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Chair: The Honourable Judy A. Sgro



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• (1540)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I'm calling the meeting to order. This is meeting number 68 of the Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Therefore, members are attending in person in the room and remotely using the Zoom application.

I'd like to make a few comments for the benefit of our witnesses and members.

Please wait until I recognize you by name before speaking. When speaking, please speak slowly and clearly. For those participating by video conference, click on the microphone icon to activate your mike. Please mute yourself when you are not speaking. With regard to interpretation, for those on Zoom, you have the choice at the bottom of your screen of floor, English or French. For those in the room, you can use the earpiece and select the desired channel.

As a reminder, all comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, use the "raise hand" function. The clerk and I will manage the speaking order as best we can. Please also note that there is no permission to take pictures in the room or screenshots on Zoom.

Should any technical challenges arise, we will suspend in order to ensure full translation for everyone.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Friday, November 25, 2022, the committee is continuing its study of non-tariff barriers in Canada's existing and potential international trade agreements.

Before I go to our witnesses, Monsieur Savard-Tremblay, do you have your hand up?

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): I have the proposed schedule. Rumours suggest that the House will no longer sit after a certain date, but those remain rumours. Officially, according to the calendar, the House will adjourn on June 23. So I don't see why we would decide to shut down this committee. I have inquired with members of other committees, and they will have activities until the last week.

[English]

The Chair: Thank you.

Mr. Seeback.

Mr. Kyle Seeback (Dufferin—Caledon, CPC): I think I have at least a partial solution.

I think we should do the softwood lumber study that Mr. Savard-Tremblay wants us to do. We can put that on the calendar. That would certainly take up a meeting. I don't know how many we've put on the calendar for that. It's one or two, or something like that.

That's what I would say would be the solution to that.

The Chair: All right.

That is the only outstanding issue we have, so we could certainly accommodate that request.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Generally speaking, we don't lose anything by scheduling meetings anyway. If the House stops sitting, we will postpone the meetings until the fall, as is the custom. The fact remains that we should not assume that the House will no longer sit starting on— If we see that there are no more meetings on June 15—

• (1545)

[English]

The Chair: The reality is that it never is, unless it's going to change this year. However, if it continues to be 30 and 32 and 34, then it probably won't.

The issue when you get down to those last days is that there are usually a tremendous number of interruptions. When you have witnesses coming to appear before the committee—as we do today—then you have to quickly cancel them because suddenly the House is closed. Those last few days become pretty variable for a variety of reasons.

We are attempting to clean up what we have on our plate. We don't want to start something new in the last days of the House sitting.

Mr. Cannings.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): I've been here for only seven or eight years and the House has never risen as early as the 15th. It's always risen a couple of days early, but not a couple of weeks early.

Let's not book anything for the last Thursday, but I think we should plan at least to the last Monday.

The Chair: You'd like to ensure that we continue on until the 19th.

Let's see what we have on our agenda. I believe softwood lumber is the only outstanding issue that we have at the moment. Let me review the agenda. We can discuss this further at five o'clock when we go into committee business.

Is that okay with everybody?

Some hon. members: Agreed.

The Chair: All right. Thank you.

We'll go on to our guests here.

Today, as an individual, we have Omar Allam, expert, global trade and investment. From the Canada West Foundation, we have Carlo Dade, director, trade and investment centre; and Sharon Zhengyang Sun, trade policy economist, trade and investment centre. From CropLife Canada, we have Émilie Bergeron, vice-president, chemistry; and Gregory Kolz, vice-president, government affairs. From Magellan Aerospace Corporation, we have Rushi Ghadawala, manager, business development, by video conference.

Welcome to all of you. We appreciate your taking time to be here.

We will start with opening remarks and then a round of questions.

Mr. Allam, I invite you to have opening remarks of up to five minutes, please.

Mr. Omar Allam (As an Individual): Thank you, Madam Chair and committee members, for this opportunity.

My name is Omar Allam. I am here today as an individual with 20 years of international business, public sector, diplomatic, World Bank and global trade consulting experience that spans the North American, European, African and Asian markets, in addition to having worked in emerging markets such as China, India, Saudi Arabia and Qatar, to name just a few.

Today our country faces important questions with respect to international trade policy, investment and competitiveness. We need clarity regarding our strategic goals and priorities in the global economy. At the same time, we need to urgently align our trade policy with domestic policies as well as choices on climate change, innovation, immigration, labour markets and regulations.

Over the last two decades, Canada has chosen to pursue international trade at varying degrees, and we've seen Canada continue to use various tools at its disposal to counter non-market practices and to defend Canadian jobs.

However, even with free trade agreements in place and the hard work of Canada's international trade portfolio and the broader trade ecosystem, Canadian exporters continue to face the same fundamental challenges, and I really want to focus on the lack of financing and capital for the Canadian companies that are doing business globally, because we're losing out on major global business oppor-

tunities in probably every market in the economy. Nevertheless, there's always room for improvement, and there are a number of areas that can be addressed.

The immediate focus for Canada should be a new international trade and investment strategy that maps out export and FDI priority markets and sectors. The traditional approach of reducing tariffs and dealing with trade barriers no longer works. When it comes to strategic tactics and trade policy, we need to do things differently.

Canada should continue to promote its trade policies as a means of complementing the multilateral trading system through strategic trade and economic partnership agreements that go beyond FTAs. We need to reorient towards these types of trade partnership models with key trading partners. This can in turn resolve trade barriers and, as well, get market access commitments. Moreover, countries such as the U.K., Japan, Singapore, Australia and the EU are all pursuing similar partnership arrangements. For example, the U.K. signed a state-level trade agreement with Oklahoma, and this is the fourth such agreement between the U.K. and an American state.

Moving to concessions, when designing and negotiating these types of trade partnerships, we need to be smarter about concessions in return for greater access to markets of interest to Canadian companies. For example, countries may want access to Canada's natural resources—critical minerals, for example, and renewables, LNG, etc. This gives Canada a greater incentive at the negotiating table and room to manoeuvre in terms of improving market access. Canada may also seek foreign investment from a given country to support economic diversification or commitments related to defence, security or foreign policy.

Canada can also ask for preferential market access in exchange for these types of concessions that trade partners are looking for. For example, Canada can ask for market access and the removal of non-tariff barrier measures from country X. We can fast-track approval of foreign takeovers or investments in critical infrastructure projects from a foreign company with strategic interests. Having said that, I would also propose concessions with some hooks, such as, the head office needs to be in Canada for x number of years in order to gain access to natural resources.

There's also a lack of trade finance, which is a significant non-tariff barrier to trade. To date, the Canadian government offers a broad array of financing and tools to support Canadian businesses in their international business pursuits. Financing for these activities falls short of our competitor countries.

Let's take the infrastructure sector as an example. The government's ability to assist companies to compete in infrastructure development or exports in the infrastructure sector in global markets is challenged by early-stage financing. The key issue is government financial support to help de-risk Canadian investments in foreign markets. This is what the U.S. is doing.

• (1550)

In closing, regardless of political stripe, Canada cannot keep up with the rapidly evolving and changing trade landscape and the highly competitive geopolitical economies of tomorrow. We need to think creatively. We need to act now. We need to put significant resources behind this now.

