

**Trade Barriers: New U.S. Government a Problem, But...
It Is Easier for Canadian Firms to Sell to the U.S. Government
than for Firms from TROC to Sell to Quebec**

**BDO Dunwoody Weekly CEO/Business Leader Poll
By COMPAS in *Canadian Business*
For Publication February 12, 2009**



**COMPAS Inc.
Public Opinion and Customer Research
February 12, 2009**

1.0. Introduction

In the wake of highly protectionist legislation being drafted in the Democratic party-controlled Congress, CEOs and business leaders on the COMPAS business panel were asked about emerging trade barriers. Key findings are:

- ❑ Rising concern about Obama unilateralism—almost as much concern as about unilateralism under George W. Bush;
- ❑ Concern about barriers to Canadian exports even if all the protectionist provisions in draft legislation were eliminated;
- ❑ Confidence that Canadian exporters would nonetheless encounter fewer impediments in the U.S. marketplace than would Western European exporters; and
- ❑ A belief that, even in the current protectionist environment, it is easier for Canadian companies to sell to the U.S. public sector than for TROC companies to sell to the Quebec provincial government.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.



2.0. Canadian Firms Somewhat Disfavoured in U.S. Public Sector—But Less than Western European Exporters and Less than TROC Firms Selling to Quebec Provincial Government

In the present protectionist atmosphere, Canadian firms can expect to encounter some barriers trying to sell into the U.S. public sector. This remains the situation even if the final stimulus package ultimately contained no protectionist measures according to the panel, as shown in table 2a. Nonetheless, the barriers faced by Canadian firms are modest compared to those encountered by Western European firms, as shown in table 2b. Canadian firms can expect to encounter more barriers selling to the U.S. government than to U.S. business, but less in both instances than Western European firms. Meanwhile, firms from TROC, the rest of Canada, can expect more difficulty selling to the Quebec provincial government than to the U.S. public sector, as shown in table 2b.

Table 2a: (Q2) If the final stimulus package ultimately adopted by Congress contained no protectionist measures favouring U.S. suppliers, do you think that Canadian suppliers competing for the U.S. public sector business would be... (in percent)

Strongly disfavoured compared to U.S. suppliers	2
Somewhat disfavoured compared to U.S. suppliers	53
On an equal footing	35
Favoured somewhat compared to U.S. suppliers	9
Favoured strongly compared to U.S. suppliers	0
Don't know or no opinion	1



Protectionism in Trade

BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication February 12, 2009

Table 2b: (Q3) On a 7 point scale where 7 means an equal footing compared to U.S. (or local provincial) suppliers and 1 at a strong disadvantage, in the present climate of opinion what score would you give...

	Mean	7	6	5	4	3	2	1	DNK
Barriers to Canadian and Western European Exports to the U.S.									
Canadian suppliers seeking U.S. private sector business	5.0	13	24	31	14	11	2	2	3
Canadian suppliers seeking U.S. government business	3.9	3	12	18	29	21	10	5	3
Western European suppliers seeking U.S. private sector business	4.1	5	11	16	34	20	8	2	5
Western European suppliers seeking U.S. government business	3.0	2	3	8	15	32	25	12	5
Inter-Provincial Barriers									
Ontario suppliers seeking Alberta public sector business	4.3	3	17	18	22	18	6	2	13
Ontario suppliers seeking Quebec public sector business	3.0	2	5	10	16	19	18	20	11
Alberta suppliers seeking Ontario public sector business	4.0	5	14	13	18	22	12	4	13
Alberta suppliers seeking Quebec public sector business	2.5	2	2	6	12	18	21	29	11
Quebec suppliers seeking Ontario public sector business	4.1	3	16	10	24	23	8	2	14
Quebec suppliers seeking Alberta public sector business	3.7	2	14	11	19	20	14	8	12



3.0. Rising Concern about Government under Obama

Prior to the recent election, the overwhelming consensus among panelists as well as Canadians as a whole was that Obama would usher in an era of more consultation and less unilateralism. Members of the panel are not so sure, as shown in table 3—36% see government under Obama as a greater threat to global harmony than government under George W. Bush.

Table 3: (Q1) In your estimation, are the U.S. Congress and White House today... (in percent)¹

A lot less of a threat to international harmony	28
Somewhat less of a threat	20
About the same	15
Somewhat more of a threat	25
A lot more of a threat to international harmony than during the Bush period	11
Don't know or no opinion	1

The following verbatims provide a nuanced sense of panel opinion:

North America, and especially Canada and the USA, is essentially one economy. The border does create problems as do politics. The best solution would be for the USA and Canada to integrate to a much higher degree than in the

¹ Question preface: Some experts are concerned about the strongly protectionist efforts of the Democratic majority in the U.S. House of Representatives and the resulting risks to global economic recovery. Some fear that the U.S. government as a whole is a greater threat to international harmony than was the U.S. government during the George W. Bush period.



Protectionism in Trade

BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication February 12, 2009

past. That means each would need to make concession in all aspects of our relationship to make it work.

Regardless of legislative authority, Canadian suppliers are at a disadvantage in competing for business in the U.S. in spite of a 20%+ currency advantage. In tough times the U.S. is protectionist in its dealings with foreign business.

Established business relationships will fare well but establishing new business in this climate will be a hard row to hoe. Whether Obama uses his executive powers to modify the legislation or not will not change the fact that the legislation reflects the sentiment of Americans at this moment in time.

America, the government in particular will tend to favor American companies (hence jobs), while working within existing trade agreements. Private companies are more likely to seek out the best deals they can, regardless of the country of origin of the supplier, in order to improve their bottom line.

All countries are becoming more protectionist as a result of the economy. The U.S. is no different. But, they like we, know 'our friends'.

Protectionist actions intensified and lengthened the depression of the 30's; do we learn nothing from the mistakes of the past?

If one can see past one's own nose and see the long term picture free trade with no government subsidies is the best way to go. Trade restrictions artificially imbalance the factors of production, encourage investments in the wrong areas; discourage investments in the more productive areas thus further exacerbating the problem.

Although many Canadians were captivated by Mr. Obama, if one rationally analyses the trade issues Canada would have been better off under the policies of a McCain administration.



Protectionism in Trade

BDO Dunwoody Weekly CEO/Business Leader Poll by COMPAS in Canadian Business for Publication February 12, 2009

That still would not have been ideal, but it would have been better than those of Obama and the ultra-protectionist Democrats. It is painfully obvious that the U.S. continues to approach NAFTA with an abundance of bad faith.

During difficult economic times there is usually a resurgence of protectionist sentiment in the U.S. which our government must be vigilant for and speak up against it. We must also be prepared to play hardball with them in the form of some type or reciprocating measure if they don't back down.

If Canadian prices are lower than those for similar products in the U.S., we'll get the business.

4.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted February 4 – 6, 2009. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=133 are deemed accurate to within approximate 8.5 percentage points 19 times out of 20. The principal investigator on this study is Conrad Winn, Ph.D.

