

**Everywhere you export**

**The Canadian Trade Commissioner Service**

# SPOTLIGHT

ON **GLOBAL VALUE CHAINS**



TCS



Global Affairs  
Canada  
Trade Commissioner  
Service

Affaires mondiales  
Canada  
Service des  
délégés commerciaux

Canada



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To illustrate this global trend, let's take a look at a Company X that is headquartered in Canada, has its research and development (R&D) function in the United States, manufactures its product in China using parts made in India, sells to the European common market, and offers after-sales service from Thailand. The firm in each geographic area specializes in one task, performing at a higher level than if one firm were to complete all activities. This process has been referred to as global supply chain management, globalization of business

processes, or simply global business development; however this phenomenon is professionally known as Global Value Chains (GVC).

For further information and resources on globalization, the growth of GVCs and other steps involved in the exporting process, refer to the TCS's [Step-by-Step Guide to Exporting](#) which includes a special section in step #2 dedicated to *Globalization: Linking to global value chains*.

**Globalization:** Refers to the growth of international trade and capital flows between integrated world economies.

are all business processes which most firms consider to be integral aspects of their business strategy. Corporate services act as support mechanisms for these core processes.

**Global Value Chains:** A value chain is established when firms outsource functions of their company to other countries. If business activities occur outside a single geographic location, usually a country, it is referred to as a GVC.



## Access Existing GVCs

In order to reach an international market, your business can access an existing GVC, where you can:

### TIP:

**Trade Commissioners** at your desired Regional Office will know who to contact to provide you with an opportunity to do business with an MNE, through procurement or supplying to subsidiaries.

- **Provide intermediate input** – Consider contacting the procurement division or partnering with subsidiaries of a multi-national enterprise (MNE), rather than the MNE itself.
- **Produce a niche product or service** – Have a unique or innovative product or service, as it will make your organization a desirable partner in the international marketplace (there has been a rise in the service sectors such as finance, information processing, telecommunications, logistics, and law).
- **Supply to multiple clients** – Sell your product or service to multiple enterprises and receive a steady income from separate GVCs.



### Market Highlight: Canadian Suppliers and CETA

The Canada – European Union: Comprehensive Economic and Trade Agreement ([CETA](#)) provides Canada with preferential access to the world's second largest economy and Canada's second largest trading partner after the US. Given the opportunity for international growth for Canadian companies, there's an extensive section on Government Procurement in Chapter 19 of the Agreement. Canadian and EU suppliers are equal competitors on both parties' government procurement activities. Take advantage of the lower tariffs and increased benefits, and export to Europe.





- **Importance of Supplier Diversity** – *“We promote better access to financing, technology, and training facilities that help improve the capacity of micro, small and medium enterprises to integrate into **sustainable and inclusive global supply chains.**”*

– G20 Leaders’ Declaration, Shaping an interconnected world, Hamburg 2017.

– Supplier diversity is also going global and diverse companies are reaping the benefits worldwide.

Supported by the twenty (20) participating countries of the G20 Summit, among many others, companies owned by minorities that have been traditionally underrepresented in supply chains have a unique advantage. Your enterprise will have market-access opportunities to supply goods or services to major corporations, if it is owned (and staffed) by women, minorities, indigenous peoples, or someone that identifies as GLBTQ.





- ## Market Highlight: Why Supplier Diversity?

Supplier diversity offers important opportunities to create wealth and employment for underrepresented communities in the supply chain, such as women, indigenous peoples and minority communities. Many large corporations pledge to hire a diverse range of suppliers from pre-certified lists. It instills a positive perception in the community regarding your corporate social responsibility level, as well as guarantees your company has access to qualified diverse suppliers. Some of these inclusive corporations are: CISCO, the Coca Cola Company, IBM, Toyota, and UPS. (Reference source CAMSC)



## Expanding Your Company's Current Value Chain

If your company is interested in developing its own GVC, it is important to do it properly to avoid a financial deficit.

The TCS can help your organization understand the dynamics, culture, government regulations, and demographics of the market you are considering. Some strategies your company can use to add international components to your existing value chains include:

- **Joint Ventures and Strategic Partnerships**

- **Joint Venture** – A partnership where each business contributes capital to a newly created entity that they operate either together or through a separate management structure which is accountable to the parent companies.

- **Strategic Partnerships** – Similar to joint ventures, but are more flexible, allowing the companies to create a mutually beneficial partnership plan.

- **Canadian Direct Investment Abroad (CDIA)** – Acquiring a foreign company for their production network or building an overseas facility for access to a new market.
- **Foreign Direct Investment (FDI)** – Attracting investment from a foreign firm to leverage their assets such as capital, research, and products or services.



- **Outsourcing**

- **Sourcing intermediate inputs** – such as raw materials, components, sub-systems, and other goods and services from outside suppliers who offer the most attractive product (domestic or foreign).
- **Delegating select business processes** – to third-party vendors who can perform the task cheaper, better and/or faster than your firm could itself. This approach moves beyond efficient sourcing to address business process inefficiencies which may be limiting your firm's success.

