

# Canadian Leadership in the Global Economy – Today and Tomorrow

Address delivered by

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*Check against delivery.*



Good morning. Thank you, Neil. And thanks to Ed and the Public Policy Forum for the invitation. It's a pleasure to join you here for today's summit.

By any measure, Canada occupies an enviable position in the world today.

Our reputation is admirable. We are seen as an advanced, progressive and welcoming country – a safe and stable nation with a diverse population and workforce.

Our people are well-educated. We have the highest proportion of college and university graduates in the G7. The number of young people pursuing education in the STEM disciplines is rising faster than in other university programs.

Our natural resources are in demand. Canada is the world's fourth-largest oil producer – and holds the third-largest proven oil reserves on the planet. We have 10% of the world's forests. Other countries buy our gold, iron ore, potash, wheat, hydroelectricity and more.

And, our economy is strong. Unemployment is low. Businesses continue to invest in new hires. And, despite a bump in the road toward the end of last year, Canada's economy expanded by a reasonably healthy 1.8 per cent in 2018.

All in all, we can be proud of where we stand today. But that does not mean we should be satisfied. We are capable of more.

While we have a strong foundation and the resources to build for tomorrow, our success is not guaranteed in a world that is changing at an unprecedented pace.

Geopolitical trends have shifted significantly in recent years. Protectionism has re-emerged – and trade disputes have become more common.

Emerging economies are exerting more influence globally. They are driving demand for goods and services – but they are also competing with more established nations.

In this environment, the cost of missed opportunities is high. We can't afford to be reactive – and hope for the best.

To build Canada for the future – to ensure we grow and remain competitive – we need to think ambitiously and nationally in three key areas.

### **Taking a Portfolio View of Our “Family Business”**

First, we need to take a portfolio view of our national growth opportunities, especially when it comes to the infrastructure that will carry more Canadian exports to the world.

Let there be no doubt: To thrive and grow, Canada needs strong trading relationships – and stable, patient, long-term foreign investment.

This past year saw a rebound in foreign investment in Canada on the back of stronger investment in manufacturing – after what can only be described as a dismal 2017.

But challenges remain – and one area where that's evident is our energy sector.

In many respects, energy is like the “family business” for Canadians. Even if we don't work in it, we all benefit from it.

Today in Canada, there are multiple, big infrastructure projects in various stages of discussion and development. Each has its own challenges. Collectively they represent a significant opportunity for us to demonstrate to the world that Canada is a leader in energy.

Unfortunately, we don't think about these projects collectively, and that's a missed opportunity.

We have tremendous strength in natural resources, but we need to remember that it's a national strength – one that benefits from a national dialogue and approach.

You can look at pipelines in Alberta, Hydro in Quebec, and major projects in Newfoundland and Labrador – and very easily get caught up the details and nuances of each.

Or you can see them all as part of a portfolio of big initiatives – Canadian initiatives – that could help our country thrive on the global stage.

We spend too much time focused on our own regional issues – and too little considering the challenges faced by others.

When we built the railway across Canada, we joined a nation together. We created the foundation for our future success by looking beyond regional boundaries.

We've lost that sense of **mutual reliance**. In the energy space alone, we have a number of opportunities to rely on each other – using BC's hydro to power the oil sands, or using the power we generate in Quebec for Ontario and Eastern Canada.

*Canada has the potential to fuel the world with our natural resources. I can't think of another country as well-endowed with oil, gas, potash, uranium, timber, and fresh water. We need to focus on our common opportunity to position what Canada as a whole can offer globally.*

The potential benefits of this approach are real. Energy is a good example. The energy sector accounts for almost one million jobs directly or indirectly, and energy brought in over 11% of all operating revenues earned by governments in Canada.

There is an opportunity for future growth – if we can attract the investment we need, and if we can get our energy to markets beyond the United States.

But we can't expect to improve our position globally if we don't have our house in order.

