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Chair: The Honourable Judy A. Sgro



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• (1310)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number 12 of the House of Commons Standing Committee on International Trade.

Today's meeting is taking place in a hybrid format, pursuant to the House order of September 23, 2020. The proceedings are available via the House of Commons website.

To ensure an orderly meeting, I would like to outline a few rules to follow.

Members and witnesses may speak in the official language of their choice. Interpretation services are available for this meeting. You have the choice, at the bottom of your screen, of floor, English or French.

For members participating in person, proceed as you usually would when the whole committee is meeting in person in a committee room. Keep in mind the directives from the Board of Internal Economy regarding masking and health protocols.

Before speaking, please wait until I recognize you by name. If you are on the video conference, please click on the microphone icon to unmute yourself. For those in the room, your microphone will be controlled as normal by the proceedings and verification officer. When you are not speaking, your mike should be on mute.

Before I go to the business of the day and the witnesses, I understand that Mr. Blaikie has a motion he wants to speak to.

Mr. Daniel Blaikie (Elmwood—Transcona, NDP): Thank you very much, Madam Chair.

At this time, I would like to move the motion, for which I gave notice on December 4.

It reads as follows:

That the committee recognize:

- (1) the longstanding cultural, familial, political and economic connections between Canada and the people of both the Republic of Ireland and the United Kingdom;
- (2) the important role played by Canada in negotiating the Good Friday Agreement and in ensuring the commitments laid out in the treaty were implemented;
- (3) that the decision by the United Kingdom to leave the European Union could affect the Good Friday Agreement and the provisions in it regarding the border between the Republic of Ireland and the UK, and;

That the committee calls on the government to ensure that any post-Brexit trade deal between Canada and the United Kingdom be consistent with the principles of the Good Friday Agreement, and;

That the committee report this motion to the House and, pursuant to Standing Order 109, request that the government table a comprehensive response to the report.

I'm sure many members of the committee know and understand the deep connection between Canada and Ireland, and the significance of the Brexit process for the Irish border. We often hear that trade has the ability to open borders and to keep borders open.

Historically, Canada has played an important role in securing peace between the Republic of Ireland and the United Kingdom. I think it's good to reaffirm our commitment to that now as we conclude a transitional deal and look forward to a successor agreement in the future.

For the benefit of committee members who may not already know, I understand that the same motion has already passed unanimously at the foreign affairs committee of the House. I think it would be nice for the Committee on International Trade to add its voice to that call.

Thank you very much.

The Chair: Thank you, Mr. Blaikie.

Is there any discussion?

Ms. Rachel Bendayan (Outremont, Lib.): Madam Chair, as Mr. Blaikie pointed out, we were very pleased that this motion passed unanimously at the foreign affairs committee last week. I think you will find that government members will join Mr. Blaikie in support for the people of Ireland and to ensure that the trade agreement has no consequence and is entirely consistent with the Good Friday Agreement.

The Chair: Thank you, Ms. Bendayan.

Is there any further discussion?

Mr. Savard-Tremblay, go ahead.

[Translation]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

I simply wanted to mention that I too supported the motion.

Needless to say, the committees ought not to contradict one another, because that would no doubt send the wrong signal. In principle, we would be wise not to reopen this agreement. I also supported it out of solidarity for all peoples that strive for their independence.

[English]

The Chair: Thank you.

Mrs. Gray, please go ahead.

Mrs. Tracy Gray (Kelowna—Lake Country, CPC): Thank you, Madam Chair.

I'll just let the committee know that the official opposition also supports this motion. We will be voting in favour as well.

The Chair: Thank you all very much.

I don't see any other discussion.

(Motion agreed to)

The Chair: It's unanimous. Thank you very much.

Now we move on to the business of the day.

Pursuant to Standing Order 108(2), the committee will now proceed with the study of Canada's recovery plan for exporters after COVID-19.

We welcome our witnesses today. From the Canadian Council for Aboriginal Business, we have Patrick Watson, director of public policy. From the Canadian Vehicle Manufacturers' Association, we have Brian Kingston, president. From the Centre for Global Enterprise, Schulich School of Business, we have Douglas Kennedy, managing director. From Union des producteurs agricoles, we have Marcel Groleau, general president; and Isabelle Bouffard, director of agriculture policy and research.

Welcome to all of you on our last meeting day for 2020.

Mr. Watson, you have the floor.

Mr. Patrick Watson (Director, Public Policy, Canadian Council for Aboriginal Business): Thank you, Madam Chair.

Aanii, Patrick Watson n'indignikaaz. Hello, my name is Patrick Watson and as the director of public policy for the Canadian Council for Aboriginal Business, CCAB, I would like to thank you, Madam Chair and all distinguished members of this committee, for the opportunity to provide you with my testimony and to answer your questions today.

Speaking to you from my home office, I acknowledge the land as the traditional territory of many nations, including the Algonquin, the Anishinabe and the Haudenosaunee peoples, and now home to many diverse first nations, Métis and Inuit peoples. I would like to recognize and hold up their elders past, present and emerging.

As Chief Poitras stated to the House of Commons Standing Committee on Indigenous and Northern Affairs on November 3, 2020, "This pandemic has highlighted the inequities in this country and exacerbated existing challenges." This statement underlines how, more than any other time in history, indigenous peoples need to be top of mind for the Government of Canada and the Canadian public.

Since 1982, CCAB has been committed to the full participation of indigenous peoples in the Canadian economy. Our work is backed by data-driven research and recognized by the Organisation

for Economic Co-operation and Development, the OECD, as the gold standard for indigenous business data in Canada.

From the beginning of the pandemic, the Government of Canada introduced efforts to provide support for businesses. As the CCAB's president and CEO, Ms. Tabatha Bull, stated in recent appearances before the House of Commons Standing Committee on Indigenous and Northern Affairs and the Standing Senate Committee on National Finance, the unique circumstances facing indigenous businesses were not initially taken into account when forming the eligibility of the Canada emergency business account or Bill C-14, which initially left large indigenous-owned businesses ineligible for the wage subsidy. We appreciate that these gaps were remedied; however, we must not forget the additional burden that the nearly month-long gap placed on many indigenous businesses.

Furthermore, with an understanding that there were on-reserve businesses that could not access the programs available due to unique taxation and ownership structures, the government announced the distribution of \$133 million to support indigenous businesses. However, with Bill C-9, which extended the Canada emergency wage subsidy and the Canada emergency rent subsidy, a number of questions remain unanswered concerning the eligibility of indigenous businesses, which the CCAB has submitted to ISED and CRA. We are waiting on responses to these questions.

