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Chair

The Honourable Mark Eyking

Standing Committee on International Trade

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● (0845)

[*English*]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Good morning, everybody. Today, we're going to continue on with our study on the potential for an agreement between Canada and Pacific Alliance countries. Those countries are Chile, Peru, Colombia, and Mexico.

This is, I think, our third meeting. It's great to see we have witnesses here, and we also have somebody on video conference, Connors Bros. I'd also like to welcome Mr. Tilson.

Welcome to our committee. It's good to see you here.

Mr. David Tilson (Dufferin—Caledon, CPC): I had to get up early in the morning.

The Chair: You'll find this a very exciting, feisty committee, and it will be better than a jolt of coffee for you.

I think we have quorum here and, without further ado, we have three sets of witnesses.

We have this morning from the Canola Council of Canada, Mr. Innes. We have, from Connors Bros. on video conference, Mr. Lomas. We also have Mr. Dade as an individual.

Welcome, everyone. If your opening statements could be under five minutes, it will be appreciated, and then we can have lots of dialogue with the MPs. We're going to try to wrap this up in 45 minutes, which gives us lots of time for questions and answers.

I like to always start off with the videos first in case we get a mix-up.

Mr. Lomas, if you're all right, we can get you to start right off the bat.

Mr. David Lomas (Vice-President, Marketing and Business Development, Connors Bros. Clover Leaf Seafoods Company): Thank you.

Good morning. My name is David Lomas, vice-president, marketing and business development, with the international division of Connors Bros. Clover Leaf Seafoods Company. I'm going to shorten the company reference to just Connors, going forward, in the interests of time.

Thank you, on behalf of Connors, to all members of the Standing Committee on International Trade for the opportunity to participate in the consultation process on the Pacific Alliance free trade agreement.

Connors is one of Canada's oldest food companies. We have operated a sardine and herring cannery in Blacks Harbour, New Brunswick, since the 1880s. We currently employ about 600 people at our Blacks Harbour facility and are one of the main employers in Charlotte County, New Brunswick.

The majority of our production from Blacks Harbour is exported. In addition, we operate an international sales and marketing office in Saint John, New Brunswick, which sells canned seafood through our own brands in more than 50 markets around the world.

Our Canadian head office is in Markham, Ontario. We are responsible for just under half of all canned seafood sales in Canada through our own brands, Clover Leaf and Brunswick. In addition, we have a sushi-quality frozen seafood service business through our Anova unit.

We are affiliated with Bumble Bee Seafoods in the United States, with its headquarters in San Diego, California; and we are owned by Lion Capital, a U.K.-headquartered private equity firm.

Our company activity, as both an exporter and an importer of seafood products, provides us with insights into both sides of international trade in seafood, particularly in shelf-stable canned seafood.

Connors understands the following regarding a potential FTA between Canada and the Pacific Alliance. The Pacific Alliance was created in 2011 and its members are Chile, Peru, Colombia, and Mexico. In 2017 the Pacific Alliance invited certain observer states, including Canada, to become associate members. While Canada has FTAs with all four members, associate membership would involve a new FTA with the alliance as a bloc.

Connors is not importing any products into Canada from Pacific Alliance members at this time, other than a relatively small amount of canned Atlantic salmon from Chile. We currently export a relatively small amount of canned sardine and herring products to Mexico from Canada under NAFTA. Each of the Pacific Alliance members has a diverse and well-developed seafood industry. Mexico, Chile, and Peru each have robust canned sardine and canned mackerel industries that actively compete against Connors in global markets, in addition to having solid and entrenched branded distribution in their local markets.

Connors has several concerns related to a potential Pacific Alliance FTA with respect to our Canadian operation. Current herring resource constraints in Canada mean that there are no market outlet advantages gained by an FTA with the Pacific Alliance for our company with canned sardines and herring production from our Blacks Harbour facility. We currently have to procure finished goods, mainly from Europe, to meet our overall corporate requirement for our branded sales in Canada and in other international markets.

Our labour cost differentials versus Pacific Alliance members put our continued production at risk in New Brunswick. Also, our labour standards and obligations are disproportionately higher than many competitive sources of supply by Pacific Alliance members, which further affects our competitiveness.

There is also the issue of differences in regulatory requirements versus Pacific Alliance members. Our Blacks Harbour operation is subject to compliance under a number of Canadian regulatory bodies, including CFIA and DFO. Having operations in the Pacific Alliance being subject to the same regulatory conditions and standards as those imposed on Canadian harvesting and manufacturing operations is critical to our continuing long-term competitiveness, and to ensuring a level playing field for our products both domestically and abroad.

We are unclear as to what implications an FTA with the Pacific Alliance bloc would have with respect to NAFTA.

In closing, the pre-existing FTAs between Canada and Pacific Alliance members, along with the concerns cited above mean, at least to Connors' current perspective, that there are no easily identifiable new and significant trade opportunities that would open up under an FTA with the bloc for exports of our shelf-stable and canned seafood products from Canada.

● (0850)

Thank you for this opportunity to appear as a witness.

The Chair: Sir, your business has been around for a long time in Atlantic Canada. Did you say when you started or how many years you've been in business?

Mr. David Lomas: We have been since the 1880s.

The Chair: I thought you said that. I thought it was 1980s.

Mr. David Lomas: We're about to celebrate our 125th year with a promotion in the Carribean area and Central America.

The Chair: Good for you guys.

Thank you very much.

We're going to move over to the Canola Council of Canada.

Mr. Innes, you have the floor.

Mr. Brian Innes (Vice-President, Public Affairs, Canola Council of Canada): Thank you very much, Mr. Chair. We're very pleased to be here to represent the Canola Council of Canada.

I'm pleased to share with you how an agreement with the Pacific Alliance will help eliminate trade barriers facing our sector, will help support value-added processing here in Canada, and can help us grow our canola exports to these countries.

The Canola Council is a value chain organization representing the over 40,000 canola growers in Canada, the seed developers, the canola processors who turn canola seed into canola oil and meal for livestock consumption, as well as the exporters who send canola for processing at its destination.

Canada exports more than 90% of the canola we grow here as either seed, oil, or meal. Our industry supports eliminating trade barriers wherever they exist, including in Pacific Alliance countries. Trade agreements that eliminate tariffs and make trade more predictable are critical to helping grow the $27 billion that our industry contributes to the Canadian economy every year.

Today, I'd like to share how tariffs are hampering our exports to Pacific Alliance countries and how other trade barriers could be addressed through a trade agreement with these countries.

First of all, which tariffs currently challenge our exports to Pacific Alliance countries? As the committee understands, we currently have free trade agreements with some members of the Pacific Alliance. As a consequence, we don't have tariffs for our products going to Mexico, Chile, and Peru. Although we have a free trade agreement with Colombia, we still face punitive and unpredictable tariffs on our canola oil exports.

Despite this Canada-Colombia free trade agreement, we do not have competitive access for our canola oil to this country. This is because of tariffs applied through the Andean price band system. These tariffs make our products uncompetitive since oil from the United States does not face these tariffs going into Colombia.

Every two weeks the price band system sets tariffs that apply to canola. In recent months, this tariff has been as high as 40%. The tariff can change every two weeks. This means that not only does the tariff make our canola uncompetitive compared to American canola or soybeans or other oils but it also makes it difficult to have any predictability for our exporters. The tariff established today at the time of sale or when it leaves the port may not be the same when that shipment arrives in Colombia.

We also believe that these tariffs are inconsistent with Colombia's WTO obligations. For example, the price band systems of Chile and Peru have been successfully challenged under WTO provisions.

An agreement with the Pacific Alliance offers an opportunity to eliminate these tariffs, putting us on a level playing field and helping to make trade more predictable. This will help improve our ability to export canola oil and to add more value to our product here in Canada.

Second, I'd like to highlight how a trade agreement could address other barriers.

There are many similarities between the agriculture sectors that export in Pacific Alliance countries and our Canadian exporters. As large agricultural exporters across these countries, we face common restrictions related to the misapplication of sanitary and phytosanitary measures, non-tariff barriers, and measures around plant breeding innovation. A trade agreement with the Pacific Alliance has the potential to build momentum for a consistent approach to these issues in our economies and beyond.

