From a public policy perspective, a rationale appears to exist to support the participation of Canadian exporters in GVCs through measures that support the conversion to electronic documentation and payment systems and that stimulate the availability of SCF solutions for firms that would like to obtain them. Working in collaboration with Canadian financial institutions, Export Development Canada (EDC) already provides some forms of SCF support, particularly in respect of the auto sector where supply chain financing has been used for many years. Given current market conditions for SCF in Canada, EDC is presently examining various ways to facilitate access to SCF in order to safeguard Canadian exporters' current and future participation in GVCs. Injecting liquidity into supplier payment programs put in place by global SCF banks (who are typically eager to transfer risk off their balance sheets) could be one way to encourage these banks to overcome their reluctance to include Canadian suppliers in supplier payment programs developed for GVC anchors.

Better supporting Canadian upstream GVC suppliers

Most SCF solutions today are enacted between GVC anchors and their direct (i.e. tier 1) suppliers. Given the limited number of Canadian GVC anchors, any significant SCF growth in Canada will need to take place through the tapping, by banks and technology service providers, of new segments along the financial supply chain. One of these segments is non-investment grade Canadian exporters.[40] Making supplier payment programs available to non-investment grade exporters in Canada would improve the efficiency of their financial supply chains and help them consolidate their position within the GVCs in which they participate. Another segment is Canadian sub-suppliers (i.e. suppliers more than one step removed from the Canadian exporter). Increasing the offer of SCF solutions to Canadian sub-suppliers could play an important role in enhancing the competitiveness and stability of Canadian segments of GVCs by improving small Canadian suppliers' access to capital.

Improving financial flows within all portions of GVCs may soon become the next frontier that helps further enhance GVC collaboration, effectiveness and cost control objectives. Canadian banks are well-positioned to deliver SCF solutions to non-investment grade Canadian exporters and to lower tier Canadian suppliers since they act, in the majority of cases, as their primary bank. However, as previously outlined, many factors currently restrain the appetite of Canadian financial institutions with regards to SCF. Enhanced collaboration between Canadian banks and global banks, technology service providers and credit insurers could make it easier for Canadian banks to offer SCF solutions to non-investment grade Canadian GVC members. For instance, a large number of global banks license their SCF technology. To reduce the costs of implementing an SCF program, Canadian banks could look at leveraging those infrastructures which are expensive to develop, maintain and upgrade. Another example might be for Canadian banks to work more closely with credit insurers in order to mitigate their exposure to non-investment grade Canadian GVC participants. Unfortunately, cooperation of this nature is unusual in today's marketplace which is why a public policy response may be warranted in order to help address these gaps. The issue of financing gaps in Canada and how SCF solutions could help fill some of these gaps is explored in the next section.

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[40] Some non-investment grade Canadian exporters can represent good quality credits. They may just be too small to be rated, thus officially making them non-investment grade.