As a country, we must find a way to balance our economic, environmental and security interests with the need to stay globally competitive and attract the capital that our country needs to drive growth. That means:

- creating a regulatory system that is effective but also efficient;
- clarifying rules on foreign investment and project approval; and
- demonstrating to the world that we can get big projects done.

To be clear, I'm not advocating that we say yes to everything on the table.

Environmental reviews must assess the full impact of each project. And Indigenous consultation must be part of the process.

But we need to have a clear framework to get our energy to the world in a way that makes Canada a good place to invest.

Let me take a moment to address the environmental aspect of this – because it's fundamental to both our global reputation and our responsibility to future generations.

As a world leader in responsible energy production, we help neither ourselves – nor the planet – when we seek to restrict Canadian energy exports.

Instead, we allow other countries to meet the growing demand – delivering oil, gas and coal that's produced with less stringent environmental standards.

Sustainable energy is in demand and we are leaders in producing it. We need to attract investment by leveraging these global credentials.

One solution could be to structure investment vehicles for institutional investors that not only recognize sustainable energy – but also support investments in technology and innovation in traditional energy firms who've made great strides in making the energy they produce more sustainable.

Innovative approaches to attracting capital and financing legacy businesses have worked before, as they have with the Mineral Exploration Tax Credit. We all benefit from this kind of thinking.

The point is: When it comes to building the infrastructure we need to bring our exports to the world, we can't have a series of siloed, regional conversations. We need to show our global trading partners that we have an interconnected view of our assets and our opportunities.

*Families are built on mutual reliance – working with each other for the greater good. We need to show the world that Canada takes the family business very seriously.*

## Growing the Fourth Pillar of our Economy

Second: As we manage our economy well for today, we also need to position ourselves well for the growth opportunities of tomorrow.

Here in Canada, the pillars of our economy have traditionally been our natural resources, our financial services, and hard assets such as real estate and infrastructure.

There's a fourth pillar – the new economy for services. And we're not doing enough with it.

We need to do more to position ourselves as global leaders in next-generation fields like clean energy, AI, design, consulting, and other service-based industries.

Right now, services account for roughly 17% of our total exports – compared to 33% in the U.S. and 45% in the U.K.

We clearly have room and opportunity to grow. As the world goes digital, our commitment to innovation and our well-educated workforce should position Canada to compete.

*But if we're going to succeed, we need two types of capital – intellectual capital which relies on immigration and education, and financial capital to fund businesses who want to start here and stay here.*

Intellectual capital comes from all of us – it's our collective ability as a nation to offer our expertise to each other and the world.

If we want to grow our intellectual capital, we need more immigration. That's not an opinion – it's arithmetic.

Back in the 1960s, women in Canada gave birth to 3.2 children on average. Today, it's 1.6. Couple that with an aging population and it creates a workforce gap that will only increase in the years ahead.

In response, Canada has increased immigration over the past several decades. In the 1990s, less than half of our population growth came from immigration. Today's it's 80 per cent – the most it's ever been.

But for our economy to achieve its full promise, we need to welcome more talented people.

Here's why: strong growth has delivered lower unemployment – but an increasing number of companies now say they can't find enough skilled workers.

According to the Canadian Federation of Independent Business, the rate of job vacancies in our country is at a record high. Their latest survey found that 430,000 jobs had been left unfilled for four months or longer.

When jobs go unfilled, that's a lost opportunity for companies – and for Canada. It serves as a de facto cap on GDP growth.

The top priority is further streamlining entry for high-level talent, including specialized workers and executives.

The Start-Up Visa program is a good start. This is an innovative and low-cost program. It connects select Canadian investors – like venture capital funds and business incubators – with immigrant entrepreneurs who are eager to start a business in Canada. As a part of the program, those who are admitted are given permanent residency.

We also saw a step in the right direction in the federal budget, when the government made permanent a successful pilot project: Global Talent Stream. It's designed to help a broad cross-section of firms access highly-skilled global talent in a timely fashion – on average, within four months instead of 12 as in the past.