Last, I'd like to highlight the need to stay focused on critical trade agreements and negotiations while we proceed with the Pacific Alliance.

We believe that trade barriers should be eliminated wherever they exist. This includes pursuing an agreement with the Pacific Alliance. We also believe that priority should be assigned to agreements where the stakes are the highest, such as maintaining current access to the United States and Mexico as well as implementing the comprehensive and progressive trans-Pacific partnership and starting trade negotiations with China.

In closing, canola has grown into a Canadian success story because we are globally competitive and we've had stable access to world markets. We're continuing to deliver growth through the stable and open trade that we have with some countries and through differentiated value and sustainable production.

● (0855)

We're excited to help Canada meet the government's target of $75 billion in agrifood exports by 2025, and eliminating trade barriers through an agreement with the Pacific Alliance is a key opportunity to help us do this. It will allow us to help support value-added processing here in Canada, and it's a key part of enabling our sector to continue supporting a quarter of a million Canadian jobs.

I look forward to answering your questions. Thank you very much for the invitation.

The Chair: Thank you, Mr. Innes. That's an impressive story of that crop. It was designed in Canada, right?

Mr. Brian Innes: That's right.

The Chair: It has become a world leader, very good.

We're going to go Mr. Dade now. He's a senior fellow at the school of international development and global studies here at the University of Ottawa.

Go ahead, sir. You have the floor.

[*Translation*]

Mr. Carlo Dade (Senior Fellow, School of International Development and Global Studies, University of Ottawa, As an Individual): Mr. Chair and members of the committee, thank you for giving me the opportunity to appear before you again.

Let me start by reiterating what Mr. Innes said about the importance

[*English*]

of following agreements like the TPP and, of course, NAFTA.

This morning, I submitted a briefing note to the committee on the Pacific Alliance. I've been following the alliance, lecturing and researching it for about a decade now, ever since former prime minister Harper attended a meeting convened by the leaders of the alliance, minus Colombia, at the 2007 APEC summit, to discuss the idea of launching a new trade integration group in the Americas. I will let the note speak for itself. It serves as background. I'm not going to go through the details on the specifics of trade and the various sectors. You have the witnesses to do that.

I would also suggest that in 10 years the alliance has made remarkable progress on the trade integration agenda. It is considered by observers such as myself and groups like *The Economist* magazine and the *Financial Times* as the most exciting development in international trade. I suppose it says a lot about international trade if something like this is considered exciting, but that is indeed the case.

I would suggest that if the committee wants to get details on the technical aspects of how the alliance is progressing on the integration agenda, how they are working to combine beyond the border initiatives, one-stop shops throughout the alliance for businesses coming in, that information is available at the in-house think tank for the alliance. That think tank is at the trade integration division of the Inter-American Development Bank. They have been working with the alliance since its inception, and they would be able to brief you on the minute details of exactly what the integration agreement is, what progress is being made, and other technical details.

The head of the unit, Antoni Estevadeordal, is also a member of the policy council for the Trade & Investment Centre at the Canada West Foundation. He and his team are in Canada at least once a year, and they are quite familiar with issues in Canada. They would be uniquely positioned to brief the committee on issues on the technical side of what the alliance is doing. I've already given the names and contact details for the folks at the IDB to Christine, should you wish to call them.

Finally, of brief note, we're starting in Canada to sign agreements that are actually important for a larger swath of the business community than what I would call the usual suspects—groups that are already trading with countries like those in the Pacific Alliance, larger firms. We're starting to sign agreements that matter for small and medium-sized enterprises. As we run into difficulties with NAFTA, more and more of these firms that have habitually and by default always traded and never looked beyond the U.S. are beginning to think about looking beyond the U.S. Agreements like CETA and the Trans-Pacific Partnership are gaining interest.

We've done work in talking to small businesses in western Canada about how to prepare should NAFTA end—looking at tariffs in the U.S., talking to their U.S. suppliers and customers—but that work of helping businesses to think through the issues has these smaller businesses thinking about trade agreements, yet they are not on the radar screen of our traditional trade export and promotion groups.

A true, progressive trade agenda in Canada would be one that reaches all marginalized groups, groups that have been marginalized from trade and the benefits of signing trade agreements. That includes groups the government has identified, and we fully support their efforts to try to help these groups participate in trade. It also includes the small and medium-sized enterprises that haven't been participating in trade.

I would put on the table for the committee that a study in the future, where this committee could really do good work, would be taking the evidence and laying the foundation for this major shift in Canadian trade policy to focus on bringing in groups that have been for whatever reason marginalized from trade.

The foreign affairs committee did some of the work on laying the basis and the evidence for a shift in Canadian development policy to leverage the private sector. I think this committee could do the same thing.

We need evidence. We need the basis for this major policy shift at a time when we're finally starting to sign agreements again that we see matter, and we hear from small businesses that they haven't been thinking about trade agreements that matter for them.

Thank you.

● (0900)

The Chair: Thank you, sir, for coming and bringing your knowledge and your suggestions for our committee. There is a potential that we might be travelling to Washington and the Inter-American Development Bank is in Washington. It might be a good idea, if we go there, to meet with them. Thanks for that advice.

We're going to start with the Conservatives for five minutes.

Mr. Allison, you've got the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you very much, Mr. Chair, and to our witnesses, thanks for being here today.

Mr. Dade, I'll start with you.

We had the Business Council of Canada appear before us on Tuesday and they talked about agreements like CETA and TPP being the gold standard for trade agreements. Do you agree with that? Do you see that serving as part of the model and the baseline as we move forward with the Pacific Alliance deal?

Mr. Carlo Dade: Certainly. I would also put the Pacific Alliance in that model. The alliance is a bit different. It's a trade integration group. It's countries that have had a closer relation that are looking to build upon that. In some of the other agreements—CETA, the TPP—the countries haven't had the same platform of closeness upon which to build. For different reasons, yes, they are the standard, especially when you compare them to things like the recent comprehensive economic partnership that the ASEAN countries are putting out, or some of the agreements we're seeing come out of Asia.

There are two tracks in trade diplomacy and trade agreements: the track that we're working on, on this side of the Pacific and Europe, and the track we're seeing coming from parts of Asia. In terms of that balance for the global agenda, I think it's critical that we work with groups like the Pacific Alliance and the TPP to strengthen that trend. I'll let the other trend speak for itself.

● (0905)

Mr. Dean Allison: Mr. Innes, one of the questions I was going to ask you is about imports and exports to the four countries. You did answer part, or most, of the question in your briefing.

Talk to us a bit about the potential of the South American markets and the Pacific Alliance. We signed a free trade deal with Colombia before the U.S. did and yet they have preferential treatment. Talk to us about how that happened. Obviously, with a new agreement there's an opportunity to level the playing field again and move forward.

My question was about the kinds of exports we saw on your website. It talked about exports to Mexico and Chile but we didn't see any to Colombia. You answered the question in your briefing. Just talk to us a bit more about that.

Mr. Brian Innes: Mexico is a key market for us. We export a lot of canola seed and canola oil there because we've had tariff-free, stable access to Mexico with NAFTA, which hasn't been the case with Colombia, for example. With Colombia, we have exported significant amounts and this tariff has had real impacts on our ability to export.

For example, our exports fell by 75% between 2016 and 2017 because of this tariff and how it affected our exports. The Colombia market is not the same size as the United States or Mexico. For our value-added processors that are selling bottled product that takes more effort to do in Canada, any market that they can sell to is very important to keep those facilities and those jobs operating.

Our exports have been approximately $10 million to Colombia around canola oil and we see an opportunity to grow. For example, they import anywhere between $3 million and $500 million of oil every year and we only get a very small portion of that, partially because of the unpredictability of this tariff to us.

The other thing that I would add is that in terms of integration, we actually grow a lot of our Canadian seed in the off-season. Right now, it's growing in Chile, and then we'll come back up here to Canada, and it will be growing in Canadian farmers' fields. We do have a complementary relationship but unfortunately this tariff does prevent us from seizing the opportunity in Colombia.