As a lesson learned, resulting from our efforts to ensure indigenous inclusion, the CCAB has repeatedly highlighted the need for a navigator function specifically for indigenous businesses to assist with the understanding and uptake of various programs, including those designed to support exporters. Indigenous businesses have found navigating the bureaucracy, which often does not consider their unique legal and place-based circumstances, a significant barrier to accessing the support necessary to keep their businesses alive and maintain the well-being of their communities.

In order to support sound federal public policy development and effective interventions during the pandemic, and in collaboration with leading national indigenous organizations, CCAB undertook a COVID-19 indigenous business survey as part of a COVID-19 indigenous response task force. The goal of the survey was to understand the unique impacts of the COVID-19 pandemic on indigenous-owned businesses in Canada.

As we dug deeper into this research, we found that indigenous women disproportionately bore the brunt of the negative effects of COVID-19. For example, more indigenous women-owned businesses reported very negative outcomes to their businesses: 61% for women-owned compared to 53% for men-owned businesses. Women-owned businesses experienced higher revenue drops as a whole compared to men-owned businesses: 36% of women-owned businesses, compared to 26% of men-owned businesses.

The CCAB appreciates the indication provided to us by Indigenous Services Canada that they will fund a second COVID-19 indigenous business survey this fall to assess the impacts that the first and second waves of COVID-19 have had and are having on indigenous businesses.

It is our hope that the results of both surveys will inform effective policy and programmatic interventions to support indigenous business recovery and, in turn, support indigenous prosperity and well-being. We would welcome a future opportunity to present our findings to this committee.

● (1315)

What we have taken away from this experience is that programs of general application are often not well designed to meet the specific needs of indigenous businesses. The lack of targeted assistance for indigenous businesses to utilize these government supports further adds to the frustration and distrust that is the result of the history between the Crown and indigenous peoples.

This underlines the need for an indigenous economic recovery strategy that is indigenous-led, builds indigenous capacity and is well resourced to support indigenous prosperity and well-being. This is one of the recommendations found in the Senate Committee on National Finance's report on Bill C-9, which notes that the federal government should consider "adopting a government-wide strategy to support Indigenous businesses, similar to its Women Entrepreneurship Strategy and the Black Entrepreneurship Program". Access to external markets would be an important part of this government-wide strategy, including the need to support indigenous exporters as part of the recovery.

Such a strategy was not mentioned in the recent Speech from the Throne, nor in the fall economic statement. Although we acknowledge the number of important renewed commitments made in the Speech from the Throne and in the fall economic statement, I would be remiss if I did not express my disappointment that there was no mention of efforts to support the economic empowerment of indigenous peoples, businesses or communities. That was a missed opportunity for the Government of Canada to signal to Canadians that indigenous prosperity and economic reconciliation matter.

In the immediate term, what is needed to support indigenous exporters is a 5% set-aside with a navigator service across all four CanExport programming streams—CanExport SMEs, CanExport innovation, CanExport associations and CanExport community investments—for indigenous businesses, organizations and aboriginal economic development corporations, also known as dev corps. A 5% set-aside for first nations, Métis and Inuit businesses would represent a meaningful investment in indigenous exporters and indigenous economic recovery. This proposal is aligned with the Government of Canada's procurement set-aside, which is reflected in the mandate letter of the Minister of Public Services and Procurement Canada.

In the medium term, what we would like to see in the upcoming budget is a plan for the Government of Canada to build the capacity of indigenous organizations to deliver export opportunity awareness, export readiness training and exporter business missions in a good way that draws upon the lessons learned of the recent OECD report "Linking Indigenous Communities with Regional Develop-

ment in Canada", to ensure that these supports are culturally appropriate, place-based and meaningful for indigenous businesses.

The CCAB would welcome the opportunity to work with this committee and Global Affairs Canada on its efforts to build indigenous capacity. In the last three months alone, CCAB has hosted and participated in a series of export webinars with the trade commissioner service, Export Development Canada and the Business Development Bank of Canada, focused on indigenous businesses.

We have been developing a unique export readiness training opportunity with the World Trade Centre in Vancouver for early 2021, and we co-hosted a Canada-Australia indigenous business export dialogue on December 3, 2020, which provided a business mission for indigenous exporters from both countries. Our next indigenous business export dialogue will take place on January 14, 2021, this time with indigenous businesses from the United States of America.

I would like to leave you with this point for consideration. Too often, indigenous business concerns are an afterthought, resulting in indigenous organizations like CCAB working to prove to the Government of Canada that their responses have not met the needs of indigenous peoples. A reasonable starting point to support indigenous economic recovery would include set-asides and a navigator function for the CanExport programs for indigenous businesses and communities.

CCAB is committed to continue to work in collaboration with the Government of Canada, our members and partners to help rebuild and strengthen the path forward towards a healthy and prosperous Canada.

Thank you all very much for your time. *Meegwetch.*

● (1320)

The Chair: Mr. Kingston, you have the floor.

Mr. Brian Kingston (President, Canadian Vehicle Manufacturers' Association): Good afternoon, Madam Chair and committee members. Thank you for the invitation to be here today to take part in the consultations on Canada's international trade after COVID-19.

Just by way of background, the Canadian Vehicle Manufacturers' Association is an industry association that represents Canada's leading manufacturers of light and heavy-duty motor vehicles. Our membership includes Fiat Chrysler Automobiles, FCA; Ford Motor Company; and General Motors, GM. CVMA members are responsible for the majority of vehicles manufactured in Canada, directly employing over 22,000 Canadians in well-paying, high-skilled jobs.

- (1325)

Over the past two months, the members of the CVMA have committed \$4.8 billion in new investment to Canada, creating 3,700 direct new jobs and tens of thousands throughout the auto supply chain. International trade is absolutely critical to the auto industry and the new investments that have been made in Canada. More than 85% of vehicles that we assemble here are exported, with motor vehicles responsible for fully 10% of Canada's goods exports.

Today I'd like to make three points about Canada's international trade priorities after COVID-19. The first is that we should focus on North America. The U.S. is and will remain Canada's most important automotive trade partner in a post-COVID world. Given the highly integrated nature of the auto industry, a successful recovery from COVID-19 depends on unfettered market access across the North American trading bloc. To achieve this, we urge continued efforts to ensure smooth and seamless implementation of the Canada-United States-Mexico agreement, CUSMA. This includes working with the new U.S. administration to resolve outstanding implementation issues related to the core parts of rules of origin and used-vehicle trade.