Without significant action, Canadian companies will continue to fall behind competitors and we will miss out on opportunities. The risk of inaction is too high.

Thank you for your time. I look forward to answering your questions.

The Chair: Thank you very much.

We'll move now to Mr. Dade and Ms. Sun.

You have the floor for up to five minutes. Go ahead, please.

[*Translation*]

Mr. Carlo Dade (Director, Trade and Investment Centre, Canada West Foundation): Thank you, Madam Chair and members of the committee.

[*English*]

For 50 years, the Canada West Foundation has been the public policy research, dissemination, education and advocacy organization for the four western provinces. Our mission has been and remains the creation of a strong west in a strong Canada.

As part of that mission, and given the economic portfolio of Canada and especially the western provinces, a lot of our work touches on areas of investigation and responsibility for this committee.

Today I am going to draw lessons from one example of such work. We've undertaken a two-volume study of the impact of non-tariff barriers with China and how to resolve those issues. My colleague Sharon Sun, our trade economist, did the quantitative work and the analysis along with me on this study. She's here to answer in-depth questions on those two points.

You have one of the appendices, I believe, from the study, which was given in advance.

Before I get into the lessons of the study, I will mention that we listened to the 15 hours of testimony you've had, and we have tailored our remarks to fill in some gaps in things that others touched upon but did not necessarily go into in depth.

Very quickly, there are two other items we are working on that will come to this committee's attention. One is the Indo-Pacific strategy. We are working with the western provinces to develop a western response to the strategy. We've convened or helped to facilitate a meeting of prairie trade ministers, and that work is continuing.

On the ability to move goods to market, two-thirds of our nation's income comes from moving goods in and out of the country, yet we have dropped from being in the top 10 in global infrastructure rankings to being 32nd, one place above Azerbaijan. There is a national coalition—the Canada West Foundation has done the research—that has a solution to this problem. That solution is supported by the Business Council of Canada, the Canadian Chamber of Commerce, the Canadian Construction Association and the premiers. The call for this solution, a national plan for trade infrastructure, will be on the agenda of this summer's meeting of the Council of the Federation, so I'll flag that for you as something that is coming that may be of interest to the committee.

On the study at hand, after listening to the other testimony, we have two points from our research and three recommendations for the study—not for the government but for the study.

Point number one is that, if you look at what the Americans have done with the U.S.-China phase one trade agreement, there is something completely new and unprecedented on the table in terms of what the Americans are using to resolve or eliminate—in a way we just haven't seen before—non-tariff barrier issues that they face with China. The appendix we shared with you shows Canadian issues, the American equivalent and what the Americans have done to completely eliminate the issue. I'm not going to go into depth in the opening remarks, but we're happy to talk about that during questions.

The second point is that, where Canada has had success in dealing with non-tariff barriers, that has not necessarily been through legal texts and trade agreements. Those are necessary but not in and of themselves sufficient to managing non-tariff barrier issues. If you take our experience with the United States, as good as our negotiators are—as clairvoyant as they are—they are not as creative as the forces in the U.S. are at seeking to exploit rules to create non-tariff barriers.

We maintain an active political presence in the U.S.—not just the Prime Minister, not just each premier making five or six trips to the U.S. and not just MLAs spending summers with their counterparts in state legislatures at the U.S. Council of State Governments. Our good friend at Economic Development Lethbridge was just telling me about his trip to the Montana economic developers meeting, at which they were looking at him and saying, “What are you doing down here?” His response was, “I’m doing my job, which is keeping an eye on your guys.” Who’s going to be an ally in the future? Who’s going to cause problems for us? In the U.S., we’ve invested an inordinate amount of time, resources and money on non-tariff barrier issue prevention and mitigation.

● (1555)

The other approach we’ve taken is the development angle. In China, from 1983 to 2003, the Canadian International Development Agency invested \$117,765,792 in agricultural development projects. Yes, this reduced poverty and led to increased production in China, but it also brought Chinese officials to the Prairies and New Brunswick, where they met Canadians and lauded their practice. They saw, first-hand, our phytosanitary measures. We trained cadres and generations of officials in China. When China wrote their fertilizer regulations, they didn’t ask the Americans or the Europeans. They asked us to sit at the table to help them write their regulations.

Ladies and gentlemen, if you want to prevent non-tariff barrier issues, you can’t do much better than helping to write the regulations in that country, or having officials in that country trained in Canada. However, after 2003, we dropped that and lost this capacity. I think it certainly would have helped during the canola issue—having those ties.

I’ll conclude with my three recommendations.

With the Indo-Pacific strategy, there is a proposal for the creation of an agricultural office. That office must focus on surviving market access—not gaining more market access but surviving the access we have. We have market access in the U.S. for beef. We had it in China for canola. We need to invest the resources to make sure we can survive. That means bringing officials to Canada and playing the long game for non-tariff barrier issue resolution—not solving it like Whac-a-Mole for each issue but investing in long-term capacity to pull the plug on the Whac-a-Mole machine, if I can use that analogy.

The other issue is looking at the experience of other countries. We did that with Australia and Brazil.

Finally, think about the U.S. example. It may not apply to us, but that doesn’t mean we can’t consider it. Think about what we can use in there and how it’s changed the game.

The Chair: Thank you very much, Mr. Dade.

Ms. Bergeron and Mr. Kolz, the floor is yours for up to five minutes.

● (1600)

Mr. Gregory Kolz (Vice-President, Government Affairs, CropLife Canada): Thank you very much, Madam Chair.

Good afternoon, and thank you for granting CropLife Canada this opportunity to participate in your study on the impact of non-tariff barriers on existing and potential international trade agreements. My name is Greg Kolz and I am vice-president of government affairs at CropLife Canada. Joining me today is my colleague Émilie Bergeron, vice-president of chemistry.

CropLife Canada is a national trade association that represents the manufacturers, developers and distributors of pesticides and plant-breeding innovations. Our organization’s primary focus is on providing tools to help farmers be more productive and sustainable.

As you may be aware, Canada is the fifth-largest agricultural exporter globally. We produce some of the highest-quality and most sought-after products in the world. Global food insecurity continues to be an enormous challenge, and we believe Canada is and can be part of the solution. The world needs the food and feed that Canadian farmers produce. In turn, Canadian growers need predictable, transparent and science-based trade rules to get our products to market.

Unfortunately, despite the multiple free trade agreements to which Canada belongs, non-tariff barriers continue to impact Canadian producers. Whether it’s the lack of predictability and timeliness for the approval of biotechnology crops in export markets, or the adoption of non-scientifically driven policies on pesticides, many of these challenges have already been brought to the attention of this committee by our colleagues from other agricultural groups.

[*Translation*]

We share the view that all future free trade agreements signed by Canada must include provisions on agricultural biotechnology, as do the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Canada-United States-Mexico Agreement, and contain text to address trade issues related to differences in pesticide regulations.

Today, we would like to discuss with you a new non-tariff barrier that could set a dangerous precedent and undermine the entire global agricultural trading system.

I will ask Ms. Bergeron to explain this issue in more detail.