Mr. Dean Allison: Mr. Dade, back to you and where you see the benefits of the Pacific Alliance. I think it was more than just trade. It's the harmonization. Can you talk a little bit about that in terms of whether it's mobility of labour? Obviously that's part of the part that doesn't exist in CETA and other things. Would that be part of what you see being an important piece of this new deal?

Mr. Carlo Dade: Absolutely. Take the moving of people, for example: with this we're talking about business professionals, students, and the like. For a Canadian enterprise like Scotiabank, the ability to have staff based in Peru move through any of the countries seamlessly, not needing work permits.... You could have central processing. Your commercial loan division could be in one country and you could move to other countries seamlessly.

The back office, the “behind the border work” on goods, customs pre-clearance, a single form for moving throughout the alliance.... Moving with the alliance to take part in these openings would give us added benefits similar to those we enjoy with the North American Free Trade Agreement. If you think of all the things we've added to NAFTA, it's not NAFTA itself, it's the Regulatory Cooperation Council. It's beyond the border. It's fast. These are things we've added to the trade agreement that give us real advantage in the U.S. We would be adopting the same things with the Pacific Alliance. That would be a major hidden benefit.

The Chair: Thank you.

We're going to move on to the Liberals.

Mr. Fonseca, you have five minutes.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): Thank you, Chair.

For my first question, I'll follow up on what Mr. Dade had to say, but it will go to Mr. Lomas.

Looking at our recent success in terms of the agreement with the European community with CETA and now with our negotiations around the modernization of NAFTA, what would you take from the long-standing NAFTA, as well as from CETA, those agreements, to address some of the challenges that you've brought forward on the regulatory regime issues as well as labour standards and environmental standards? Can you try to tack on what you would take from those agreements and look at bringing to the Pacific Alliance?

● (0910)

Mr. David Lomas: I'll first talk to NAFTA with respect to the trade we entered into with Mexico. Mexico has a 20.5% tariff on canned seafood products going into its market, and NAFTA allowed us to enter that market when it came into force, and we were able to built a small business, a small footprint. With respect to our products, and within seafood, we're probably different from many other industry participants in that we focus on value-added, branded sales. As such, we're actively competing against entrenched domestic competitors. We participate with distributors in developing distribution at grocery retail outlets in these markets. It's an extremely competitive environment, and it's one that is very costly to enter into and build a branded presence.

We've had, I would say, very limited success. We have a very small share in Mexico. We've seen the competition get better than where they were when NAFTA started, and so the quality of the products that we've competed against has been elevated. We've probably seen our business decline a bit in some of these markets from a peak level several years ago.

There are other factors that go on beyond just gaining a duty-free advantage. CETA is another case in point. We have in fact actively looked at many of the markets, and as you can surmise, we've been doing this for over 125 years. It's a rather mature category, and we face very capable and competent competitors within the EU that have very entrenched brands in these markets.

We actually have benefited from sales into Europe, which we were servicing from Canada previously, before the EU came into being, with basically selling product into ethnic expat communities in the Caribbean, the U.K., and the Netherlands. We actually had developed business in eastern Europe, but as these markets came into the EU realm, we basically faced a 12.5% duty on canned sardine products, and a 20% duty on canned herring products. A lot of those markets went away on us.

We then had to switch our strategy to sourcing some of our product from Europe to make sure that we were competitive within Europe. In conjunction with all of that, we faced a very challenging resource situation here in Atlantic Canada on the supply of herring that we use in the production of our canned sardines and canned herring products. Those factors really constrained us.

We were looking at CETA specifically as perhaps an opportunity to potentially expand into private label supply. Again, there we face a number of factors that we feel make it quite a challenging go in that regard also.

The Chair: That wraps up your time, Mr. Fonseca, and we're going to move on. Thank you.

I'd also like to welcome the member of Parliament for Calgary Midnapore, Ms. Kusie. Welcome to our committee.

We're going to move on to the NDP now.

Ms. Ramsey, you have the floor for five minutes.

● (0915)

Ms. Tracey Ramsey (Essex, NDP): Good morning, everyone.

Thank you so much for your presentations today.

Mr. Lomas, I wanted to pick up on something you said. You raised several concerns you have about the Pacific Alliance, and you said something about labour, and about the labour costs at risk in New Brunswick. I wonder if you can expand on that and really touch upon the number of employees you have there in the Atlantic, and what you foresee under a potential Pacific Alliance, if there would be an impact on your workforce there.

Mr. David Lomas: What I was referring to was we felt there was a situation where we know what the labour costs are in Mexico, what the labour costs are in Peru and in Chile. Each of those markets is different. There are different conditions in each of the markets on a variety of regulatory and labour practices and standards, and so forth. But all of this boils down to: what is the ultimate cost of finished goods that come from each of these locations and from our own location, and how competitive are we going to be against them? There is clearly a difference in the labour costs that we pay here in Canada so people can have a reasonable quality of life here versus what a producer is paying in Equador or Mexico, and so forth.

We have had to adjust over time and we have had to look at increasing automation. We've taken a lot of steps to make sure we're much more efficient and a less costly producer, to ensure that we remain competitive, because we compete against each of these member states in a variety of markets that we currently service. I'm really talking about the fact that we have to look very carefully at that. In these agreements there are going to be not just actual wages, but also additional costs to maintaining a labour force that we pay for here in Canada that others may not have to pay for.

Ms. Tracey Ramsey: Thank you. I think it's that call for a level playing field, and you mention that in your presentation.

Mr. David Lomas: Yes.

Ms. Tracey Ramsey: We hear that from many presenters here at the trade committee.

My next question is to Mr. Innes.

You touched upon the misapplication of SPS and some of the non-tariff barriers that exist for you in canola. I wonder if you can expand on where you see potentials to address those issues in the Pacific Alliance specifically.

Mr. Brian Innes: One of the things I talked about was around plant breeding innovation. Canada has been very progressive in seeking provisions in trade agreements that help ensure that, when we introduce new plant breeding innovation, this doesn't create trade barriers with our partners. For example, in the European Union, in the Comprehensive Economic and Trade Agreement we have with them, there are provisions there that create a dialogue and a commitment that there will be an open dialogue among regulators on products of biotechnology, for example; and that we work together to help ensure regulatory barriers don't prevent the adoption of innovation and prevent trade from flowing between our two countries, even though our regulators may deem their product to be safe and to be studied very well.

In the whole area of plant breeding innovation, that cuts across crops, whether it's canola or whether it's vegetables. There's an incredible opportunity to help continue to improve the ability of plants to withstand diseases and drought and other pressures that face plants. When we think about a trade agreement, it's an opportunity to help regulators in different countries talk to each other more often and think about how to adopt innovation, to do what we do best, and grow what we grow best in each country, but be able to trade those products back and forth.

Ms. Tracey Ramsey: In TPP there was the creation of these committees that would meet frequently, but really there was a call for even more strengthening of the ability of these committees to enact things, to have issues come forward, to resolve them. What could you see in a potential committee in the Pacific Alliance that would really have teeth to be able to address these issues?

● (0920)

Mr. Brian Innes: What we would see is a real firm opportunity to have firm language, for example, that the committee shall meet when concerns come up; that there shall be notice provided to exporters and importers in a timely manner if concerns arise.

It's being able to put provisions in a trade agreement so that we're not stuck in a situation where we have ambiguity, that there's no clear incentive or requirement for regulators to discuss when these issues come up. We see trade agreements as a way to ensure that dialogue happens in a timely way and we can work together to solve any concerns that arise.

Ms. Tracey Ramsey: Okay, excellent.

The Chair: We're going to move over to the Liberals now, and Madam Ludwig you have the floor.

Ms. Karen Ludwig (New Brunswick Southwest, Lib.): Thank you.

I'm going to direct most of my questions to Mr. Lomas. If I have any time left, I'll go to the other people here

As you probably well know, I live in Saint Andrews, not too far from Blacks Harbour. I have had the opportunity several times to tour the facilities in Blacks Harbour, and thank you. Thank you for all the employment opportunities that are certainly offered locally. I speak often with Tony.