We also recommend a redoubling of efforts to reduce border thickening. We applaud the government for attention early in the pandemic to maintain commercial cross-border movement of goods. However, auto manufacturers are now witnessing an increasing number of issues with technical experts facing challenges when crossing the border to perform critical functions. This is starting to have serious economic consequences that could threaten a sustainable export recovery from COVID-19 if not addressed immediately.

To address this challenge, we have asked the government to provide clearer guidance to border service officers on common entry scenarios, apply rapid testing at border crossings, and consider a border crossing pilot program for the automotive sector. This would support a fully functioning industry and ensure that significant new investments in Canada can progress and support trade while recognizing that the auto industry has put robust safety protocols in place across facilities to protect the health and safety of employees and the communities in which they operate.

The second key point I'd like to make today is that harmonization is the key to our prosperity. Canada produces vehicles primarily for the North American market. It's critical that Canada maintain national harmonized vehicle regulations and standards with the federal U.S. across safety, emissions criteria, chemicals management and GHG emissions. Harmonization is necessary to ensure that Canada continues benefiting from the integrated North American auto industry and the significant automotive investment flows and jobs it has created here for Canadians. Auto regulatory harmonization enables "one product, tested once and certified once for sale across one [Canadian and U.S.] market". This has provided Canadian consumers with the greatest access to new and more advanced GHG-reducing technologies, safety features and vehicle model choice, as well as allowing industry to develop and manufacture these advanced technologies at the lowest cost.

If regulations are not harmonized in an integrated North American auto sector, Canada risks consumer access to new technology

vehicles or services that are available in the larger U.S. market. It also puts Canada at risk of missing out on hotly contested new manufacturing mandates. We have largely harmonized auto regulations with the U.S. thanks to the regulatory co-operation council and work over past governments.

More recently, the highly integrated nature of the automotive manufacturing industry was ingrained in the recently signed CUSMA, which was ultimately an agreement largely about automotive trade. We must not put the enormous benefits of auto trade at risk through unaligned regulations. We recommend that the government engage with the new U.S. administration as quickly as possible to reinvigorate the RCC. The success of this really depends on support at the leader level.

- (1330)

As Canada moves forward with its trade agenda, it will also be important to examine market access for North American-built vehicles, including the acceptance and recognition of safety and technical standards pursuant to the Canadian motor vehicle safety standards. Our members build and export vehicles worldwide. It is important to ensure that rigorous and comprehensive safety standards, such as CMVSS, are recognized as equivalent to or better than other standard bodies, such as the United Nations Economic Commission for Europe, UNECE.

It's important to note that regulatory harmonization does not preclude Canada from achieving its environmental policy objectives through complementary policy measures, such as accelerating the turnover of older, higher-emitting vehicles and incentivizing the adoption of newer, lower-emitting technology vehicles by Canadians.

Jurisdictional compatibility is also important in areas such as privacy. Vehicles are produced for an integrated North American market and need to operate seamlessly across jurisdictions. We encourage the federal government to take a leadership role to avoid a patchwork of privacy regulation that may hinder privacy objectives, create barriers for business and confusion for the consumer. Industry needs a clear and consistent policy landscape to support innovation and competitiveness for auto investment.

The third point, which I'll conclude on today, relates to infrastructure and the need to invest in trade-enabling infrastructure. Growing Canada's trade in a post-COVID-19 world requires more trade-enabling infrastructure. This includes completion of the Gordie Howe International Bridge and additional port capacity to support activity such as vehicle on-loading and off-loading.

We witnessed just this summer how fragile Canada's trade infrastructure really is when the Port of Montreal was closed due to labour action. The Port of Montreal strike caused a significant decrease in the port's national share of exports by water, with the share of exports down to 7.8%. That was from an average, typically, of around 15%. This disruption required rerouting, which added significant costs to production, increased uncertainty and ultimately undermined Canada's competitiveness as a reliable jurisdiction for the production and movement of goods.

We believe that any post-COVID trade strategy should include efforts to boost our trade infrastructure and resiliency to protect against any future disruptions.

With that, I'll conclude my remarks. I look forward to any questions.

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

Mr. Kennedy, go ahead, please.

Mr. Douglas Kennedy (Managing Director, Centre for Global Enterprise, Schulich School of Business): Madam Chair and distinguished members, thank you very much for the opportunity to come before you today to offer a few observations about Canada's trade post-COVID.

By way of background, the Centre for Global Enterprise is a centre based at the Schulich School of Business in Toronto, supported by both the public sector and the private sector with the mandate of enabling Canadian businesses to reach their full potential through engagement with international markets.

I believe you all have a slide deck that I prepared for this meeting. I will not go through it in detail. I'm happy to answer any questions. I'd just like to make a couple of observations, beginning with where we are and the trend line that Canada was on prior to COVID-19.

The first observation to make, on the first slide, is that Canada was about 2.5% of the global market back in 1980. Currently, depending on the measure, we're between 1.3% and 1.9% of the global market. Forecasts see us going down to 1% or slightly below by 2030. The implications are two: one, there's a lot of the global economy to engage with and, increasingly, growth is going to come from outside our borders; two is where this growth is going to come from, and that's on the second slide, which gives a sample of some economies. These are based on secondary sources, PwC, IMF and so on. They may differ in scale, but the observations, essentially, in terms of proportion, hold.

Canada and the United States will continue to grow, all things considered equal, but there are economies that are going to do better. There's no magic trick behind it. There are demographic reasons, urbanization, education, resource allocation, improving infrastructure and so on, to explain why these economies are expect-

ed to grow over the next 20 to 30 years at a faster pace than Canada's or indeed North America's.

The next thing is to take a snapshot of where our current trade is. If you go to the third slide, this is a listing of what PwC expects to be the top 20 economies in 2050. So, 30 years from now, for most of the people graduating from Schulich with MBAs or BBAs, this is sort of the time frame of their careers. If you take a look, you see the ranking of the economies and, again, that may differ as things evolve, but it also ranks Canada's trading relationship with them. As you can see, with very few exceptions, we are absent or nearly absent from a lot of the economies that are expected to grow and take leadership positions globally. Again, it's also very evident that our trade is extremely concentrated with two, possibly three, counterparties.

