dan.bristow@international.gc.ca, website: http://ats-sea.agr.gc.ca/events/4089_e.htm.

MINING AND MINERALS

Toronto, March 7, 2007 > Discover a world of opportunities at Canada's biggest mining show organized by the **Prospectors and Developers Association of Canada**. Consult with DFAIT's trade commissioners from around the world and other experts from government and the private sector.

Contact: Odette Corbu, Trade Commissioner, DFAIT, email: odette.corbu@international.gc.ca, website: www.pdac.ca/pdac/conv/index.html.

MULTI-SECTOR

Amman, May 7-10, 2007 > This year's **Rebuild Iraq 2007** marks the fourth international exposition of its kind and will feature opportunities in building and construction, electricity, bridges and railroads, airports and seaports, telecommunications, water and sanitation, oil and gas, health, agriculture, education, security, information technology, and food and hotels, among many others.

Contact: IFP Near East, tel.: (011-962-6) 560-7900, fax: (011-962-6) 560-7904, email: info@ifpjordan.com, websites: www.ifpjordan.com.

OIL & GAS

Maracaibo, June 12-14, 2007 > The **Latin American Petroleum Show** is Venezuela's international oil and gas trade fair. The Trade Commissioner Service in Caracas will have a booth at this event and Canadian companies may wish to attend or provide material for distribution.

Contact: Canadian Embassy in Venezuela, email: crcas-td@international.gc.ca, tel.: (011-58-212) 600-3000, fax: (011-58-212) 600-3036, website: www.infoexport.gc.ca/ve.

Let us make the INTRODUCTIONS

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