Ms. Émilie Bergeron (Vice-President, Chemistry, CropLife Canada): On March 7, the European Commission adopted new regulations that will allow for changes to the maximum residue limits for pesticides because of environmental concerns. This is a major departure from the internationally recognized scientific approach to establishing maximum residue limits.

If left unchallenged, this unilateral and unprecedented decision by Europe will have a significant negative impact on how Canada and other agricultural producers around the world operate within their borders and on how agricultural products are marketed globally.

[English]

As the name suggests, MRLs are the maximum allowable amount of pesticide residue that can remain on a crop when the product is used according to the approved label directions. MRLs are established following rigorous safety assessments by competent national authorities.

In Canada, Health Canada is in charge of completing these assessments and setting Canadian MRLs. There is an international standard-setting organization called the Codex Alimentarius Commission, Codex, for short, which sets scientifically based, internationally agreed upon standards to facilitate trade. Like Canada, the EU is a member of Codex, but their recent regulatory changes directly contradict the international consensus on MRLs.

The EU has openly stated that they are trying to create a level playing field for their farmers. In other words, if they ban a pesticide in the EU, regardless of the reason, they want to make sure that none of their trading partners have access to it either. This unilateral approach disregards the rigorous scientific process that is used to evaluate pesticides and set MRLs and is a direct effort by Europe to impose its domestic policies on countries like Canada.

Canadian farmers are faced with enormous challenges in growing more food more sustainably to feed Canadians and the world. We cannot allow ideologically driven approaches out of Europe to dictate which tools and technologies Canadian farmers have access to. Both CETA and the World Trade Organization call for any regulatory measures to be based on science and forbid unjustified barriers to trade. It is our view that by adopting this regulation, the EU is not meeting its trade obligations.

Mr. Gregory Kolz: With this in mind, we recommend that the federal government engage at all diplomatic levels to make Canada's objection to the EU's unilateral approach to MRL setting clear and unequivocal.

In addition, we strongly encourage the government to consult with agricultural stakeholders across the country and engage relevant departments to explore the merits of a WTO challenge.

Thank you, Madam Chair. We would be pleased to answer any questions the committee may have.

• (1605)

The Chair: Thank you very much.

Mr. Ghadawala.

Mr. Rushi Ghadawala (Manager, Business Development, Magellan Aerospace Corporation): Thank you, honourable Madam Chair, for the opportunity to participate in this important work undertaken by the Standing Committee on International Trade: its study of non-tariff barriers in existing and potential trade agreements.

My name is Rushi Ghadawala, and I'm in the business development group at Magellan Aerospace.

Magellan is a global aerospace company that provides complex assembly and system solutions for aircraft and engine manufacturers and for defence and space agencies worldwide. Magellan designs and manufactures aeroengine and aerostructure assemblies and components for aerospace markets, and advanced proprietary products for military and space markets. It provides engine and component repair and overhaul services worldwide. Magellan is a public company whose shares trade on the Toronto Stock Exchange, with operating units throughout North America, Europe and India.

The aerospace and defence sector that Magellan works within is highly regulated with ever-increasing layers of regulatory and security-related requirements. These requirements add to the complexities of the global trade environment. It is important to recognize and address potential barriers in order to progress Canada's aerospace and defence industry globally.

Magellan has a long-standing history of innovation, technological expertise and international collaboration. Our successes, in many cases, have been through the partnership that exists between government and industry. While working on various opportunities, Magellan has recognized a number of aspects that impede the progress of these opportunities and restrict the ease of doing business with major international partners, particularly in the defence and space sectors. Endorsing Canadian-developed solutions by purchasing them domestically has been a tremendous benefit to the Canadian industrial base in the past. This practice needs to be built on, going forward.

The clause in the Canada-European Union Comprehensive Economic and Trade Agreement—or CETA—that permitted European companies access to procurement opportunities within Canada did not provide equal opportunity between Canada and Europe. The removal of this access—since we last sat in September 2022—is a positive step towards levelling the playing field through market access. The European market can be accessed through direct mission collaboration with European counterparts.

Similarly, the bilateral trade agreement between Canada and the USA, the Defence Production Sharing Agreement, has not been as effective in recent years as it was in the past. The agreement exists to allow Canadian companies to participate in the production requirements related to defence in U.S. government opportunities. The Canadian space and defence industrial base has the capability and capacity to support strategic bilateral programs at a time when there are significant geopolitical requirements.

Government procurement practices represent another area of opportunity. Government contracting can play a significant role in advancing the sector's technology and providing opportunities to showcase our capabilities. By developing policy that ensures Canada's participation in multinational programs, such as the joint strike fighter program, or in bilateral programs, such as continental defence and NORAD modernization, the Canadian industrial base can be engaged in progressive solutions as part of a collaborative approach with the United States' industrial base.

As a Canadian aerospace industry, Magellan works on various controlled goods programs. What we have observed as a barrier is the registration of new subcontractors. The time frame associated with the approval process is extensive. This can lead to missed opportunities and even potential loss of revenues.

My conclusion, Madam Chair, is this: Addressing non-tariff barriers is vital for the continued success and growth of our company in a global environment. By addressing these concerns, we can improve the potential of our operations internationally. We look forward to supporting the Canadian government in growing a global trading environment that fosters collaboration, innovation and a prosperous future for the Canadian aerospace industry.

Thank you very much.

The Chair: Thank you very much, sir.

We'll now open up the floor for questions from the members.

Mr. Seeback, go ahead for six minutes, please.

Mr. Kyle Seeback: Thank you very much, Madam Chair.

Thanks, everyone, for coming. I'm very interested in reading the reports that you have mentioned, so I will have some reading to do once Parliament rises.

I want to talk about what we just heard about from CropLife but also from others who have come here—the MRLs—but we've also heard a lot about the sanitary and phytosanitary issues that seem to bedevil our agricultural industry within existing free trade agreements. Does anyone here have a potential solution for this?

For example, I learned that in the CPTPP, certain sanitary and phytosanitary measures are not subject to the dispute resolution process within CPTPP, so you end up trying to have a side negotiation within an FTA to resolve an issue that the other side clearly doesn't want to resolve. Would you think that sanitary and phytosanitary matters should always be subject to robust dispute resolution or, if not, is there another way to do it?

I would start with you, Mr. Dade, and then hear from Mr. Allam and from CropLife, if it wants to jump in as well.

● (1610)

Mr. Carlo Dade: Very quickly, under the U.S.-China phase one agreement, the Americans dictated what China has to do with MRLs, the maximum limits on beef and other items. I don't know that we can force them to take the Codex standard. They gave them one month to implement it and another month for it to be in effect. It applies to all things approved by USDA for export. I don't know that we can get that, but certainly it's on the table that the Americans have managed to do it.

This is a political issue, though. It's not a science issue, as much as we'd like to think that it's a science issue. You have to have the dispute resolution to give countries the ability to have these arguments. You can't dictate. Unless you're the Americans, you don't have the ability to simply dictate that, so I'd caution about expectations. Look, I'm surprised the Europeans haven't said to us, "We'll take your MRLs if you clean up your act on supply management."

Mr. Kyle Seeback: Right, but do you think sanitary and phytosanitary things and things like MRLs should be subject to dispute resolution conditions within existing FTAs or in any new FTA?

