

Opinion

Tariffs aside, U.S. looks north for suppliers

TRADE MINISTER SUGGESTS CANADIANS SEARCH FOR INTERNATIONAL PARTNERSHIPS

By: Martin Cash

Posted: **11/30/2018 3:00 AM** | Last Modified: 11/30/2018 6:18 AM



WAYNE GLOWACKI / WINNIPEG FREE PRESS

CME vice-president Ron Koslowsky said U.S. manufacturers are struggling in part because of the cost of materials.

Considering the frequency of trade dispute flare-ups and tariff spats and protectionist rhetoric around the world, it would not be hard to imagine that these must be tough times for Canadian manufacturers.

This week's announced closure of the General Motors plant in Oshawa shone a spotlight on the vulnerability of even a seemingly unassailable industry like the auto sector of Southern Ontario.

With steel and aluminum tariffs and counter tariffs jacking up costs for so many manufactures on both sides of the border and the increasingly overt protectionist strategies of the Trump administration, the Canadian government's campaign to encourage trade diversification makes a lot of sense.

Earlier in the week, International Trade Diversification Minister Jim Carr spoke in Winnipeg, essentially to encourage the troops to get out there and find overseas customers rather than continuing to rely on the low-hanging fruit just south of the border. The annual trade summit held by the Manitoba chapter of the Canadian Manufacturers and Exporters on Thursday was ostensibly about promoting global trade.

But, even with that backdrop, the most obvious takeaway was doing business in the U.S. is just too hard to ignore.

And despite the "trade war" rumblings and constant anti-global trade rhetoric from the U.S., local manufacturers are finding, new opportunities in the U.S. whose economy, by all accounts, is running pretty hot these days.

Last year, Manitoba's 2,400 manufacturing companies produced the third consecutive year of record exports. That's not to say Manitoba companies are immune to the economic climate of the day, but anecdotally, that trend is continuing.

However, it does take some flexibility and adaptation to make it work.

"The last 12 months have shown us that global trade and local sales are directly linked; from international political changes and trade agreements to the use of disruptive technologies. Learning to adapt, to plan ahead and to prepare your teams for success is a must," said Gustavo Zentner, a CME official and chairman of the trade summit.

Part of the trick is being able to capitalize on gaps in the market. One of those opportunities these days seems to be the fact that, again, despite the rhetoric, U.S. manufacturers are struggling to find workers

"There are capacity issues in the U.S.," said Chad Brick, president of the Eastside Group of Companies.

For example, Eastside Industrial Coatings & Composites division has been a supplier of fibreglass parts to the Arctic Cat plant in Thief River Falls, Minn. for some time.

Last year, electronic-component manufacturer Digi-Key Electronics started building a massive expansion with plans to create over 1,000 new jobs in the same Minnesota town.

Brick said among other things, that has created intense competition between the two companies to attract and retain employees. For the Eastside companies, it has meant the opportunity to bid on even more work and added increasing value to the parts it ships there, taking advantage of the opportunity brought on by labour shortages in northern Minnesota.

CME's Manitoba vice-president Ron Koslowsky said his members are telling him U.S. manufacturers are struggling, for two reasons.

"Their input costs are rising... steel and aluminum are going up in price because of the trade war with China," Koslowsky said. "And secondly, they cannot find labour to manufacture... and somebody wants to put up a wall to protect labour? They are finding they cannot deliver and they're looking to us and others to help them. It is a bit of an ironic situation."

So, while the protectionist political rhetoric might suggest that it would be getting harder for Canadian companies to sell into the U.S., the reality is they may actually need Canadian suppliers more than ever.

"In fact, it is getting easier and easier for Canadian companies to go to the U.S.," Zentner said. "There's one thing being said in the media, but business is business. U.S. companies are finding out that a Canadian company can be a reliable supplier or partner."

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Martin Cash has been writing a column and business news at the Free Press since 1989. Over those years he's written through a number of business cycles and the rise and fall (and rise) in fortunes of many local businesses.

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HISTORY

Updated on Friday, November 30, 2018 at 6:18 AM CST: Adds photo

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