On post-pandemic, let's turn to what we believe the world is going to look like post-COVID, so over the next, say, zero to 24 months.

On things that are going to stay the same, the economic drivers behind trade and globalization aren't going to change. There may be some differences of degree, but the driving forces of demographics, economic expansion, resource allocations and deep-trade infrastructure are essentially going to remain the same. The other thing I would point out is that digitization of the economies adds a new dimension for engagement by Canadian companies, so that educational services, technical services and health care services, in which Canada excels, are all going to be more accessible on an online basis, or an e-commerce basis, opening a new dimension for Canadian trade with engagement with other countries.

The other thing that we're saying as well, which is unfortunate for a country seeking to diversify its trading partners, is that there's still this emphasis on regional or bilateral trade relationships. Most recently, we had the announcement of the RCEP, the Regional Comprehensive Economic Partnership, which they announced last month, which is essentially China's answer to CPTPP. Essentially, it includes the entire east Asia region, which is a statement of both leverage, in terms of Chinese current economic relationships, and also intent. There is an intent to bring that region, on an isolated basis, closer to economic integration, and integrating within that region means that other markets or other potential trading partners may be disadvantaged.

Post-pandemic, what will change?

• (1335)

Rather than radical changes, I think the most likely outcome is that trends that were already visible pre-pandemic, like e-commerce and decarbonization of the economy, are going to continue and, indeed, accelerate. This is going to have a ripple effect through all economies going forward. Some economies will be affected more than others, but that is going to accelerate changes that were already expected to be in place.

The second thing that I think is important is that up until now globalization and supply tended to be focused on economic efficiency, pretty much to the exclusion of other considerations. The COVID situation, some of the political issues and some of the diplomatic trade issues we've had over the last number of years have underlined to businesses the fact that there are other risks. There are risks to supply chains both upstream—what happens if a port shuts down for an extended period of time and all your products are coming through there—but also downstream. What's your distribution like? If you're reliant on one particular market, if you're exporting pork to China and that's your sole market and they slap tariffs on it, you're in a difficult situation.

Businesses, I believe, will not necessarily onshore everything, but I think there will be moves to regionalize, to try to be close to the customer, as well as to diversify: having a plan B, having diversification in your markets and in your suppliers, or at least the access to substitutes in case your primary source of supply shuts down.

The other thing we don't know is how the social changes that have come through COVID-19—working from home, for example—are going to ripple through the real economy. A point to be made is that all economies are going to be affected differently. I did put a slide in here showing how COVID infections and total infections vary across a sample of countries. Some countries are obviously doing a lot better than we are. We are doing a lot better than other countries. Those countries that have had a fairly limited experience—I took a look at some of the east Asian countries—can be expected to rebound more quickly than other countries and with less permanent scarring to their economic landscape.

However, having said that, COVID-19 isn't the only factor. COVID-19 will have impacts on particular economic sectors that are more important for some countries than others. I would look at the tourism industry, for example. Petro states, depending on how COVID plays out and the ripple effects, could have a very difficult time getting back to where they were in January 2020.

I have a couple of suggestions for post-pandemic trade. First and foremost, let's start looking at where the growth is. It doesn't necessarily have to be the biggest economies, but economies that are expected to do a long-term trend line to growth should be very attractive to Canadian businesses, in particular because there are first mover advantages. If you can get into an economy that's growing quickly where demand isn't being satisfied or where demand is expected to expand, it's a lot easier to gain a substantial market share there than to try to penetrate a stagnant market with a lot of entrenched rivals.

The next thing is that tariff reduction and general trade agreements are good. They should be pursued, but, as services become

more important, non-tariff barriers continue to proliferate. Agreements on things like data protection that are multilateral, things like IP, investor protections, contract enforcement, taxation harmonization and so on, even if they are outside a specific general trade agreement, are certainly worth pursuing.

The other thing to look at now, particularly post-COVID, is to realize that there are lots of other countries out there with a dominant trading relationship that may be particularly interested in forging new relationships and diversifying their current trade relationships. Just as we and Mexico have a situation with the United States as the dominant trading partner, many countries in east Asia, for example, have the same sort of relationship with China. Those are the kinds of countries that potentially pose a lot of good opportunities for Canada.

The other thing is to leverage “brand Canada”, particularly in the service industries and so on. Again, education, health care, technical services, commercial services, financial services are all places where Canada excels, and being able to deliver those with Canadian standards globally could be a real area of comparative advantage for us.

• (1340)

Let's now look at the companies themselves. Part of this observation is based on a survey that was done by Aimia back in 2016 of 350 different Canadian SMEs and their attitudes towards engaging with markets outside of Canada. Part of it is from focus groups that we ourselves have held since then.

What this seems to come down to is a risk-benefit analysis. Every company that is looking to potentially expand or do something abroad is looking at the opportunity cost and what the expected benefits are. The opportunity cost is not just financial cost, though. A lot of companies, particularly fast-growth companies, are looking at time, export allocations, availability of resources, availability of support and the risk of actually achieving what they want to achieve.

I think a lot of our focus going forward in terms of a post-COVID policy should perhaps be on improving the effectiveness of the existing machinery we have. We should put some oil in the machinery and try to get it to work more efficiently, from the perspective of the SME owner and executive, to reduce their opportunity costs, time, effort and risk in order to pursue a solution that is going to get them into international markets.

With that, I'd be happy to respond to any questions. Thank you very much.

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

We'll move on to Monsieur Groleau.

[*Translation*]

Mr. Marcel Groleau (General President, Union des producteurs agricoles): Good afternoon. Thank you for inviting us to speak to the members of the committee about our point of view on the agreement between Canada and the United Kingdom, and also on the agreement Canada signed with the European Union a few years ago.

In Canada, one out of every eight jobs is in the farming and agri-food sector. It's the largest employer. It's the leading primary sector in our economy and, as a result of food processing, also the top manufacturing sector. We're talking here about \$112 billion per year in revenue and exports worth \$60 billion per year, ranking Canada among the top 10 countries around the world.

It is an essential and a priority sector, as we have seen during the pandemic. The big issue was food security. In Quebec, there are approximately 128,000 jobs in this sector.

● (1345)

The Clerk of the Committee (Ms. Christine Lafrance): Mr. Groleau, Could you hold on to your microphone please? Apologies for the interruption.

Mr. Marcel Groleau: Okay.