Mr. Carlo Dade: I think politically they have to be. You need that safety valve. I think that, as elected members of Parliament, you can realize the politics around this. Having the dispute settlement mechanism as a way to shift the spotlight from you to a third party may be useful and may be necessary.

Mr. Kyle Seeback: I was shocked to find out that some sanitary and phytosanitary conditions are not subject to the dispute resolution mechanism within the CPTPP. It's shocking for an agriculture-exporting country that this wasn't done.

I'll go to Mr. Allam.

Mr. Omar Allam: Yes, on that point, to highlight, I am not a trade policy negotiator, but in my experience, I would say there are a few areas.

One is that, if you were to look at a comprehensive trade and economic partnership arrangement, I think it really depends on the type of partnership and the government's model in the mechanism. One step outside, I think that, yes, politically, you do need to have a dispute resolution mechanism in place; however, you can leverage other types of partnership models to have discussions to avoid these types of irritants at a very technical and scientific level. You're bringing evidence-based science and technical conversations to the mix, but you're also relying on a multilateral system to ensure that you're...you know....

What I've seen in my experience is that you have a lot of notifications to the WTO and then there are preventative measures on the margins to avoid SPS and TBT types of issues. I believe that these types of conversations and, let's say, resolutions, or at least a pathway to resolutions, can be applied through different types of economic partnership arrangements beyond having FTAs, as Mr. Dade mentioned, as a safety valve, so they should be applied.

Ms. Émilie Bergeron: Yes, we would agree. Dispute resolution mechanisms need to be in place in all FTAs and all provisions—SPS or TBT—need to fall under these dispute mechanisms.

We also think it's important to have provisions on issues that we know could potentially become non-tariff barriers—for example, MRLs in the case that we just discussed. We have a good example of that in the CUSMA and in the CPTPP, where the Government of Canada was the one pushing for negotiating new provisions, new texts and new obligations for countries for these issues that could potentially be barriers to trade. It will be I think very important that these new provisions and these new and stronger texts be included and be part of the dispute settlement mechanism.

• (1615)

Mr. Kyle Seeback: I think I have about 40 seconds left.

Go ahead.

Ms. Sharon Zhengyang Sun (Trade Policy Economist, Trade and Investment Centre, Canada West Foundation): I just wanted to add to what Carlo said. One of the lessons we learned from the Australia and China FTA is, of course, that it's not one of the most comprehensive agreements we have seen, but the Australians have been telling us that having some role is better than having no role. It has been effective, but of course it doesn't address everything.

What we see instead, because it doesn't address everything, is association-to-association MOUs. It is engagement at every level, not just between federal and provincial but also between associations, like the Australian meat association collaborative mechanism with the Chinese meat association.

What we see is that, when you have this kind of decentralization integration, and when there is a political dispute at the political level and there is a political ban at the federal level, it becomes a little bit more difficult to impact some of these industries that are so integrated with the Chinese market. Of course, the government has to take that in mind when they are doing this kind of negotiation, so we find that to be quite effective.

The Chair: Thank you very much.

We will move on to Mr. Virani for six minutes, please.

Mr. Arif Virani (Parkdale—High Park, Lib.): Thank you, Madam Chair.

Can I build on that, Ms. Zhengyang Sun, with what you just mentioned? The Indo-Pacific strategy has—it was mentioned in some of the opening statements—the notion of an office in situ, on location, in the Asian hemisphere where some of these irritants, hopefully, could be resolved.

Building on the point you just made, tell me about how you take this association-to-association relationship, and how you make it real and make it come alive in terms of utilizing that office on location, if it's in Singapore or if it's in Japan, etc.

Are you advocating for having various entities in various Canadian food-providing industries on site with personnel at that office? How would you see it rolling out?

Ms. Sharon Zhengyang Sun: The location in Asia will be critical, especially in terms of travelling to all of these, because under the Indo-Pacific strategy, we are covering 40 markets. Of course, we're not going to be trading with all the 40 markets listed—we're never going to trade with North Korea—but it will be very important to be in Asia so that you can access....

One of the things that Canada West is advocating for is having a location in the Prairies. I can let Carlo elaborate on that. I think that will be very important, because then we can invite our trade partners to come here to examine our facilities and to make the connection with the local associations to make that happen.

Mr. Arif Virani: It's a bit two-way.

Ms. Sharon Zhengyang Sun: Yes. It's two-way.

Mr. Arif Virani: Mr. Dade, you mentioned this at the outset, because you talked about, prior to 2003, Chinese entities being in Canada to learn about what we're doing with fertilizer, and then that helped inform their drafting of their regulations.

Mr. Carlo Dade: That's correct. That's the long game in terms of resolving it: building the real capacity to fundamentally and to structurally impact.

The export associations, producer associations.... The idea for the office came from Pulse Canada and Manitoba pork. They are already integrated into this in terms of the creation. They are participating in discussions with Agriculture and Agri-Food on how to build out the office. Their role, I think, will come from the ongoing development of the office and from their work with Agriculture and Agri-Food, with the Prairies and with the provincial governments in terms of how they, too, who have presence on the ground, will be integrated.

There's a heck of a lot of herding of cats that has to be done as we get this office up and off the ground.

Mr. Arif Virani: Can I shift to Ms. Bergeron and Mr. Kolz?

I think in your opening comments you talked about the MRLs. I want to give you guys a bit of a step back sort of question. We hear a lot about non-tariff trade barriers. We heard a lot about SPS and federal sanitary standards, but tell me about the differentiation, if you see any, with respect to our trade partners in Europe—because you cited Europe in this context—versus our trade partners in Asia that are also under development.

You commented to Mr. Seeback's question about the need for a dispute resolution mechanism to be entrenched in agreements. I'm sure you're well aware that we're working on an agreement with India, we're working on an agreement with Indonesia, and we're working on an agreement with ASEAN.

Do the types of NTBs that we see, including inside of SPS, differ qualitatively in Asia versus what we see in Europe? If so, how do you adjust the mechanisms that are needed, if at all, or are the mechanisms that you would apply to the Netherlands the same as what you would apply in Indonesia?

It's a big question, but take a stab.

• (1620)

Ms. Émilie Bergeron: I would say that the NTBs that exist in Europe, especially on MRLs, could exist elsewhere. I would say the European Union is the prominent country. They usually start, and after that what they do there could be adopted by other countries, where they could use MRLs or approval of biotechs as a way of keeping trade outside of their borders. This is why CropLife Canada is promoting a strong text on biotechnology, as is the case with CPTPP and CUSMA, and even working to expand that text by being more creative to try to address the issues that are not here today but could happen in the future with new technology and innovation coming in. New text could also be developed to address issues like the MRL one.

When we're talking about countries like Indonesia or India, I'm not saying we have issues right now, but we've seen in the past these countries adopting measures that were not based on science. We believe it's the role and the obligation of Canada to defend in those agreements by reinforcing text and to make sure that every single measure they adopt is based on science and does not become an unjustified barrier to trade.

Mr. Arif Virani: Mr. Dade, I think it was you who mentioned that you had two or three points. One point toward the end was exploring a WTO challenge. I confess to you that we just came back from a trip to Washington, and one of the issues we were dealing with was the American non-participation in the WTO appellate mechanism.