- **Offshoring** – Moving internal business processes to locations outside of a company's domestic headquarters in an effort to lower costs or take advantage of other local strengths, such as labour talent. The processes remain under complete control of the company, however - these facilities are simply located in a different country.

		Ownership	
		Within the Firm	Outside the Firm
Nationality	Within the Country		Domestic Outsourcing
	Outside the Country	Offshoring	Offshore Outsourcing

*Figure 2: Offshoring vs Outsourcing in Canada*



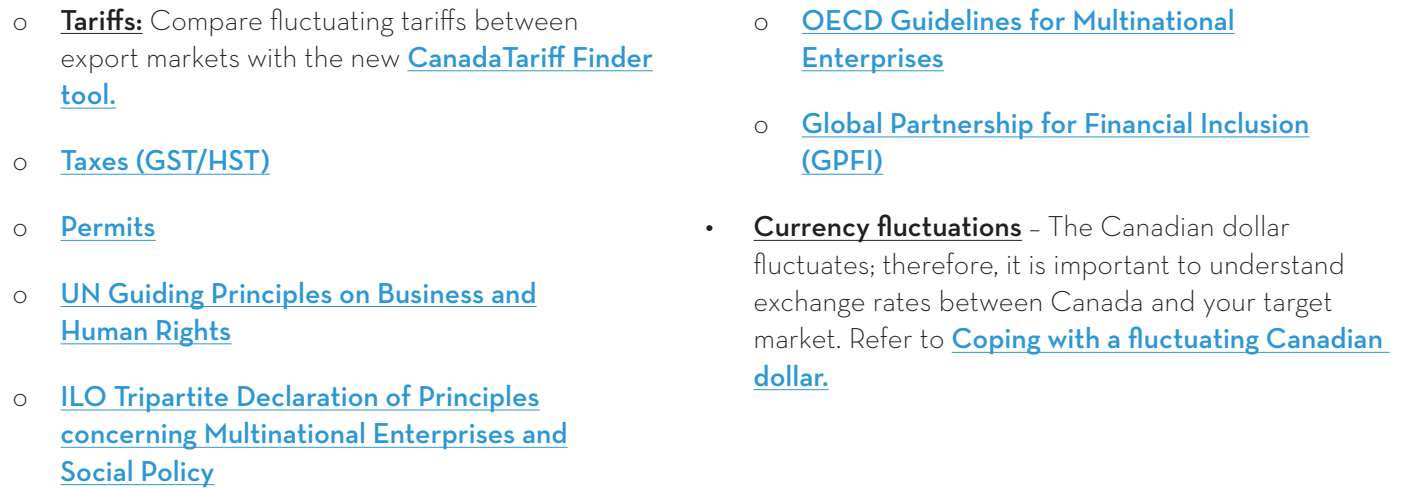


## GVC Requirements and Regulations

Trade Commissioners located around the globe can help you navigate business challenges.

Expanding your operations to a new country may be profitable for your enterprise, especially with the growth of Global Value Chains through globalization. It is critical, however, to be aware of requirements and laws associated with that practice:

- **Legal Requirements:**
  - **Sanctions and Export Control:** Be aware of sanctions and export control issues. Some parts of your value chain may cause sanctions to be applied to you by association, for more information see [Export Controls \(Global Affairs Canada\)](#).



**TIP:**

The top obstacles organizations face regarding GVCs include:

Distance to Producers	Tariffs and Taxes	Distance to Customers	International Standards
Identifying Providers	Foreign Legal or Administration	Concerns of Employees	Social Values
Language or Culture	Lack of Management Expertise	Lack of Financing	Intellectual Property (IP)



# Are you export ready?

The [Step-by-Step Guide to Exporting](#) will help you to:

- **Sell to more customers.** Target global buyers online.
- **Enter more markets.** Leverage the benefits of free trade.
- **Save time & avoid risks.** Learn the legal aspects of trade.

Download this free guide and gain access to all TCS export publications through [MY TCS](#).



## Access these additional resources:

The TCS and partner organizations have programs, services and tools that can help your company access GVCs opportunities. These include:

- Canadian Trade Commissioner Service (TCS)
  - [Linking In to Global Value Chains: A Guide for Small and Medium-Sized Enterprises](#)
  - [Supplier Diversity - What You Need to Know](#)
  - [CanadExport: Climb Up the Value Chain \(Podcast\)](#)
- Export Development Canada (EDC)
  - [Study: Chasing the Chain: Canada's Pursuit of Global Value Chains](#)
- Business Development Bank of Canada (BDC)
  - [How your business can tap into global supply chains](#)
  - [How small businesses can play in the big leagues](#)

# Trade Commissioners are on-the-ground in more than 160 cities in Canada and worldwide.

The Canadian Trade Commissioner Service (TCS) is gaining market intelligence and insight, and uncovering opportunities for Canadian companies.

Our export experts can help your company:

- Prepare for international markets
- Assess your market potential
- Find qualified contacts
- Resolve business problems

 [tradecommissioner.gc.ca](http://tradecommissioner.gc.ca)

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