The United Kingdom is Canada's fifth-largest trading partner. Canadian exports to the United Kingdom were approximately \$20 billion in 2019, and its imports from the UK totalled \$9 billion, for a positive trade balance of \$10.6 billion. It's a key partner.

One of the outcomes of Brexit is that the trade agreement will no longer apply to trade between Canada and the United Kingdom after December 31, 2020. That's why an interim trade agreement should be signed quickly before the ratification of a new comprehensive free trade agreement between the two countries. I should have said a comprehensive trade agreement and not a comprehensive free trade agreement.

For the time being, virtually all the measures in the European agreement have been renewed. In view of the tight deadlines, this may be the most sensible solution under the circumstances, but things will not be as simple going forward.

As with trade in goods, the balance for agricultural trade between Canada and the United Kingdom has been positive for several years. Exports of agricultural commodities from Canada to the United Kingdom totalled \$307 million in 2019, compared to imports of \$65 million. There is therefore a positive trade balance for agricultural commodities, but when agri-food trade is included, namely processed products, the balance is reversed. Canadian agricultural exports to the United Kingdom were \$456 million, whereas imports totalled \$608 million, for a negative trade balance.

The same is true for the 28 countries of the European Union. The agricultural balance is positive, but the agri-food balance between the countries of Europe, including the United Kingdom, and Canada is negative and totals \$2.8 billion.

The above data show that our agricultural and agri-food trade with the United Kingdom is uneven. Indeed, agri-food exports from Canada to the United Kingdom mainly consist of agricultural com-

modities, whereas Canadian imports are primarily processed products. The pattern is similar to our trade with Europe.

A glance at recent developments in exports of Canadian agricultural goods to Europe shows that between 2016 and 2019, Canadian agricultural exports grew by only 10%, whereas Canadian agricultural imports increased by 30% over the same period. In a letter to the Prime Minister of Canada in September, five former provincial premiers condemned Europe's lack of openness towards Canadian agri-food exporters.

Let's look a little more closely at this state of affairs. The agreement with Europe did not turn out as well as expected. That's also what the five former provincial premiers said. The agreement did not meet its commitments to our agri-food exporters.

The European Commission and its member states continue to erect all kinds of barriers, for example for pork, beef, canola, sugar and grain. The expected reduction or elimination in CETA of several trade barriers were shelved. For example, there is the Italian regulation on labels of origin for pasta, which will be harmful to Canadian wheat exporters. This is inconsistent with the European Union's commitments under CETA and European Union law. Worse still, the ploy is likely to be copied for other products elsewhere in Europe.

In October, the Canadian Minister of Agriculture, Marie-Claude Bibeau, agreed with the former premiers by saying she would like to see Canada benefit from CETA, but we're still waiting. The minister added that the agreement had in some respects been beneficial—though in very few instances—for example, exports of canola and biofuel. She would like the agreement to be more balanced.

We could mention a few other examples of this imbalance. In 2019, cattle producers exported less than 3% of the 19,580 tons of fresh beef it was entitled to export to Europe without any customs duties. The situation is even worse for frozen beef, with no exports from Canada to Europe. On the other hand, Europeans exported 99% of the specialty cheese volumes to which they were entitled and 71% of industrial cheese volumes. These increased imports to Canada have affected Quebec in particular, because it produces 65% of specialty cheeses made in Canada.

● (1350)

Producers and processors of goat's milk and sheep's milk also suffered losses owing to additional cheese imports. This young but developing area of production in Canada is having trouble competing with a well-established European industry that receives significant government assistance. In Quebec, cheese imports totalled approximately \$152 million in 2019. Of this amount, \$6.6 million came from the United Kingdom.

Canadian farm producers must comply with standards not always applied to imported European products. Indeed, there is no reciprocity in terms of standards, particularly for cheese imported from Europe, such as the use of copper vats, which are allowed in Europe but prohibited in Canada, the maturation of unpasteurized milk cheeses, the use of certain additives, and the threshold value for certain bacteria. In other words, it's easier and there are fewer restrictions in Europe than in Canada, and we don't place restrictions in Canada on products imported from Europe. It's utterly unfair. As nearly all of the flaws in the agreement with the United Kingdom have been renewed, the situation will continue if something is not done in the eventual permanent agreement. The errors of CETA will simply be reproduced.

Added to the flaws in CETA is the fact that there is more agricultural support in Europe than in Canada. As the following table shows, in 2019, the OECD estimated European assistance at 19% of total farm revenue. For Canada, the figure was 8.8%. Despite Brexit, this support will continue for United Kingdom agricultural producers until 2022. The table shows that most OECD countries provide market price support, as Canada does with supply management.

I spoke about the European Union, but when Canada is compared to other countries, even to the United States, support for Canadian producers is lower. Hence our recent efforts with Ms. Bibeau to improve risk management programs in agriculture in Canada. We can sign all kinds of treaties with other countries, but if Canadian government support is not comparable to the support received by producers in the countries we want to compete with, they won't be of any benefit to Canada.

This, then, is what we're asking for. First of all, Canada needs to be firmer in its negotiations with the United Kingdom to avoid simply renewing the failings in the European agreement. The United Kingdom must reduce and perhaps even eliminate its non-tariff barriers to meet its commitments. The Canadian agriculture and agri-food sector should not take the hit for Brexit. If trade adjustments are needed, then volume redistributions have to be made between the United Kingdom and Europe.

And Canada should not give up further market share for its sensitive products, more specifically those subject to supply management, including in its negotiations with the United Kingdom, and also in its Mercosur negotiations.

Adjustments are also required at the border to better identify cheese imports by type of milk, particularly goat's milk and sheep's milk, as I mentioned earlier, to allow a more accurate analysis of the impact of opening our markets to Europe. The HS codes currently in use are based on a classification by type of cheese, such as cheddar, Parmesan, and Romano. With this system, it's difficult if not impossible to track trade in goat's milk and sheep's milk cheese.

Lastly, Canada needs to provide a competitive level of support, both financial and regulatory, to its agricultural enterprises, and it should be equivalent to the support received by the agricultural sectors of its main trading partners.

I can now take any questions you may have.

[English]

The Chair: Thank you, Mr. Groleau. You can rest assured that we have many.

We'll go on to Mr. Hoback for six minutes.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

First of all, merry Christmas to everybody, and all the best through the holiday season. Be safe, have a good time relaxing amongst your families and stay home.