Given that lay of the land, do you want to elaborate on this WTO challenge or speculation about how we deal with that? Obviously, there's the Ottawa Group and there's a review of the WTO, but it seems like we're at a bit of a stalemate with respect to that appellate mechanism.

Mr. Carlo Dade: That's correct. There are two issues.

The WTO process continues to work. You've had cases brought to the WTO where the parties have agreed with the initial decision and haven't advanced it to the appeals stage. I think it was Turkey and.... I can't remember who. There have been cases where it has continued to work simply because countries have chosen just to take the initial ruling.

The larger issue is that, as with MRLs, there are fundamental differences here. The Europeans have a different approach as to how to regulate food. It is not science to prove that there should be no harm, but you actually have to prove no harm, so they take a different approach. With the WTO, the Americans take a different approach to the WTO than do we, the Europeans and the Japanese. The Americans believe that they agreed to only what was signed in the agreement and nothing else. We believe in a living WTO, where you can have interpretation of rules and can continue to grow.

That's a fundamental disagreement that we're just not going to be able to square.

The Chair: Thank you very much.

Mr. Savard-Tremblay, you have six minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you.

I just want to get some clarifications before I can put my questions to Mr. Ghadawala.

Given the importance of the aerospace cluster in Quebec, I probably have some questions for you, Mr. Ghadawala. I wanted to make sure I knew what your niche market was. From what I know, you design and manufacture aircraft engine components. You are also a Boeing subcontractor.

Is that correct?

[*English*]

Mr. Rushi Ghadawala: Thank you so much for your question.

All I can say is that Magellan is a global corporation that is focusing on not just one particular segment of the business. It's also working on various other segments, such as aeroengines and aerostructure in space business and defence markets, and on engine and component repair and overhaul services to our various customers.

To answer your question, we are not limited to only one particular service or one particular segment of our space industry.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You are also based here; that is why you are commenting on the issue of non-tariff barriers. Do you feel qualified to answer if I ask you questions about the aerospace industry in Quebec and Canada?

[*English*]

Mr. Rushi Ghadawala: I'm sorry. I couldn't understand your question. Could you please explain it a bit more?

• (1625)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Look, I will ask you the questions and we'll see.

We know, for example, that Quebec trades a lot with the United Kingdom when it comes to the aerospace sector. Negotiations are currently underway with the United Kingdom, and they must be fairly advanced.

Do you have any comments or suggestions on that? Can you tell us if there are things we could keep a close eye on regarding this issue?

[*English*]

Mr. Rushi Ghadawala: That's an excellent observation, sir. I would be happy to provide a more detailed written answer to the committee at a later stage, if it is acceptable.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Of course. So you will send us a written document on that.

[English]

Mr. Rushi Ghadawala: Yes, sir. We can provide you with a written answer in more detail specifically pointing to your question.

The Chair: If you could submit that to the clerk so that all of the committee would have access to it, that would be appreciated.

Thank you.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: That's great.

In that case, we will wait for Mr. Ghadawala's written answer.

I will now turn to Mr. Allam.

What business opportunities does the Middle East market present for Canada in terms of international trade?

[English]

Mr. Omar Allam: In the Middle East, I think Canada has congruence with a lot of capabilities and requirements that are in the Middle Eastern market. You can start with professional services, from infrastructure development, capital projects, education, health care, technology to energy renewables. It really varies, but it touches probably every sector of the economy.

What is important to note I think is that these are very high-risk marketplaces where Canada has had some success, but we're falling behind our competitors. We don't have a lot of financing or tools or even leverage in these marketplaces because of political relationships or various, let's say, non-tariff barriers.

I hope that answers your question.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: So there are also specific irritants that impede trade relations.

We talked about tariff barriers in the United States and Europe.

We know that, in the Middle East, regimes are more unstable or repressive. Is that a barrier in itself?

[English]

Mr. Omar Allam: Absolutely. I think you have markets that pose various challenges for doing business and also corporate social responsibility practices that are being adopted in certain marketplaces. Certainly, there are challenges in that respect.

What I think is important to note is that there's a lack of awareness of these opportunities in the Canadian marketplace for Canadian firms. There are also Canadian companies that are actively pursuing these markets but don't have the early-stage support, export financing and mechanisms in place to take advantage of government-supported project pursuits in different markets, for instance, Saudi Arabia, Qatar or the UAE, where Canada has a competitive advantage. Companies don't want to put in the upfront costs in terms of the prefeasibility studies and that kind of thing, so it does put Canada at a disadvantage.

However, you have to also look at the societal changes that are happening. You have a lot these countries that are sending students to be educated in the Canadian marketplace, which at the end of the day is a big-ticket dollar amount for the Canadian economy.

There is affinity and there is progress in terms of relationship building. A lot of these countries are saying to Canada, come and do work. You're most welcome to come in and operate in the marketplace. However, Canada just doesn't have the leverage, the reach, to actually do that in a lot of cases.

The Chair: Thank you very much.

Mr. Cannings is next, for six minutes, please.

Mr. Richard Cannings: Thanks again to all the witnesses.

There are so many interesting points here that I'm not sure where to begin.

Mr. Dade, I believe you mentioned surviving access. I'm going to start there, with one of the western provinces, British Columbia, where I'm from.

One main trade problem that they've had over the past 40 years is surviving access to the U.S. lumber market through the softwood lumber disagreement, as I would call it. As Mr. Virani mentioned, we were just in Washington and we talked a lot about softwood lumber. It seems to be an especially sticky situation.

I'm wondering if you have any insight as to how Canada should approach this, because it seems to never go away.

• (1630)

Mr. Carlo Dade: About three years ago, I was in Big Timber, Montana, down in the middle of the state, at the bar having dinner. This group of ranchers walked in. This isn't a joke. This is a true story. It sounds like a set-up to a joke.

They see the Alberta licence plate out front. They look around the bar, and it's pretty easy to tell who the Albertan is. They start giving me a hard time about country-of-origin labelling. At the end of the discussion, I say, "Look, we won the decision. You've been forced, finally, to take the WTO decision. That's the end of the story." The rancher closest to me looks over—he actually picked up the tab at the end of the night—and I thought he was going to kill me, but he leans over and he says, "Son, you won the battle. You ain't won the war."

It's a reality. It's a political issue in the U.S. They've assembled the coalition that runs from Texas through Georgia and into the Carolinas, up into the Pacific northwest and into Texas. It's both sides of the aisle. We are going to be fighting this until the end of time. The engagement, the investment of resources, premiers going down, MLAs meeting their counterparts and the work of your visit to Washington, D.C., are Lamb Chop's playhouse in that this is an issue that's never, ever going to end, and we're going to have to invest these resources.

It's the cost of having access to the fattest, richest and easiest market in the world. It's not free.

Mr. Richard Cannings: I was going to ask about the usefulness of increasing those relationships on more personal levels, like the Pacific NorthWest Economic Region meetings that I've gone to. It seems like maybe those help a bit, but not really.

Mr. Carlo Dade: It's what we have. It's the tool that we have, and it is effective at the end of the day.