I want to go back to my colleague's questions regarding regulatory requirements.

We are talking this morning about the Pacific Alliance, so I have two specific areas I'd like to ask you about. One is the area on the domestic sales. What percentage of your sales are in Canada?

Mr. David Lomas: Currently, the Canadian canned seafood category is worth about $415 million. As I said, we're a little under half of all canned seafood sales in Canada. With respect to Blacks Harbour, in the sardine category we currently have about a 55% share of that market. We used to have a higher share but, for reasons I cited earlier, we've seen increasing costs in our operation that we've had to pass along, and that has had an effect on our market share.

Our Canadian sales right now are very strong. As I was saying before, we've been significantly affected by a constrained supply situation, which we've been looking at various avenues to try and address, even importing raw material requirements.

Ms. Karen Ludwig: Looking at your 55% in terms of the canned sales in Canada, what is the potential impact if canned sardines from the Pacific Alliance were more integrated into the Canadian market with an agreement, without any provisions on labour standards?

Mr. David Lomas: I think it's a long-term competitive issue there, because they already have access to this market. Canada has not applied substantial tariffs at all to importation of canned sardine products for some time, so we've contended with that for a number of years. It's a little more complex than just tariffs, because there are over 20—I think 22—different species of small marine fish that can be canned and sold as sardine product. As I mentioned earlier, we focus on herring as a raw material, and that has a very distinct taste profile and form versus some of the other products.

There's been a preference built up in a number of the markets that we've serviced for a number of years. Certainly Canadians have a preference for the kind of sardine product that we produce. As I said, Peru has been selling into this market, once they gained the FTA. So far, I don't believe there have been a great deal of sales of Mexican product or Colombian product or, for that matter, Chilean product. I think they've all tried.

● (0925)

Ms. Karen Ludwig: For the supply side, I know that's certainly been a challenge, so how important is it that we harmonize regulatory standards within signatory countries? If you're importing herring from Sweden or somewhere like that, how important is it that we have similar standards in inspection?

Mr. David Lomas: I think it's critically important because it's all about having a level playing field. There's a cost to us to produce under those regulatory regimes. For us, these regimes are what they are, and they do a good job of ensuring a high-quality, safe product. We want to see that those standards are applied to other Pacific Alliance members.

The Chair: Thank you, sir.

Thank you, Madam Ludwig. I knew you'd be asking questions about your riding. You're doing a good job.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe (Rivière-des-Mille-Îles, Lib.): Thank you very much, Mr. Chair.

Welcome, everyone.

Mr. Innes, earlier, you said that, if every country did what was best, we would benefit. You talked about canola. How could the countries of the Pacific Alliance help us with the imports?

Mr. Brian Innes: Thank you very much for the question.

[*English*]

One of the things that we import from Pacific Alliance countries is canola, which is strange when you think that we are two-thirds of the global trade in canola. Nevertheless, we import seed grown in the winter in Chile to grow here in Canada, because that helps us speed up the process. A canola plant takes so long to grow, and we only have one growing season here in Canada, but by being able to work in the off-season in Chile, where right now it's very warm, we can grow out our seeds there and import them back into Canada and speed up the process of growing seeds.

There are a number of other things that Pacific Alliance countries do. The climate, for example, is a huge factor in vegetables and fruit. It's pretty hard to grow things outside in the winter here in Canada, but we like our fresh fruit and vegetables. Peru has excelled in asparagus production, for example, because of their climate. There are a number of opportunities where each geography has a chance to excel and do what they do best.

[*Translation*]

Ms. Linda Lapointe: I have a question for you, Mr. Dade.

We only touched on labour mobility. We have agreements with Europe and there is the North American Free Trade Agreement (NAFTA), but how could we improve the mobility? What's your opinion on that?

[*English*]

Mr. Carlo Dade: With the Pacific Alliance, the integration would allow us to move people within these countries more fluidly. It would also allow Canadian companies that have staff in these countries to move that staff more fluidly without the necessity for, say, work visas or labour decisions to move staff back and forth. The fluidity of labour would add to what we have in these other agreements.

Also, I should note that the Pacific Alliance—and the work on things like labour mobility and phytosanitary—is an ongoing process. This is not a simple agreement that stands static in time. The alliance is constantly working to update measures. The committees that are part of the alliance, working with the Inter-American Development Bank, are constantly updating regulations, innovating, and putting new measures in place. With the mobility of people, they're looking at a common entry visa to facilitate trade with Asia. That's something that's going to give Asian countries wishing to do business on this side of the Pacific a competitive advantage over NAFTA.

Taking part would give us access to this agenda, which is ongoing and constantly being updated, for example, with the phytosanitary measures. The track record that the alliance has, I would argue, is more important than mandated provisions that the measures be adapted. Look at what they've done and how consistently they've moved measures from these committees into action. I would argue that this track record speaks for itself.

[*Translation*]

Ms. Linda Lapointe: Mr. Innes, you referred to the Pacific Alliance. I wonder whether I understood correctly. Could this alliance become a benefit for subsequent negotiations with China? Could you tell me more about it?

Mr. Dade, you can also intervene if you have other comments.

You can use the rest of my time to answer.

Mr. Brian Innes: Thank you for the question.

[*English*]

One thing we see is that trade agreements negotiated today influence the trade agreements negotiated tomorrow and 10 years from now. The Canada-Europe agreement, for example, is one of the most progressive agreements in the world, and when trade negotiators and governments look to negotiate their next agreement, they look at what has already been established. In negotiating the original trans-Pacific partnership, we've seen many of those provisions come into negotiations with NAFTA.

When we think about an agreement with four countries across the Pacific Alliance, and indeed beyond that, with other associate members like Australia and New Zealand, we see an opportunity to build momentum for standards and provisions that help enable more stable and open trade, because it takes time to reach consensus on how we can do that. Every agreement builds on previous agreements, and the Pacific Alliance, with a group of aligned countries and many agricultural exports amongst those countries, is an opportunity to move that forward.

● (0930)

[*Translation*]

Ms. Linda Lapointe: Have you finished?

[*English*]

The Chair: Give a short answer. Go ahead.

[*Translation*]

Mr. Carlo Dade: There is a similarity between NAFTA and the Pacific Alliance.

[*English*]

A lot of what you're seeing in the Pacific Alliance was taken from what they learned and what they saw in NAFTA, how successful we were in North America in creating an integration agenda that went beyond the agreement.

For influencing China and agreements around Asia, absolutely. Again, there is another agenda for trade integration on the other side of the Pacific, in Asia, that's coming out of the regional comprehensive economic partnership, RCEP, and other agreements. Creating facts on the ground, creating rules and agreements between countries establishes precedence, while other countries in Asia are establishing precedence for more illiberal trade. So there are two competing agendas going on here, and everything we can do to strengthen one that is progressive, that does have more liberal values, is important in the strategic sense.

The Chair: Thank you.

We're getting tight for time, but we have room for one question from Mr. Tilson.

Go ahead, sir.

Mr. David Tilson: We've been talking about CETA, which was a pretty successful agreement; it appears to have been a very successful agreement. There were substantial negotiations that went on with CETA, with the provinces, the municipalities, and the business people. Starting with Mr. Innes, do you think adequate consultations have gone on with the government with respect to these proposals?

Mr. Brian Innes: What we've seen, over the last number of years and certainly in recent times, is that there have been ample and comprehensive consultations with both this committee and the government, and an opportunity for all Canadians to be able to express their views on trade and anything related to our relations with those countries that may be affected by an agreement with those countries.

From our perspective in the agriculture sector, we speak regularly to the provinces, who are regularly engaged with the federal government on matters of trade. We have seen the federal government, including this committee, have multiple public consultations on trade agreements. So we're very pleased with the level of engagement on trade. We see that as very important not just for the 40,000 farmers who are small and medium-sized enterprises, who see their real future in trade, but for other folks who may not see trade in the same way as people who export 90% of their product see trade. The consultation, we feel, has been quite effective and I think it's important because it helps us communicate how past deals aren't as good as, say, the Americans' agreement with Colombia. That opportunity is very much appreciated.