I'm going to start with you, Brian.

I'm curious about this. In the auto sector, one of the things we know is that it's a very integrated just-in-time system. I know that a lot of the componentry was coming out of Asia, coming out of China, and I was hearing over the summer that they're relooking at this and asking whether we want to have that amount of it being beholden to China, with that inability or unpredictability in terms of getting the products here in Canada for transit systems and things like that.

Do you see some structural change happening there, or is this just something that they thought about and said "never mind"?

• (1355)

Mr. Brian Kingston: Thank you. It's a good question.

First, there will be some structural changes as a result of CUS-MA, simply because the stronger rules of origin in that agreement force a higher level of North American content. That was already occurring before the pandemic, and that will continue, to make sure that vehicles can actually receive preferential treatment through the agreement.

The bigger question of... What we witnessed throughout COVID, due to lockdowns and then other supply chain disruptions, was problems in terms of procuring parts. That was problematic not just for the auto sector, but across industries. I think it's too early to tell, but it is safe to say that companies will be re-examining supply chains from a resiliency perspective to make sure that, should something like this happen again, they have secondary and tertiary suppliers they can access inputs from to make sure they don't face a problem like this again.

Regarding the question of parts from Asia, it really will depend on the type of vehicle and the technology being used. More and more, obviously, vehicles are highly connected, electrified. Some of that input will come from Asia, undoubtedly. We're encouraged to see that there have been new significant investments made in Canada that could create opportunities here.

Mr. Randy Hoback: Of course, one thing we're hearing, Brian, is that we should look at things we have here in Canada and make sure we have the capacity to either build them in Canada or build them in a country that we get along with, so that no matter what the scenario—a pandemic scenario, for example—we know the country is going to give us those products. One thing I hear about quite a bit is the rare earth elements for batteries for electric cars, and the components used in batteries that we have in Canada. China tends to own all of that at this point in time.

Do you see the COVID crisis actually speeding up that process, to say that we need to have our own capacity in those types of imports?

Mr. Brian Kingston: I think it may. There already are efforts under way in North America, with respect to the rare earth conversation, to make sure there is a level of resiliency there.

The question on batteries is an interesting one. The fact that Ford will be assembling electric vehicles here in Canada starts to give us some real scale in terms of EV production. If Canada were to win a few more mandates of that size, it would start to build a critical mass. It would make sense at that point to have some of that production—the actual battery assembly, perhaps—in Canada. I think there is an opportunity.

We know we have the minerals. The question is, can we catch up on the expertise front? We know that other countries have made leaps and bounds in terms of battery technology, so we are starting from a little bit behind, but I wouldn't rule out an opportunity to make that type of input as we start to look at overall resiliency in rare earths and batteries.

Mr. Randy Hoback: Okay. Then, of course, we're seeing countries go together, creating a bit of a cluster or bloc that can actually set its regs together that impact people outside their zone. I think Canada-U.S., CUSMA, was actually.... When we talked about it at the start, we thought it would be a great opportunity in the car sector to get the regs right so we are consistent, but it would be big enough that it would impact Central America and South America, and even go into Asia. We started looking at a car seat that was approved in Canada being approved in all those regions.

How do you think we're doing on that? Do you see more work needing to be done on that?

Mr. Brian Kingston: Yes, you're absolutely correct. It's hugely important for the auto sector, particularly as vehicles become even more technologically advanced, with safety features, connectivity and so on. Making sure we have consistent regulations in place is key.

We are totally aligned with the U.S. We co-operate with them regularly in international forums and in other markets, but it's a non-stop piece of work that has to be done. We always have to make sure that we co-operate with the Americans, our North American partners, with the support of government, to ensure that we're helping to shape those regulations in other jurisdictions so our vehicles can be sold there.

Mr. Randy Hoback: I'm going to turn to Mr. Kennedy quickly.

The Chair: Make it a short question, Mr. Hoback.

Mr. Randy Hoback: Mr. Kennedy, why isn't Canada part of the picture in 2050? Why aren't we part of that group of 20 countries?

Mr. Douglas Kennedy: Well, Canada in 2050—and again, this is just one forecast by PwC—is going to be ranking about 23rd or 24th, for a number of reasons: population size, scale, and demographics—the age of our population and the fact that growth in the Canadian population is essentially through immigration. That's our primary growth source. We've already achieved very high education levels. We could do better on productivity.

Other countries, if you move subsistence farmers and you give them a primary education so they can operate sewing machines, drive trucks or operate lathes, they are going to catch up, in terms of their ability to generate value, much faster than we are trying to grow incrementally from.... Tertiary education is where we are now.

It's not so much that Canada is going to fall behind. The Canadian economy is expected to top \$3 trillion by 2050, up from about \$1.9 trillion today. It's just that other countries are moving faster.

• (1400)

The Chair: Thank you, Mr. Kennedy.

We go to Mr. Sarai, for six minutes.

Mr. Randeep Sarai (Surrey Centre, Lib.): Thank you.

It's been very insightful to hear from all of you.

Mr. Kennedy, my first question is perhaps to you. I hear this all the time, and it's a very good point, that manufacturers should diversify their exports so they're not hinging on one country that may impose tariffs or block them or use unfair safety measures to shut an industry down. But what I also see is that SMEs don't have the ability sometimes. They get one client who is taking all of their product and paying them a good price. They customize it for them. Then all of a sudden this happens, and they're not able to diversify. Many of them end up being beaten up before they decide to diversify. The softwood lumber industry is a prime example. It was heavily reliant on the U.S. It's now diversified with Japan and China and others, so it can now take a hit and still be able to absorb it because it's retooled for others.

How can Canadian SMEs diversify or how can the government help them diversify their exports so they're not reliant on one market only?

Mr. Douglas Kennedy: Thank you very much for that question. It's a good one. It comes up all the time.

I think the key observation here is that it may be less about Canadian manufacturing and just doing pure exporting than about Canadian companies' engagement with international markets. If you are producing plastic stampings for the auto industry, for example, and you're reliant on a limited number of plants here in Canada or in North America and you're looking to grow your business and trying to export those same components to a growing auto industry like the one in Thailand, for example, parts of Africa or the Middle East, it may be less efficient for you to export the actual components than to do joint ventures—keep the engineering, research and development, finance, branding jobs here in Canada but build a supply chain or build a distribution chain where you can get access to those markets indirectly.