Mr. Richard Cannings: I want to continue with you. You mentioned what Australia and Brazil have achieved. Ms. Sun mentioned something about the Australian side of things, but could you expand on that? What other lessons can we learn from those two countries on relationships with China?

Ms. Sharon Zhengyang Sun: Yes, sure. That sounds good. I think it also goes back to the other ministers.

Do countries share similar SPS problems? I was just telling Émilie before we started that I was looking at the WTO database, and the country that has the most SPS and TBT measures in place in the world is the U.S. They have around 554 measures in place. This is compared to China, which has 66. Canada has 60. India has 92.

My point there is that the U.S. has the most measures, and we have in the past—and even still today—experienced NTB issues with the U.S. However, what we have in the U.S. that we don't have in the Indo-Pacific region, which we're looking at now increasingly, is all these.... Firstly, we don't have a trade agreement with countries like ASEAN, China and India, which we're currently trying to get. Secondly, we don't have the subnational engagement and presence that we have in the U.S. We don't have the association-level engagement, so this is the kind of thing that we should take insights from—at least in lessons from the U.S.

Also, this is what we observe in what Australia is doing with China to ensure this market access, despite the difficulty, in addition to having an FTA. We don't even have an FTA with China. We're just trading with them under the bigger WTO rules.

Mr. Richard Cannings: I'll turn to Mr. Allam. You've touched on the problem that Canada doesn't provide the financial assistance that other countries do. We have the EDC.

Could you expand on what other countries are doing that Canada needs to do?

• (1635)

Mr. Omar Allam: I think EDC is a great tool that we need to continue to leverage, especially when it comes to buyer financing models, but I think what fundamentally we're seeing in the global marketplace from a Canadian commercial perspective is that early-stage export financing is a major problem.

Let's say you're going to look at the Qatari market. You want to invest in a project in the infrastructure space that could yield a multi-million dollar contract for the Canadian firm, creating a lot of Canadian jobs at the end of the day. You're transferring not only the skills but the technology and the know-how to build and operate a school, let's say—or even just to build—in the Qatari marketplace. Who is going to take on the risk of the feasibility study? EDC is not

going to touch it. You go to your bank, and they're not going to touch it either.

What we need is a mechanism such as what the U.S. has in place. The U.S. Trade and Development Agency has in place a mechanism such as that, which provides for a company's access to this type of financing. There are other examples that I can certainly send you in response. There is a shopping list. The Koreans are doing it, as are European markets and the Germans. They all have access to these types of financing. I think what Canada needs to do is seriously look at a mechanism that would allow Canadian companies to even just have a foothold, let's say, in the marketplace.

The Chair: Thank you very much.

We will move on to Mr. Baldinelli for five minutes, please.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Madam Chair.

Thank you to the witnesses for being with us this afternoon for these interesting presentations and quite an interesting conversation.

I'm going to follow up with Mr. Dade, if I may.

During your presentation, you talked about three points. The second point was about maintaining that kind of presence in those markets, such as the United States. You said that we can't just simply rely on winning arguments and winning on the agreements. You used the example of what happened in Montana.

You also mentioned a U.S.-China agreement, and you said to come back to ask for more detail on that. Is there something in particular or something specific that we can learn from certain aspects of that agreement and that we can use moving forward?

Mr. Carlo Dade: Sure. That's the focus of the two-volume study, which I'm sure you'll be using to go to sleep at night in the near future.

Here's one example. We've had an issue with China on beef age restrictions, beef exports, unpredictability over BSE issues and the MRL issues. What the Americans have in their agreement is the following:

...within one month of the date of entry into force of this Agreement, China shall permit the importation into China of those...beef products, except...in Appendix I...inspected by the USDA's Food Safety and Inspection Service (FSIS) in an FSIS-approved facility.

5. Within one month of the date of entry into force of this Agreement, China shall adopt maximum residue limits (MRLs) for zeranol, trenbolone, [etc., that meet Codex standards]....

The Americans have essentially taken some of the issues we face, and they've dictated terms for China. There is no dispute resolution mechanism in this agreement. China either complies and the U.S. either complies or the agreement ends. China has lived up to this part of its trade agreement with the U.S.

I am not talking about purchase agreements. Wipe purchase agreements from your mind. This is the long game the Americans were playing with the U.S.-China phase one agreement, and this gives them a structural advantage in the terms of trade that leads Chinese importers to prefer Americans because of the certainty.

The Americans dictate the terms. There is no argument. There is no negotiation. China accepts and adapts. There is a host of issues that we face—from MRLs and BSE to pork, dairy, infant formula and rice—where the Americans have put these terms in the agreement.

Mr. Tony Baldinelli: It's interesting. You talk about certainty, and I think everyone has spoken about that notion of certainty.

Mr. Allam, you spoke to that as well. You talked about the need for clarity and for goals and priorities that should be part of our trade policies moving forward. You talked about doing things differently. You said that it's beyond looking just simply at the trade agreements and these partnership agreements, maybe to what Mr. Dade said, and not only building upon what you have in the trade agreements but maybe using these partnership agreements to resolve some of these issues, like “if we do this, you can do that”. Could you expound on that?

• (1640)

Mr. Omar Allam: I think it's a good point, and there are a couple of areas I want to touch on.

When it comes to trade and economic partnership models and design.... Look at what the key drivers and key areas of interest are when it comes to advancing commercial and investment ties. You can create governance models as part of the partnership design. Mr. Dade noted that you want to have yearly visits. You want to have frequent contact, where you have the people coming into the marketplace understanding and learning how policies and frameworks are designed at various levels in the agricultural space.

When you look at the partnership design, you have to ask, “Okay, what is the partnership model going to be? Is it going to be an instrument that will facilitate investment in the marketplace, one that goes beyond an FTA?” Look at support in terms of technical assistance. I think Mr. Dade also mentioned how, back in the day, CIDA put money towards technical co-operation to advance commercial interests. The Europeans are doing it, and so is Indonesia, I heard.

I'll give you an example. The EU and Indonesia have a comprehensive economic partnership arrangement. Most or all of the EU free trade agreements with technical assistance projects have an underlying agenda: commerce and investment attraction. The EU is using a trade-related technical assistance and capacity-building project to strategically work with their partners in emerging and high-growth marketplaces. They have a multi-million dollar program in Indonesia called “ARISE+ Indonesia”. I'd be happy to share more information with you.

Take, for example, this trade-related project—ARISE+ Indonesia with ASEAN. Trade facilitation is a component of that, as well as trade investment policy to support countries that negotiate and comply with the EU free trade agreement.

To the point of my colleagues at Canada West Foundation, if there's an understanding of, let's say, the irritants, or even, from a technical standpoint on the back end of an agreement.... You have the two countries working together already, in addition to an affinity and a relationship that's being developed not only at a political level but also at a technical and scientific level, in order to further advance commercial interests.

The Chair: Thank you very much.

We're over to Mr. Miao for five minutes.

Mr. Wilson Miao (Richmond Centre, Lib.): Thank you, Madam Chair.

Thank you to all the witnesses for being here today.

Through the chair, I would like to ask my first question of Mr. Ghadawala.

How does Magellan Aerospace assess and address regulatory compliance requirements when exporting products and services internationally?