Mr. David Tilson: Have there been lessons learned with respect to CETA, perhaps provisions in CETA that should not be there?

Mr. Brian Innes: From our perspective, CETA was a step forward from where we had come from before that. What we see is the need to make sure we implement CETA and follow through on those provisions and those commitments. In the agriculture sector, even in canola, for example, we have provisions around regulatory co-operation and we feel the spirit is not being respected currently, when it comes to things like crop protection products. There are things, not necessarily things we don't like about CETA, but we're not very happy about how those measures are being followed through on.

The Chair: Just give a short answer, Mr. Dade.

Mr. Carlo Dade: On the consultations, yes and no. You do reach groups to get input that are important and are involved in trade, but what's missing is the ability to use the consultations to meet with groups that haven't been participating in trade and have been marginalized—first nations, female-led firms. It's going to take you close to a decade to negotiate trade agreements. You can use the consultations to identify issues that prevent these groups from participating in the agreement when it's signed 10 years later. We're losing valuable time to be able to reach out to groups and work with them on trade capacity building to be able to take advantage of the agreements.

That's one of the recommendations I've been working on, working with the member for Winnipeg Centre and talking about first nations and how to get them involved. You've got to use the consultations more, not just to get input, but to identify people in advance and use the time during the negotiations to be able to work with them. You also need to better understand what exemptions are needed in trade agreements to protect domestic policy to be able to work with these groups.

● (0935)

The Chair: Thank you, sir, and as you probably know, previously we had a study on the TPP and we did broad consultation; but your point is well taken.

It was a good panel this morning and good dialogue with MPs. We're going to break just for one minute and then we're going to go in camera.

[*Proceedings continue in camera*]

● (0935)

(Pause)

● (1000)

[*Public proceedings continue*]

The Chair: Welcome to our study on a potential agreement between Canada and the Pacific Alliance. Sorry for the delay. We had some important business we had to catch up on but we're going to try to catch up with all the presentations we have here right now.

We have with us here for the second half, the Canadian Agri-Food Trade Alliance, the Canadian Manufacturers & Exporters, and the Mining Suppliers Trade Association of Canada.

Some of you mentioned you've been here before in front of committees. If you haven't been, we try to keep it under five minutes for each presentation so we can have good dialogue with the MPs.

We're going to start with the Canadian Agri-Food Alliance, and we've got Claire. Good to see you back. You have the floor.

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): Thank you for having me.

I'm pleased to be here today on behalf of the Canadian Agri-Food Trade Alliance, CAFTA, to speak on the subject of a potential agreement between Canada and the Pacific Alliance.

CAFTA, as you know, is the voice of Canadian agrifood exporters, representing the 90% of farmers who depend on trade, and ranchers, producers, processors, and agrifood exporters who want to grow the economy through better and competitive access to international markets. This includes the beef, pork, meat, grains, cereals, pulses, soybeans, canola, as well as the sugar, malt, and processed food industries. Together our members account for 90% of Canada's agrifood exports, which in 2016 exceeded $55 billion and supported over a million jobs across rural and urban communities in Canada.

A significant portion of these jobs and sales would not exist without competitive access to world markets. Canada is an enthusiastic supporter of negotiating new trade agreements that create job opportunities and growth opportunities for our exporters. Trade is one of our main drivers as 60% of the value of the sector is generated through exports. Over half of everything we produce is exported. That's half of our beef, 65% of our soybeans, 70% of our pork, 75% of our wheat, 90% of our canola, and 95% of our pulses, as well as 40% of our processed food products. Over the last 10 years in Canada, Canadian agrifood exports have grown by more than 100% from $27 billion to $61 billion.

This is why Canada's agrifood sector has been highlighted for its significant contributions to the Canadian economy in the advisory council on economic growth as a key sector for growth due in part to the sector's focus on exports. This was further represented by the ambitious goal to grow Canada's agrifood exports to $75 billion annually by 2025. Our agrifood exporters generate a GDP of $95 billion for agriculture and food manufacturing, and food and beverage manufacturing alone is the largest manufacturing employer in Canada, 60% of which is concentrated in Ontario and Quebec, with close to a quarter of a million jobs, more than the automotive and aerospace sectors combined.

Today our priorities are twofold. First, it's paramount that Canada ratifies this CPTPP quickly, and we urge the government to implement it without delay. We've been a strong supporter of the deal and applauded the fantastic news that Canada concluded the talks about 10 days ago in Tokyo.

The CPTPP will not only provide the sector with unprecedented access to the high-value Japanese market and rapidly growing Asian markets like Vietnam and Malaysia, but it will also provide Canada with a competitive advantage over the U.S., since that country is not part of the agreement. We understand that the CPTPP will enter into force after at least six members ratify it and we understand also that it's very likely that seven members will ratify and implement the agreement before the end of the summer, if not sooner.

Canada may lose the first mover advantage if it's not in the first tranche of countries ratifying the deal, so the best chance to implement the agreement quickly is to ratify it quickly.

Second, due to the importance of NAFTA to Canadian agricultural trade, CAFTA urges the government to continue working to reach a modernized agreement that will strengthen the access and competitiveness of the nation's farm and food products. In short, it's important to maintain what's currently working very well, and modernize the deal where possible. Specifically, the renegotiations should not allow the introduction of new tariffs or non-tariff barriers, or any new provisions that could be used to limit trade. In our submission, CAFTA has identified several areas for improvements, where NAFTA could enable further growth for specific products such as canola, grains, meats, sugar, sugar-containing products among others, and in areas such as greater regulatory co-operation and dispute settlement mechanisms.

Specifically, on the Pacific Alliance, in 2016 Canada exported $2.7 billion in agriculture and agrifood products to the four Pacific Alliance members: Chile, Colombia, Mexico, and Peru. About two-thirds of that total was accounted for by Mexico, also a NAFTA partner. In addition, as you know, Canada has free trade agreements with some of the Pacific Alliance members: Chile, Colombia, and Peru. Despite bilateral FTAs existing between Canada and some of the Pacific Alliance members, there are opportunities to improve upon the existing agreements and boost agriculture and agrifood exports.

● (1005)

While CAFTA supports an agreement with Canada and the Pacific Alliance in principle, it is essential that negotiations with this alliance do not compromise Canada's ability to complete other agreements such as NAFTA and our ability to ratify other agreements such as the TPP with our members since we view these as significantly higher priorities.

If this condition can be met, CAFTA sees multiple potential benefits with the Pacific Alliance, the first being to eliminate remaining tariffs. You've just heard from the Canola Council, canola being an example for getting better access into Colombia. I believe you heard, over the last few days, about pork as well. Deepening the commitments in the existing free trade agreements with Pacific Alliance members to achieve science-based outcomes in regulatory measures to protect human, plant, and animal health and safety would be another area. We also see an opportunity to pursue common frameworks for approval of animal and plant health inputs and new breeding techniques. A free trade agreement with the Pacific Alliance should also include common low-level presence and maximum residue limit standards and policies.

Overall, an agreement with the Pacific Alliance region would also continue Canada's historically beneficial participation in plurilateral negotiations from which results can exceed those available from attempting to complete bilateral agreements as well as establishing a platform for expansion to other nations.

This is one of the reasons for CAFTA's staunch support for Canada's participation in the CPTPP.

The Chair: Thank you.

We're going to move over to the Canadian Manufacturers & Exporters. We have Mr. Mathew Wilson, senior vice-president.

Mr. Mathew Wilson (Senior Vice-President, Policy and Government Relations, Canadian Manufacturers & Exporters): Good morning and thank you, everyone, for inviting us here to speak on behalf of Canada's 90,000 manufacturers and exporters and our association's 2,500 direct members, to express our support for Canada joining the Pacific Alliance.

Manufacturing is the single largest business sector in Canada. The manufacturing industry's contribution is critical for the wealth generation that sustains the standard of living of every Canadian. Industry sales surpassed $600 billion in 2017 for the fourth consecutive year and directly accounted for 11% of Canada's total economic output, while employing over 1.7 million Canadians directly in highly productive, value-added, high-paying jobs.