In many cases, there are lots of Canadian companies with technology, with client relationships and so on, that can be leveraged in these other markets. It's not just a matter of Canadian companies scaling up and then moving offshore all at once; it's actually building into their business plans the ability to take advantage of what they are best at here in Canada and finding a way of exporting that DNA to other markets.

Mr. Randeep Sarai: Thank you.

In the presentation we received from the Centre for Global Enterprise, it was mentioned that in future international trade deals we should “take advantage of uncertainty to seek out partners with similar risk concerns”. What countries would you identify as having similar risk concerns?

Mr. Douglas Kennedy: In terms of risk concern, it's essentially some of the risks that have been labelled. There are physical risks: What countries are vulnerable to pandemics? What countries have key parts of their infrastructure in transportation logistics, warehousing and so on that are vulnerable?

Also, just looking at the political dimension, what other countries have a dominant trading relationship that they may no longer be completely comfortable with and are looking for alternatives? Again, Australia and ASEAN countries have a similar relationship with China as we have with the United States. We are actively seeking to grow our integration with the United States, but also to expand into other markets. These countries have exactly the same objectives, and they make them natural partners for us. So, again, looking at the China example, there are the ASEAN countries, Korea, Australasia.

• (1405)

Mr. Randeep Sarai: Thank you.

Mr. Watson, we know that indigenous communities have been disproportionately affected by COVID-19. Specifically, women entrepreneurs in your community have been hit, so you have a double whammy on it. How can we continue to work with indigenous communities to bridge the gaps they are experiencing as a result of COVID-19 and other systemic barriers related to international trade?

Mr. Patrick Watson: Thank you very much for the question.

As I described in my statement, it's about creating those opportunities and building indigenous capacity. If there's one idea that I would like to leave with the committee today, in a good way, it is

that when we ask ourselves what we're doing, we should ask whether it is building indigenous capacity. Is it raising up indigenous leaders, nations and institutions? I think if we do that, we'll find much greater success.

I want to note something that my colleague noted earlier, about needing oil in the machinery to make it work more efficiently. I think that having a lot more of that CanExport support for building up indigenous nations, leaders, and institutions is the kind of oil that we need in that machinery to make it work more effectively and allow more equitable outcomes, no matter where that indigenous business might be. It might be in an urban area, a rural area or a remote area.

By building up institutions.... As Ms. Dawn Madahbee Leach, who is the vice-chair of the National Indigenous Economic Development Board, asked yesterday at a Canada 2020 event, how are we building indigenous institutional infrastructure?

I think we want to be mindful that we want to see indigenous export growth and drive indigenous prosperity while being in indigenous economic recovery. We want to support indigenous institutions.

Thank you.

The Chair: Thank you, Mr. Watson.

We'll go on to Mr. Savard-Tremblay for six minutes.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: I'll begin by thanking all the witnesses for their comments and their support.

My question is for the representatives of the Union des producteurs agricoles. Thanks to Mr. Groleau for his presentation.

We are here today to comment on the future of trade once the pandemic is over. The current health crisis could be repeated in other forms. Some people feel that trade, for as long as we continue to promote it—and we intend to promote it even more—provides protection to various sectors and industries, the environment, human beings, forms of social justice, and agriculture.

Canada and Quebec have a supply management system. As you know, it is eminently typical of Quebec. You spoke to us about the agreement with the United Kingdom and about your fears, expectations and hopes with respect to a future renegotiated permanent agreement. We also heard from the dairy producers a short while ago. If we were to summarize their comments on this agreement it would be something like, "that was a close call."

However, this doesn't mean that there won't be other gaps in the supply management system. For example, under the agreement with the United Kingdom, their cheese producers are applying pressure for more exports. So perhaps it's only a postponement.

As you know, the Bloc Québécois tabled a bill that prohibits any weakening of the supply management system. As the different parties take their turn running the government, they continually make commitments, but end up telling us that there are gaps in the system. We want to put an end to that and we hope that any mandate for the ministers in question will include defending the supply management system.

Do you believe that this bill is a good idea?

Mr. Marcel Groleau: Thank you for your question.

This bill is definitely a good idea if it confirms the genuine commitment of all the political parties to this principle, and even whichever of the parties might one day form the government and be involved in bilateral or multilateral negotiations.

Your question is nevertheless rather broad. What would we do, in the context of future agreements, to include aspects other than trade issues, such as environmental and social issues? In my view, agriculture and agri-food would probably be one of the priority sectors. We saw during the pandemic that the poorest segment of the population was affected in various ways, including higher food prices. This year, a growing number are suffering from hunger. As for the previous year, we would have to admit that while this number had been stabilized, it had certainly not been reduced.

Within the Union des producteurs agricoles, and also in Europe, more and more people are arguing in various ways that it is essential to adopt a global approach to food as well as a global approach to dealing with food trade issues. By this we mean more than an agreement on sustainable agriculture. It would include population health, the environment, and soil, with a view to achieving sustainable agriculture. Doing so is all the more important because climate change is going to have a major impact on the farming sector in many countries.

What we're talking about is the need to protect farmland, which is what feeds humanity everywhere on the planet, and to protect biodiversity, or at least what's left of it. If opposition and competition between the world's agricultural systems continues without any concern for social and environmental issues, then we'll see a rising number of people suffering from hunger, and a failure to meet the environmental commitments we have all made under the Paris Accord. It's therefore important to view agricultural trade from a standpoint that is not strictly commercial, and equally important to include other challenges facing society today and for decades to come.

Supply management is a model that addresses these issues, but there are others too, including national agri-food systems. In Europe, people are talking about this more and more. Europe fiercely maintains non-tariff barriers to ensure that it can feed most of its population from its own farming operations, and at the same time protect its farmers' revenue. The Americans too are applying a significant amount of protectionism for its agricultural sector. Japan has maintained measures for its rice and beef to assure a basic level of agriculture at home.

National food security is mainly based on each nation's level of food self-sufficiency. International trade has not yet factored in this concept.

Food and agricultural trade will definitely have to be approached differently over the coming years.

● (1410)

[English]

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

I want to recognize that, filling in today, we have Mr. Green and Mr. Sangha.

Welcome to our committee.

Mr. Green, you're on for six minutes, please.

Mr. Matthew Green (Hamilton Centre, NDP): It's the last day of the last week of the Zoom apocalypse of COVID, and I have done what everybody has done. I remained muted.