Mr. Rushi Ghadawala: Thank you so much, Mr. Miao.

I'm not an expert in this particular domain. However, we can definitely consider it internally and forward a response on that front, if that is acceptable. We can provide a response to the honourable committee.

Mr. Wilson Miao: Okay. If that's the case, I'll also include another question, and you can provide your reply to the committee.

Which specific trade agreements or arrangements have best facilitated Magellan Aerospace's ability to overcome NTBs in the international market? Please share that with the committee when you have it.

Mr. Rushi Ghadawala: Yes.

Thank you.

Mr. Wilson Miao: In that case, I'd like to ask my next question of CropLife and Mr. Kolz.

One of the goals of CropLife Canada is creating a positive domestic regulatory environment. Can you share with the committee how NTBs play into this goal?

Mr. Gregory Kolz: I'll ask my colleague Émilie to provide that response.

Ms. Émilie Bergeron: Thank you.

Yes, our main goal is to ensure we create this environment, which is science-based and predictable, in Canada and abroad. We believe that we, in Canada, bring technologies and innovations that growers are using, and we want to make sure these growers have access to international markets. As you heard before, the Canola Council, Pulse Canada, and Cereals Canada all use our technologies and need to export.

The work we're doing domestically in creating that science-based, predictable environment.... We want to bring it outside to make sure access to Canadian agricultural products is not blocked in the importing market because of measures that are not based in science, such as the one we discussed today—the MRLs in the EU.

• (1645)

Mr. Wilson Miao: What are the potential future trends or developments in the realm of NTBs for CropLife Canada and related industries?

Ms. Émilie Bergeron: We are seeing a lot of NTBs growing now for pesticides and pesticide approval systems deferred from one country to another. We see pesticides that have been approved here in Canada as being safe by Health Canada—which is setting very high, science-based standards—that are not being approved in other countries sometimes. That makes it technically challenging for growers using our products safely here in Canada to export. We see a broad range of new measures on pesticides.

We also see continued challenges in the approval of biotechnology crops in exporting markets. In China and Europe, it could take up to 10 or 12 years before they approve safe and effective technologies that have been approved here in Canada. This is preventing growers in Canada from accessing and using these safe technologies.

If not growing, we see these barriers sometimes expanding to other markets outside of the major ones.

Mr. Gregory Kolz: I would also suggest that the science, for instance, that's being assessed by the Europeans is the same science we are seeing assessed here. The distinction is that the decision-making process and the politicization of that process are also hampering our efforts.

It is not that the facts and the data are significantly different. It is the way it's being applied, or not, depending on the jurisdiction.

Mr. Wilson Miao: Thank you.

Is there anything that hasn't been discussed today in the context of NTBs that you or anyone on the floor would like to share with the committee?

Go ahead, Mr. Kolz.

Mr. Gregory Kolz: I would suggest that here in Canada, we also have our own circumstances where we need to rely on science perhaps more effectively than we are, whether it's a pause on MRLs domestically and/or other circumstances where we have very solid data and the departments, in many cases, are advocating in conjunction with the data they have. However, as is often the case, there are sometimes political considerations that weigh in on the decision-making process.

The Chair: Thank you very much.

We'll go on to Mr. Savard-Tremblay for two and a half minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

This time, I will turn to Mr. Kolz and Ms. Bergeron.

I know that, in the end, you are advocating for a science-based reduction of non-tariff barriers, which is not an easy task.

However, we have heard from witnesses who have really talked to us about products that are produced abroad in ecocidal and truly deplorable conditions.

Should we not consider creating barriers ourselves for certain products? Actually, I prefer not to say “non-tariff barriers” because I'm afraid that label will be used everywhere. We must nevertheless retain the right to legislate because, when you say that it is science-based, science is there in a certain way, as well.

I'm thinking of palm oil, for example. We have heard a lot of testimony about how this product is produced in India and Indonesia, and it's absolutely terrible.

Should we ourselves be looking at retaining the right to legislate? I'm not necessarily talking about responding to one barrier with another barrier.

Ms. Émilie Bergeron: Yes. The right to legislate is extremely important and is part of the rights that are codified in the agreements. For example, this right is recognized in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. That is a basic principle of trade agreements.

What we are saying is that this right must be framed so that measures would be based on science. That is what enables international trade to flourish, and that is what enables our producers here, Quebecers and Canadians, to export their goods.

This right does exist, but it is constrained by science. Any regulatory measure must be based on science and a risk analysis.

Mr. Simon-Pierre Savard-Tremblay: I think you talked about countries that allegedly use sanitary and phytosanitary measures that are not based on science. Can you name some countries in particular?

Ms. Émilie Bergeron: I was talking about Europe, with the maximum residue limit, or MRL.

• (1650)

Mr. Simon-Pierre Savard-Tremblay: You're talking about a pan-European measure, the European Union, not one country or another.

Ms. Émilie Bergeron: Yes. This measure has been adopted by the European Commission and will be implemented. If this measure is implemented in 2026, as expected, it will be complicated for Canadian exporters to continue exporting to Europe and the rest of the world.

That is why we are asking the WTO to intervene. It is important that Canada, as an international leader in defending science-based measures, take a strong position and tell Europe that these measures must be based on science and on compliance with sanitary and phytosanitary agreements.

[*English*]

The Chair: Thank you very much.

We'll go to Mr. Cannings for two and a half minutes.

Mr. Richard Cannings: Thank you.

I'm going to turn to Mr. Allam again. You were talking about partnerships in conjunction with FTAs and how important they are. I'd like to give you some more time to talk about that.

You also mentioned—and I think it was as an example of one of these—U.K. and Oklahoma. It would seem to suggest that it would make a lot of sense for Canada to have partnerships with individual states, considering how important the United States is to our trade.

Mr. Omar Allam: I believe the U.K. is progressing in this respect, and Canada could follow suit with various states at a bilateral level in that respect to advance respective interests.

Our provinces also have interests internationally, and they pursue agreements as well as different types of partnership arrangements, in addition to having boots on the ground that complement federal boots on the ground in different international markets. When it comes to the economic partnership arrangements, I think what we're classically seeing is that free trade agreements are in vogue, and there's less attention on these economic arrangements or trade models.

What you need to look at is what the political, social and commercial objectives are, and then break down the type of partnership. Is it going to be an investment relationship, a trade relationship or strategic co-operation based on different sectors of the economy? You break that up and, from there, you look at the agreement type. You structure that based on the various interests. What are the key benefits to Canada versus something that another market will want from us? Where do we find common ground, but where do we also have leverage whereby we can seek concessions in different areas to advance Canadian commercial interests, but also to push levers on scientific co-operation, whether it's agriculture...? You name it.

From there, you can then look at the governance model. I think this is critical, because when you look at the governance structure and the roles and responsibilities... I kept on hearing a frequent footprint in various markets or a back-and-forth in a given economy, so it's high-level visits and having frequent interactions. You're then forcing the relationship to advance in a way whereby you're having frequent and regular dialogue at the highest level. You have that political leverage and the political relationship that is there, but you also have roles and responsibilities whereby various officials at different levels are interacting with one another at a technical level and they're forced to the table, where there's even just that ability to have....