Manufacturing is an export-intensive business. More than half of Canada's industrial production is exported directly, accounting for roughly 75% of Canada's total exports. In 2017, manufacturing exports to Pacific Alliance countries alone totalled more than $7 billion. While these numbers are impressive, we believe more is possible.

That's why in 2016 CME embarked on an ambitious task to consult with domestic industry on an action plan to double manufacturing output and value-added exports by the year 2030. This initiative, called Industrie 2030, connected with roughly 1,250 business executives from coast to coast. A major pillar of that and the feedback from those executives focused directly on growing exports and helping companies find new customers in domestic and foreign markets. Simply put, in order to grow domestic industry, we must open new markets around the world because Canada's markets are too small. However, simply signing an FTA is not the solution. We must sign FTAs that actually grow exports, not just increase imports.

That being the case, CME has always been clear that no trade agreement is worth signing unless the deal meets three objectives. First, it creates a fair and level playing field for Canadian manufacturers and exporters, and ensures that their opportunity to export into foreign markets is equal to that of our competitors to import into Canada. Second, it increases the amount of value-added exports from Canada, not just the export of natural resources. Finally, it does not undermine the existing integrated manufacturing supply chains developed through previous FTAs, especially the NAFTA.

Free trade agreements are only as beneficial as the amount of new value-added trade they create. Value-added exports create the wealth and prosperity that governments and all Canadians want and expect, but too often in the past, FTAs have not led to these outcomes. Outside of NAFTA, Canada's export record with other countries has been mixed, including those in the Pacific Alliance with which we have existing bilateral FTAs. That does not stop CME from supporting the new proposed agreement, but it should provide us with a point of inflection for how to make this new agreement more successful for Canadian exporters. First, we do fully support the entry into the Pacific Alliance because it does allow us to update and modernize existing frameworks that companies are working within with the countries. Second, and most importantly, while we support the agreement, we believe that Canada can and must do more to ensure successful outcomes for Canadian industry. We believe that in addition to signing the new FTA, we must put in place new supports to help Canadian companies find new markets and customers in the region, especially SMEs.

Canada has many small businesses but not enough medium- and large-sized companies. In fact, over 95% of manufacturers have under 10 employees, and many do not have the internal expertise or financial ability to expand globally. Governments have excellent export support programs, but they should be consolidated to ease access for small companies into new markets.

These actions should include additional funding and support for the trade commissioners service to better connect Canadian exporters to business opportunities in the region; enhanced corporate funding for trade missions, research, and export promotion into the region; an improved export accelerator program, which is currently under way at Global Affairs, to get more companies into the program to take advantage of the coordinated services and opportunities in the region; and an export mentorship program to help companies understand the opportunities in the region from business executives who have done work in the region. Finally, we should look at introducing a new export tax credit for companies that are actively growing exports into that region and beyond.

In addition, if Canada's economy is to grow and create new middle-class jobs through expanded trade, we need to set up the domestic business environment that will enable this growth. This includes having competitive corporate taxes, encouraging small businesses to scale up, and ensuring that trade deals create level playing fields for manufactured goods.

In summary, CME supports Canada's entry into the FTA with the Pacific Alliance, and other trade agreements that expand market access on a reciprocal basis, and that will lead to a prosperous manufacturing sector and Canadian economy. However, we must ensure effective domestic supports to help companies take advantage of these new market opportunities.

Thank you again for inviting me. I look forward to the conversation.

● (1010)

The Chair: Thank you, sir.

We're going to go over to the Mining Suppliers Trade Association of Canada. We have the president, Mr. Cancilla.

Mr. Phil Cancilla (President of the Board of Directors, Mining Suppliers Trade Association Canada): Good morning, Mr. Chair and members of the committee.

I want to thank you for the opportunity to speak to the committee on behalf of the Mining Suppliers Trade Association of Canada.

My opening statement today will provide a brief outline of our association and its members. Then it will highlight some key findings from a study we participated in that shows how mining suppliers are an important part of generating employment in the mining ecosystem. Finally, it will show how Canada's engagement on free trade with the Pacific Alliance trade bloc is a natural fit for the Canadian mining supply and services sector, or MSS.

MSTA Canada is a national voice for Canada's mining supply and services sector. Over the past 35 years, the association has supported its members by connecting them with opportunities to grow their businesses in the mining industry across Canada and around the world.

In terms of government activity and decision-making, we look to serve our members' interests under two guiding principles. The first principle is a reduction in the complexity and uncertainty of doing business. This can be through more efficient processes with clear, understandable, and timely outcomes. The second principle is to have an increase in the access to opportunities to do business. This can be in the form of the opening of markets or a reduction in barriers to trade. It's our second principle that aligns with Canada's participation in the Pacific Alliance free trade agreement.

Our approximately 280 corporate members are located across the country, and they supply the entire mining industry spectrum, from mineral exploration, resource development, mine design and construction, mine operations, and refining, to reclamation and closure. Most of these companies are small to medium-sized enterprises, or SMEs. I will elaborate more on the demographics of the mining suppliers in the second portion of my remarks, but overall, it has been estimated there are approximately 3,700 companies across Canada that consider themselves mining suppliers.

I would like to highlight one very important aspect of our focus as an association: export. With Canada representing 0.05% of the global population and 1.4% of the world's GDP, we are, by all accounts, a trading nation to ensure economic prosperity. With that perspective, there is a great opportunity for the Canadian mining supplier network in just following Canadian exploration and mining activities abroad, let alone the international mining customers.

In the mining industry, the “Made in Canada” brand is recognized around the world for its safe, reliable, environmentally sound, and productive solutions.

I will now turn to our study. The Conference Board of Canada categorizes the mining supply and services sector as “a multi-billion dollar, widely varied industry in Canada and around the world, yet it is a 'hidden' sector that is not directly measured or tracked.”

To help provide a better understanding and clarity of our “hidden” sector, MSTA Canada participated in the pan-Ontario mining supply and services sector economic impact study. There are three key findings from the report that I would like to highlight here today.

The first finding is that the mining supply and services sector is a widely varied group of companies that were grouped into three major categories. Fifty-eight per cent were categorized as mining equipment, supplies, and services. Thirteen per cent were categorized as mining contract services. These two categories are what most people think of as a typical mining supplier. However, it is the remaining 31% that typically get overlooked. These are, for example, the financial services, accounting companies, law firms, environmental services, and information technology firms.

The second key finding is that almost 88% of the companies surveyed are categorized as SMEs and 70% report exporting outside of Canada, so free trade agreements are very meaningful to the mining supply and services sector.

The final finding I would like to highlight from the study is in terms of direct employment. The mining supply and services sector represents two and a half times as many jobs as the mining companies employ themselves. This is an important point because, as mining is a great economic developer, the mining supply and services sector across Canada will be an important generator of jobs.

● (1015)

Our final point is directed towards the Pacific Alliance trade bloc, which contains Chile, Colombia, Mexico, and Peru. These are considered the top four countries to which the Canadian mining supply and services sector targets their export marketing efforts in Latin America. To help understand why, our research has shown that the Pacific Alliance trade bloc hosts over 500 active exploration and mining projects. In addition, there are more than 220 Canadian-based exploration and mining companies active within the Pacific Alliance, which operate or have ownership in 43% of these projects. This data shows why Canada is a natural fit as a member of the Pacific Alliance for the Canadian mining supply and services sector.

Thank you very much for your time.

The Chair: Thank you, panellists. We're going to go right into a dialogue with the MPs.

We have the Conservatives up for the first five minutes.

Mr. Allison, you have the floor.

● (1020)

Mr. Dean Allison: Thank you, Mr. Chair, and thank you to our witnesses.

Mr. Wilson, I'll start with you. You alluded to this in your opening comments, and I think we can't highlight this enough, but I just want you to mention it again. Trade deals are great and the Pacific Alliance and all these things are amazing, but we have to deal with our own competitive issues at home. Would you talk about those things? Taxation is one of the things. What are some of the other things that we need to work on here at home to make these trade deals valuable as we move forward?

Mr. Mathew Wilson: It's a good question. I'd start by saying that companies can only export what they can produce. It's hard to export things that they're not able to produce.