As a result, more Canadian companies will now have better and quicker access to top talent.

We need to keep building on this momentum – and keep improving our ability to attract highly skilled workers.

We also need to make immigration more effective for Canada – and for newcomers themselves. That means doing a better job of recognizing credentials and abilities – for doctors, engineers and more – so new Canadians can more quickly reach their full potential.

As the son of a refugee and immigrant, and as a CEO, I understand the essential role newcomers will play in the Canadian growth story in the years and decades ahead.

Even as we expand immigration, we must do more to build intellectual capital from within. That means improving educational outcomes and better aligning skills with demand.

Among OECD nations, Canada has the highest share of university graduates earning less than half the median income. This suggests a disconnect between talent and opportunity.

The 2018 Business Council of Canada skills survey still found that more than 70% of employers felt that new grads had basic numeracy and literacy skills, but only 49% said the same about technical skills.

We need to do a better job of ensuring that students leave school ready and able to work in growth sectors – or in areas where we have a skills shortage. That's in their interests, and in the Canadian interest.

Our country's large companies are working with educational institutions to begin to address the skills gap. The Business Council survey reported that more than 80% of these firms are participating in co-op programs, internships, apprenticeships, hackathons, or other forms of work-integrated learning.

But the challenge keeps growing. By 2021 in the high-tech sector alone, as many as 220,000 high-skilled jobs will need to be filled.

Post-secondary institutions, governments and employers must collaborate more closely...

...so that everyone understands the skill sets and expertise that are needed today and will be needed in the future...

...so that we guide more students toward careers that will improve our standard of living and their own...

... and so that we better leverage our full workforce – including people with disabilities.

I can tell you that many of our bank's cyber security team graduated from community colleges, where they developed very specific skills that are in demand in today's workforce.

We need more students graduating with skills like these... and with a determination to further their education and training as their careers progress.

The proposed new Canada Training Benefit is a small step in the right direction – \$250 a year to put toward the cost of training. But there are other ways that government can help. One solution would be to expand the definition of what an RESP can be used to fund – not just post-secondary education, but personal retraining during the course of one's working life.

We also need to move away from the hierarchy in education between University and College programs. Especially in the new economy, one is not better than the other. Each simply offers a different path – and a different start to a lifetime of learning.

*We are aiming to create a virtuous circle. An education system that emphasizes in-demand skills, and a focus on attracting immigrants who can contribute in key sectors. Together, they help build Canada's economic advantage by driving growth in technology, sustainable resource development and more.*

That in turn inspires more top talent to come to Canada – and more students to follow the path to successful, high-paying careers.

This will help us build the intellectual capital that enables Canadian leadership in a modern, digitally enabled world.

We also need financial capital to help growing Canadian firms achieve scale in Canada rather than finding it outside our borders.

In recent years, Canada has begun to assert itself more confidently on this front. Venture capital investment hit new highs last year – more than \$22 billion across the country. That's higher on a per capita basis than VC investments in the United States.

But there's much more we need to do to build a truly Canadian advantage in this area.

Too many Canadian startups wind up leaving the country – and reaching their full potential elsewhere.

*We need to take steps to ensure that promising companies can start up and scale up – here in Canada.*

In the private economy, our new CIBC Innovation Banking business has seen strong early results supporting new economy companies, on both sides of the border, helping them fund the next phase of their growth.

We also need to provide incentives for companies to list here in Canada when they are ready to go public. Many small to medium-sized enterprises that go public in Canada lose tax credits designed to help them grow, or automatically enter a higher tax bracket which affects their ability to reinvest. We need to consider more supportive tax policies to encourage companies to list here, including a reduction in capital gains tax on IPOs.