I have to stop.

The Chair: I'm sorry. I have to cut you off. We still have two members who want to get a few questions in.

It's over to Mr. Carrie, please, for five minutes.

Mr. Colin Carrie (Oshawa, CPC): Thank you, Madam Chair.

My first question is to Mr. Dade. Coming from out west, I wanted to talk a bit about the energy sector. Recently, we had opportunities to export clean Canadian LNG to Germany but, in particular, out west to Japan. I believe Japan is our third-largest trading partner.

Coming from Oshawa, we have a bit of a trade deficit that I always hear about with automobiles. I always thought the energy sector would be a way of balancing that trade. However, when you listen to people in that business, they're almost saying that Canada is putting non-tariff barriers on itself, because of political reasons or environmental regulatory reasons.

Mr. Allam mentioned we have a lack of capital here, and we're sending a message that we have liquefied natural gas. I believe the Americans have 11 export opportunities, and Mexico is even looking to export to Japan, even though it doesn't have the resources we have.

I was wondering if you could comment on what we can do for our international reputation, because we're seen to not be getting these investments that we need. You mentioned infrastructure. We used to be in the top 10 and now we're down to—what?—32 or something like that. We're not getting pipelines, mines or any of these excellent infrastructure projects built, so if you could, please comment on that.

If we have time, Madam Sun, maybe you could comment a bit. You talked about political leadership. Mr. Dade mentioned that the United States gave a clear rules base to China. Australia's done it, but you haven't really talked too much about Brazil. I was wondering what we could learn from Brazil.

Let me stop talking.

Mr. Dade, if you could, please address the internal non-tariff barriers that seem to give Canada a bit of a problem getting some of our products around the world.

• (1655)

[*Translation*]

Mr. Carlo Dade: Okay. I'll try to be quicker.

[*English*]

Internal barriers, yes, they hinder us. The internal trade issues in Canada are well known. They hit the GDP. They also affect our ability to make products together in Canada to export abroad. That's something we don't think about with internal trade. It makes us less competitive as an exporting nation.

We export LNG to Asia. We export quite a bit. As you mentioned, Mexico has four Pacific coast LNG projects that are FID. Mexico doesn't produce enough gas for its internal consumption, yet it's building plants to export. Where is that gas coming from? It's coming from the U.S. How does the U.S. have so much gas that it can afford to meet domestic consumption and export gas to Mexico for it to export? It's Canadian gas entering the U.S. market. We're dodging GHG emissions in Canada, but we simply ship them down to the U.S. We haven't stopped the increase in GHG emissions. We've just aided and abetted the Americans and the Mexicans to profit.

This is an example of a political decision. Trade policy is political. The decisions with whom to trade are made by the private sector. You do not determine the success of a trade agreement. You do not determine whether that trade grows or diminishes. The private sector does. The policies that enable it are under your control. The LNG issue is a great example of political decisions. The MRL decisions in Europe are also political issues.

You can have all the science in the world, but if people believe that GMOs are harmful, good luck getting GMOs in, even if you have the science. You're not going to win every battle based on science, so you have to be careful about the application and set your expectations as to where you can win and where you're just going to lose.

Good luck trying to get cotton or sugar to the U.S. in that regard, despite the science and other evidence. It's political.

The Chair: Thank you very much, Mr. Dade.

Next, we have Mr. Arya for five minutes, please. You're the last speaker.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair. I do have a question for Mr. Dade.

I would like to come back to the issue of the provincial trade restrictions we have among the provinces later. I'll also come back to your comment that the private sector decides where to trade, how to trade, etc. I can give an example. The steel and aluminum sectors, now fully owned by foreign entities, do not export at all outside of the North American market. There's been no capacity increase in both of these sectors for the last 15 to 20 years. All of the agreements we have been signing with CETA, CPTPP, etc., the private sector companies are not using.

You mentioned the WTO. It was quite interesting regarding the fundamental differences. One country wants to follow the letter of the law, and other countries just want to use the spirit of the law. Do you think the WTO will still be relevant in the decreasing globalization scenario?

Mr. Carlo Dade: I do. The main question there is the ability to accommodate the Chinese model of economic governance. There's great work out of MIT. I'm blanking on the economist, but it's looking at how the WTO can remain relevant in terms of incorporating China. There's room to be hopeful. I can get the work to the committee members if they want.

Mr. Chandra Arya: I'm sorry. I have to interrupt, because my time is limited.

Exactly. That's because of the role the WTO plays in China's entry into the international order of trade. The recent announcement by the American national security adviser said the WTO is important, but it has major challenges.

For the last five years, the United States has stopped being appointed to the appellate body. That has come to a standstill for five full years. The United States emphasizes that bilateral economic partnerships with certain countries or with a region or block of countries are much more important than the WTO. Again, do you think the WTO will play a major role?

• (1700)

Mr. Carlo Dade: I don't know if I can say "major." The larger issue, more so than the U.S., is the incorporation of China. That's longer. The logjam with the U.S. can be broken. China requires structural change, fundamental change and rethinking.

Again, the WTO continues to work. You've had countries that have taken initial decisions and agreed to abide by them without going through. Don't think that it's completely hopeless and gone. Your question as to a major role, or will it just have this...whenever countries happen to decide they'll take the first ruling? I don't know. The larger question is China and how we accommodate the Chinese model in the global trading system.

Mr. Chandra Arya: Quickly, I would like to take a comment on the number of free trade agreements we have been signing across the world. I think we have free trade agreements with 51 countries.

Coming to your opinion that the private sector decides, there's only one sector in the Canadian economy that aggressively goes after every single trade agreement and tries to leverage it for export. It's the Canadian agricultural sector, the small group of farmers who have made Canada the fifth-largest exporter of agri-food and grains.

However, I am not seeing it in many other industrial sectors. I slightly disagree with you that the private sector decides where to export and how to export. Some of them have just become the branch office of foreign multinational companies and are not doing anything at all.

Mr. Carlo Dade: They've made the decision to go to the U.S. market and not to go to other markets, despite our signing trade agreements. I would say that is an exercise of choice.

Also, the oil and gas industry and the mining industry are global players. Agricultural equipment manufacturers are global leaders. The Prairies have some global-beating companies in making headers, seeders and other things that simply fly under the radar. I would argue that, depending on the sector and the complementarity with the markets, we've actually done well.

However, the private sector exercises choice. You have this big, fat, easy U.S. market, or you could go to Honduras where we just signed a trade agreement and work five times as hard for half the money and triple the risk.

I would argue that it's the private sector exercising choice in going to the U.S.

Mr. Chandra Arya: How could—

The Chair: Thank you very much. You have 20 seconds.

Mr. Chandra Arya: I have to say that I agree with you on the way that Canadian mining industries have gone outside the comfort zone of North America for decades together and developed the mining industry worldwide. It's really exemplary.

Thank you, Madam Chair.

The Chair: Thank you very much, Mr. Arya.

Thank you very much to the witnesses. We appreciate the valuable information that you've given us on our study.

I will excuse the witnesses.

We will go in camera for a bit of committee business at this time.

Could the witnesses exit the room, please? Thank you.

[Proceedings continue in camera]

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