One of the problems we have in Canada is that we're actually pretty much at capacity in all sectors across manufacturing. When we're talking about 75% of exports actually being manufactured and produced goods and we're at capacity in manufacturing, signing new trade agreements doesn't actually lead to increased exports, because the companies themselves can't produce more to get out. They might be able to invest and do other things, but they're unable, really, to grow their production to export it much more than they already are. In order to get them to export in the first place, you need them to increase their investment.

There are a number of things that we've certainly been talking about with all governments for a while, but we certainly need to see things such as looking at corporate tax rates. The U.S. just passed a massive corporate tax reform bill and has had major investments in a wide variety of sectors in the U.S., which will boost their production capacities. There are things such as the accelerated cost of capital allowances, which this government has extended, and we'd like to see it brought on speed with the U.S. government, which would be a one-year writeoff.

That capital investment is critical to boost the output but also the productivity. If these companies can't compete against the foreign companies that are competing with them because they're less productive, say, than a foreign multinational or a foreign exporter, they're not going to have the same opportunities, both at home or abroad. That competitiveness piece plays on their ability to grow investment here to boost their capacities to be able to export abroad, but also on how they're dealing with imports from offshore. If they're not producing at competitive world prices—and this is the same with the TPP or CETA or any other deal—they are going to be beat by someone else when they're under a free trade agreement. That's why that domestic competitiveness is so easy....

Investment is critical. The regulatory environment is really critical. Helping companies train and skill their workers for new technologies and to be more innovative is really critical. All these things play a role. It's not just one thing. It's a wide variety of policies that need to take place to help companies grow, be able to export, and be globally competitive.

Mr. Dean Allison: Thank you. I know that we could do a whole study just on productivity, but that's a different question for a different day.

After the previous presentation, the first one this morning, it's almost like you and Mr. Dade are running off the same notes. You've talked about trying to get access for SMEs to all these other services. As I said, I think our government has a lot of great services, such as export development and trade commissioners, but the challenge is still that a lot of these small companies and SMEs either don't have the capacity to access or don't have the knowledge or the expertise or whatever it is.

You talked about it in your remarks, and Mr. Dade did as well in the first round. Talk to us about that.

Mr. Mathew Wilson: I think it was former minister Fast who said at one time that 98% of Canadian companies don't export. They don't export because they're really small and don't have any capability to export.

Capacity is one thing, and capability is something else entirely. If we're going to be successful in global markets, we need to scale companies up. It's certainly something that we're working on with Minister Bains and ISED through their innovation agenda, but they have to be of a certain scale in order to be able to get them to grow. A small company of five or seven employees in a machine shop or something like that isn't really going to be looking at global opportunities. They're probably barely exporting outside their own province.

I think we really do need to focus the resources on companies with high growth potential, and companies that have a better alignment towards global opportunities in key sectors. Mining would be a good one. Food would be another really good one, especially when you're talking about the Pacific Alliance. Instead of Canada trying to be all things to all people when we're trying to do export promotion, we should target specific sectors in the specific regions that actually have a chance of success rather than just hoping that other sectors will catch on and go there.

Mr. Dean Allison: Thanks.

Ms. Citeau, in the first half of the meeting we had the Canola Council of Canada, which I know is a member of your organization, and they talked about the huge potential in agrifood. Obviously, you represent a ton of organizations. I'm seeing here that we have exports of almost $1 billion to Pacific Alliance countries and nations. How much more room do you see for growth? The Canola Council talked about tariffs in Colombia, for example. Talk to us about how much more opportunity you see for things happening in agrifood.

● (1025)

Ms. Claire Citeau: For the Pacific Alliance, our exports are just under $3 billion. There are opportunities to reduce tariffs and grow our exports through this. Moreover, regional free trade agreements can help create supply chains, and through our regional agreements we can ensure that all partners abide by science-based rules. These mechanisms are easier to implement in regional trade agreements than in bilateral agreements.

I'd like to add that our industry has the capacity to supply new markets. It's actually market signals that will provide the incentive for the exporters to export, and ensuring that free trade agreements provide viable commercial access is what will get our exporters to export.

The Chair: Thank you.

I'm going to the Liberals now.

Mr. Peterson.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Chair, and my thanks to everyone for being with us this morning.

Ms. Citeau, I'm going to ask you a question about something you might not be aware of. Forgive me if you already know this, but the Canadian Chamber of Commerce recently came out with some interesting recommendations. There were 10 recommendations on how to make sure Canada's economy remains competitive, and one of them was to make sure Canada continues to grow as an agrifood centre. I'm going to assume you see this as an important goal. Do you see these trade deals as a good way of achieving that goal and a step toward maintaining the agrifood industry in Canada?

Ms. Claire Citeau: Very much so. Because we are an export-oriented sector, our growth comes from international markets, so agreements like NAFTA, the CETA, CPTPP, and other agreements with China are key to helping us reach the $75-billion target set in budget 2017. We see opportunities for the commodities, but even more so for the food-manufacturing sector, with employers in both urban and rural communities in our country.

Mr. Kyle Peterson: That's good, and that's a good segue. It seems to be in line with what Mr. Wilson said was one of the three objectives of the CME when you analyze FTAs. One of them was to make sure there are value-added exports, not just resources or commodities, and Ms. Citeau seems to be agreeing with that sentiment. Can you, Mr. Wilson, elaborate on why that's important and how it will create jobs?

Mr. Mathew Wilson: We have a history. Looking back through all of our trade agreements, we can see that, aside from the Canada-U.S. FTA, most of our trade agreements have resulted in an increase in raw materials, primarily natural resources. The real value, however, comes from what you do with natural resources. Our country is founded on turning natural resources—whether it's mining, agrifood, or forestry—into things and exporting them back to people around the world. That's critical—it's how we built our country. That's where the wealth comes from. It's where all the higher-paying jobs and the innovation come from.

These sectors, especially some of the ones based on our primary industries—agrifood, mining, forestry—have some of the greatest opportunities for growth globally. We are world leaders in these areas for a reason. We've been doing them for a long time, and doing them really well, but the companies often aren't export-oriented. Claire mentioned a lot of numbers on agrifood and they're all really impressive. However, about 25% of Canada's manufacturing output is in agrifood, but it accounts for only 8% of our exports.

To me, that's a real opportunity for us. We have a brand. We create high-quality, safe food, but we don't export enough of it around the world. That, to me, is the real opportunity we should be focusing our resources on. We should be helping our companies go global because this could create a lot more wealth for Canada.

Mr. Kyle Peterson: These agreements, and the improved agreement—specifically the Pacific Alliance—would certainly provide that opportunity. The opportunity is there, but what else do we need to do to encourage participants to take advantage of that opportunity?

That's open to anyone.

Mr. Phil Cancilla: I think Mr. Wilson raised a good point. In the mining industry, the size of the companies we're talking about is typically 35 to 100 people, and they don't have the resources, so they need to be educated on how to export. That's one of the things that MSTA does, it shows them how to export.

Bringing an innovation to market takes too much time, and there's a lot of risk involved. We have to cut down that risk. Some of the inventors of Canadian products have told me that they've been working on their ideas for 15 years, and that's a long time. They may have a good idea, but they don't have the money or resources to bring it to market.

I think we want to encourage these inventors, and we want to encourage innovation in all the industries, but we have to somehow bring down the risk and make it a partnership between industry, government, and the universities. Bring them all together so that we have the think tanks, the money, and the means of doing it.

● (1030)

Mr. Kyle Peterson: Perfect.

Ms. Claire Citeau: I'd like to answer your question.

I think it's important that these free trade agreements actually work, and for that to happen, we need to ensure they are ratified. We understand the CPTPP will be signed next month in Chile, and it's important that it gets ratified for it to become law so that exporters can benefit from the provisions that will come into force.

Another example is the CETA. A number of outstanding issues for the sector remain. These need to work. These non-tariff barriers need to be addressed, both for the grain and meat sector.

Mr. Kyle Peterson: Thank you.

I think I'm out of time, Mr. Chair.

The Chair: We're going over to the NDP.