At the same time, we should continue our investment in superclusters that encourage companies to grow and stay in Canada. And we need to help fund certain underserved groups by utilizing options like the Canadian Business Growth Fund, a \$500 million joint initiative by leading financial services companies to provide long term, patient, growth capital to promising mid-market companies.

Our country doesn't necessarily need more 40,000 person companies. We need more 1,000 and 2,000 person companies, especially in the services sector.

We should focus on greater diversity in our approach to funding. For instance, of the record sum invested by VCs last year, only 4% of it went to companies with female founders. That just won't cut it. We need to invest in firms with diverse leadership.

And we need to double down on our commitment to investing in artificial intelligence. Estimates suggest that fully 85% of companies will leverage AI by 2020.

We should acknowledge that as with many advances, some jobs in some fields will be rendered obsolete by AI – and by technological progress more generally.

But innovation also holds the potential to create new jobs – good, well-paying jobs in growth industries.

The stronger our talent base, the smarter our ideas, the more we control our own economic destiny. That is why our focus should be on strengthening the fourth pillar of the economy in the services sector, and better positioning Canada to do business globally.

### Getting More Exports to More Places...

I've talked about the importance of building infrastructure to support industries that drive our economy today – and the intellectual and financial capital we need to grow the new economy.

*In parallel, we need to address a third issue: today, we rely on too few exports to too few places – and that's creating risk for our country.*

We are a trading nation, but most of our exports don't travel very far. In fact, three-quarters of our goods go to the United States. The USMCA is a reminder of how much we still rely on one economy.

The good news is that over the last 10 years, Canada has negotiated and concluded 11 free trade deals around the world – giving us more access to global markets. On a political and strategic level, we understand the importance of diversification – and gaining a foothold in the growth markets of the future.

But thus far, we are not capitalizing on that opportunity. Even with improved access to markets around the world, we have not significantly diversified our trading partners globally.

Since 2000, other G7 nations have seen growth in trade volumes at a pace that is at least three times higher than ours. Emerging markets are growing their trade volumes eight times faster. At the same time, Canada's share of services in gross exports is lower than the average seen in other advanced economies.

The government has set the table by creating new opportunities in markets around the world. Now we need to leverage these opportunities.

Incentives may be useful as a short-term way to start the flow of goods and services to new shores.

I'm not talking about subsidizing goods themselves. This is about a strategic and targeted campaign to encourage companies to make investments in infrastructure, innovation and administration – the cornerstones of new market access.

A good starting point would be a dialogue between industry and government on the roadblocks to trade that still exist beyond the negotiation of new agreements. Our relationships with other nations, particularly where we have trade agreements that are underused, should focus on growing Canada's share of their imports.

*What's called for is a new kind Canadian diplomacy – commercial diplomacy – the strength of a middle power in this new era. I'm talking about diplomacy that goes beyond politics and focuses entirely on building business for Canada.*

The world sees us as good people – we need them to know we're also good business people.

In addition to skilled diplomats, we could leverage retired business leaders from major Canadian companies to serve as commerce ambassadors. We could take the skills and relationships that made them successful in running international businesses and put them to work for the entire country to open up new markets.

Getting global trade right is foundational to delivering economic benefits over the long term.

I said at the outset that we can rightly be proud of where Canada is today on the world stage.

We must now show the initiative and the ingenuity required to ensure that Canada remains a leader in growth and opportunity.

We need to focus on what's now – and what's next.

That means making the most of our natural resources today – while doing more to prepare ourselves and our country to thrive in an age of advanced technology and artificial intelligence.

It means building intellectual capital – bringing more skilled immigrants to Canada to address our current labour shortage – and better educating our people to meet the skills demands of tomorrow.

It means attracting financial capital to firms that are Canadian and want to stay that way.

And it means putting commerce into our world diplomacy.

Above all else, it means relying on each other across boundaries – both real and perceived – to further our national agenda.

To realize our opportunity, we must come together as one nation, thinking big, and showing that we are ready to be leaders in the global economy of tomorrow.

Thank you.