Ms. Ramsey, you have the floor for five minutes.

Ms. Tracey Ramsey: Thank you so much to our presenters.

You've raised a number of really interesting things that I think we need to look at as a country. One of them is some of the domestic supports and policy pieces that you were speaking about, Mr. Wilson, and the need in our country for policies to cover our major sectors.

If we had a manufacturing policy in Canada at this point that incorporated some of the things you've mentioned, we could be strengthened against what we're facing in NAFTA. Really, this is the way forward in the future because, as you said, the doors are opening in these FTAs, but not everyone is able to go through those doors and see some significant gain.

Could you speak to the importance of a manufacturing policy overall to maybe incorporate some of those ideas that you've mentioned?

Mr. Mathew Wilson: The two go hand in hand. I think we often get stuck looking at domestic issues and export issues in two different silos, and that's why, in our comments, we try to talk about how they're connected.

If you look at really successful export-oriented countries—Germany, South Korea, Japan, and the U.S.—they combine the two together. They have an industrial strategy that really is tied into an export strategy. They do everything possible tied to their domestic strengths in a “team Japan” way, so to speak, to make sure they're benefiting and supporting exporters.

We just don't have a good history of doing that in Canada. Maybe we do it a little bit in the aerospace sector, but, aside from that, we don't really do much of that in Canada at all.

We need to look at it as a continuum, because that's the way businesses look at it. They're creating a product and have the risk of the original R and D, commercialization, and that whole process. We have supports there, which could be improved, but then we don't look at how that connects on the export side.

It's an excellent point you make, and we need a deeper understanding of what it could look like in Canada to tie an economic development strategy and export strategy together. I know there are people talking about it, including Minister Champagne, whose office is looking at that. It is a critical piece. If we're going to be successful, we need a tie-together strategy that helps companies right from the early stages of innovation through to export and gets them going internationally and not just staying at home in their local city, which is typically what they do.

Ms. Tracey Ramsey: You also raised an interesting point about sectoral agreements.

Ms. Citeau, I think we understand well the benefit of trade and the critical importance of trade for agriculture. I don't think anyone disputes that. To have access to those markets in a meaningful way to address some of the regulatory concerns and the clarity and things that we know and we continue to hear agriculture calling for.... I think an agriculture policy may be able to domestically address these issues and strengthen our position in trade agreements.

What we're seeing now is that these things are kind of at odds with one another. In trade agreements where there's a great benefit to one sector, it's often to the detriment of another, which I think is really unfortunate, because I don't think we should be pitted against each other. I think we should be trying to elevate everyone and making sure that everyone is receiving that.

I wonder if each of you individually could speak a little bit to the challenges you see there and the opportunities you see to be able to support each other. Are sectoral agreements something that you're talking about in your sectors?

● (1035)

Ms. Claire Citeau: I'll let you go first.

Mr. Mathew Wilson: I'm happy to, but I've been talking.

I think it is important, and let's use South Korea and the dispute between pork producers and auto manufacturers. It wasn't helpful for anyone on either side. We need to figure out ways to structure agreements and sometimes maybe the best way to do it is through sectoral agreements. In the CPTPP, from what I understand, they have taken several side agreements that look specifically at sectors and the specific problems they have within those sectors. So you have an overall framework, but also a sub-framework that can help on some of those sectoral issues. Our point on this agreement or any other agreement is you can't exclude parts of the economy from participating in a free trade agreement, whether it's agriculture, mining, auto, aerospace, it doesn't matter. If the agreement doesn't open the markets for every part of the economy, there's no point in doing the agreement at all. It's got to help everyone.

I think in the past we have gotten into this trade-off game between one sector or another. To me, it's just not that helpful. I think we need to find ways to work around those differences within Canada. If that's through having a broader framework of a trade agreement with subagreements that help certain sectors on certain issues, that would be fine. We'd certainly support something like that, but the big thing for us is not excluding sectors from trade agreements. You just can't. You can't sign an agreement and say it's good for everyone but you because you don't qualify for some reason, which frankly has been the case in the past sometimes; that's not good enough.

The Chair: We have time for one more MP.

Mr. Dhaliwal, you're the wrap-up guy.

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Thank you very much.

Welcome to the presenters.

Mr. Wilson, you have covered the need to have an environment and policies in place that will help the export of the manufacturing industry. One key component is the transportation infrastructure and ports. I come from British Columbia, and Pam is here. It affects us, as well.

Would you be able to tell us what focus we should have on those issues?

Mr. Mathew Wilson: You can't move anything, it doesn't matter what it is, without effective transportation networks, whether that's inside a city or across the country. Certainly one of our focuses has been on Industrie 2030, and our bigger picture of growing the manufacturing sector is to have better international trade connections.

Unfortunately I find that we tend to invest in a lot of things to get stuff into the country and not enough to get stuff out. China is a good example. In B.C. where boatload after boatload of stuff is coming from China, how many of those boats go back empty? I'm guessing the majority. We're not that well connected to get the stuff out, especially stuff from central Canada. That goes for both sides; whether it's through Halifax or Vancouver, the big ports for international exports are not that great.

We do have a lot of great facilities, but I think we can do a lot better in making those national connections. That's where those big national infrastructure funds, I think $50 billion....We've been pushing to get more of that put toward trade infrastructure rather than other infrastructure, which is also important, but we need the focus on trade infrastructure as well.

Mr. Sukh Dhaliwal: Ms. Citeau, do you have comments?

Ms. Claire Citeau: This will be handled by our members directly, so I'm happy to pass this on for them to follow up with you and the committee.

Mr. Phil Cancilla: A lot of our manufacturing in the mining industry is not near the ports, and the exporters have a problem getting.... We're shipping to the coast, as Mr. Wilson mentioned, so making that more efficient would be a lifesaver in a lot of cases. A lot of these companies that I'm thinking of in Saskatoon, in Timmins, and this type of place, want to get their stuff out of the country, but it's not that easy, and it's expensive.

Mr. Sukh Dhaliwal: Where particularly would you like to see the improvements made?

Mr. Phil Cancilla: What specific thing? The price. Make it more economical to do it. That means probably we need to work more together as a team and try to bundle things together that are going to similar countries, and getting them into those ships that are empty after they bring stuff here.

There's no common place that we can go to find out how to bundle things together to make a bulk shipment that's going to a similar country.

● (1040)

Mr. Sukh Dhaliwal: You're looking for dry ports where they can be bundled?

Mr. Phil Cancilla: There could be an index: these ships will be leaving the country in the next six months. They're coming in, so we know they'll be leaving.

Mr. Sukh Dhaliwal: Yes.

Mr. Wilson, did you have something to add?

Mr. Mathew Wilson: The only thing I was going to add was that we talk about Halifax or Vancouver or Montreal as the big international ports. The biggest international port is in Windsor. We tend to forget that.

Ms. Tracey Ramsey: I don't forget that.

Mr. Mathew Wilson: Yes, I know. And how long have we been trying to get a new bridge built in Windsor, as a good example?

That's not just an automotive thing. I think half of our food exports go through that port as well. It's not just a perimeter port. Also, within NAFTA, it's critically important we support that trade infrastructure. It's not just the new Gordie Howe bridge. It's the 401 and everything that links to it. All of that is so important to drive our exports.

Mr. Sukh Dhaliwal: Can you give me your views on this new infrastructure bank that the government has put in? Is it going to help with the costs?

Mr. Mathew Wilson: It should help. I guess we'll see what comes of it when it actually gets up and running, but it should help. Part of the problem we get into is a lot of short-term planning. This should look more at long-term strategic planning. That's our hope, anyway, that this is what it will do.

Mr. Sukh Dhaliwal: Thank you again for coming. We appreciate it.

The Chair: Thank you, Mr. Dhaliwal. That was perfect timing.

That wraps up our meeting this morning. Thank you, panellists, for your presentations, and thank you, MPs, for your good questions. There was good dialogue and good timing. It was a very productive morning, folks.

To the panellists, if you want a copy of our study, we'll be ready in a few months.

We'll see everybody Tuesday morning. The meeting is adjourned.

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