I want to begin by thanking members for allowing me to join this important committee today in the place of my very esteemed colleague Mr. Daniel Blaikie. I see my friend Mr. Ziad Aboultaif here from another committee. I'm pleased to be here.

Mr. Watson, I want to take this opportunity to draw out the critical calls to action in the COVID-19 indigenous business survey, particularly the points on development and implementing a proactive procurement strategy for government procurement officers to directly engage indigenous businesses that can supply or pivot to PPE.

I bring that up because in one of my other committees I've actually done a demand for documents on the federal government contractors program. I just wanted to draw attention to that in this committee, as there are many policies in place that state the set-asides at 5%.

I would like Mr. Watson to comment on what we know to be a well-intentioned policy, but which continues to fall short on any given day. What confidence does he have that this government will be able to actually deliver on this pivot to PPE in the context of the report?

● (1415)

Mr. Patrick Watson: Thank you very much, sir, for that question.

I would be remiss if I didn't note that that objective did come through a very detailed research report that the CCAB published last year, called "Industry and Inclusion". That report essentially set the benchmark for the 5% in recommendations, and for 1% increases per annum, which found its way into the mandate letter of Minister Anand. I just want to thank my colleagues on the research team for that important piece.

What we found, especially during the course of the pandemic, is the incredible importance of procurement to ensure that indigenous communities are well serviced. We're finding that it's spotty at best, if I may be so bold. I do find that there could be significant improvements, in terms of the government spend from indigenous businesses. I appreciate that you're seeking documentation. What we have found, in information provided to us by PSPC, is that it is less than 5%.

I think this is an important facet of indigenous economic recovery. We need to ensure that the government continues to make progress towards its 5% target and continues to include indigenous organizations such as the CCAB, among others, in the conversation about how the Government of Canada can successfully obtain that 5% objective.

As I said earlier, it's about building indigenous capacity. That also includes how indigenous organizations can contribute to the policy conversation, because at the end of the day, you need to have pragmatic policy that's informed by the realities on the ground and achievable for indigenous businesses.

I would like to make a note that the CCAB, among other national indigenous organizations, has worked quite closely with indigenous organizations in Australia, principally Supply Nation, which has been quite successful in the implementation of indigenous procurement policy in that country. Back in 2014, the government of the Commonwealth of Australia was saying that this is an overly ambitious target and they were not sure how they were going to meet it. Then they met it in short order, and now they're actually exceeding their targets. I think that's—

Mr. Matthew Green: Let's actually dial down on that. As I understand it, I'm hearing that we're only getting something like a 2% set-aside on some of the procurement side policies. I'm wondering about that, given that your report on outreach and programming states that over a quarter, or 28%, of the respondents were unsure if they would even apply for government supports.

I'm wondering if there's a correlation between that reluctance or the barriers presented to first nations and indigenous businesses for supports and some of the barriers that are presented on the procurement side.

Mr. Patrick Watson: Absolutely. What we've found from our important work with our indigenous counterparts in Australia is that there is a need for a navigator function. This is something that my boss, president and CEO Tabatha Bull, has made the case for time and time again. There is a need for a navigator function to assist indigenous businesses in navigating the bureaucracy to draw down these procurement opportunities.

If you're a small-scale enterprise, perhaps in a rural, remote area, and you see a bid, and it's many pages long.... I don't know many SMEs that have the opportunity to go through that in detail. What they really need is a bit of support. They want and seek that support, often from indigenous organizations. Who's going to play that navigator function?

We're doing some excellent policy work right now that's been commissioned by Indigenous Services Canada, which is talking about procurement from subcontracting to indigenous businesses

from corporate Canada. There are a lot of very good lessons learned that we've submitted through draft to Indigenous Services Canada, PSPC, TBS and others.

I'm really hoping that this will form some of the foundation of excellent policy development going forward. The key in that is that navigator function, to ensure that indigenous businesses have the opportunity to pull down these procurement opportunities.

Mr. Matthew Green: I want to draw attention to my colleague Mr. Blaikie, who has done.... He is a humble man, and I don't know that he would bring this up, but I certainly will, because it's an interest of mine. I want to point to the Canada-U.K. trade continuity agreement, the TCA. He moved a motion to put a clause in the forthcoming TCA—he attempted to do this in past with CUSMA, but he was unsuccessful, and now he is trying with the U.K. agreement—to include the language of “indigenous peoples of Canada” to have the meaning assigned by the definition “aboriginal peoples of Canada” in subsection 35(2) of the Constitution Act. It also said, “For greater certainty, nothing in this Act is to be construed as abrogating or derogating from the protection provided for the rights of the Indigenous peoples of Canada” by the Constitution.

I am wondering if Mr. Watson can comment on the need to ensure that our international trade agreements have baked-in language to ensure that these protections are in place via legislation.

• (1420)

The Chair: Give a short answer, if possible, Mr. Watson.

Mr. Patrick Watson: Yes, thank you, Madam Chair.

Mr. Matthew Green: So as not to cut this up, how much time do I have left?

The Chair: You don't; your time is up, sir.

Mr. Matthew Green: Will we have a second round?

The Chair: We have a second round, yes. You'll have two and a half minutes on that round.

Mr. Matthew Green: Just know, Mr. Watson, that I am going to ask you that in the next round, and you can have a great answer for it then.

Ms. Rachel Bendayan: I have a point of order, Madam Chair.

I am very interested in what Mr. Green just mentioned, and I am not familiar with any motion by Mr. Blaikie to that effect, so perhaps Mr. Green could circulate that to me.

The Chair: Thank you.

We will move on to Mr. Aboultaif for five minutes.

Mr. Ziad Aboultaif (Edmonton Manning, CPC): Thanks to the witnesses for great testimony this afternoon, in our last meeting for this year for our committee.

I believe Mr. Kingston and Mr. Kennedy mentioned the infrastructure and how ready we are. The government, of course, talks big about infrastructure. We believe that it's very important in facing the future, of course, to reserve a spot among the nations on the world stage in 2050, especially in trade. It's going to be a big challenge. We know that there is an economic shift toward Southeast Asia and the Indo-Pacific region.

The biggest worry here on my mind—and I am basically a former businessman in international trade—is the supply chain. The supply chain, before and after COVID, is an issue.

Mr. Kingston, do you believe that the federal government can do more to protect our supply chain? Can you give us an assessment on how we are doing overall?

Mr. Brian Kingston: We've had two recent examples of supply chain issues that have arisen that I think really underline how vulnerable we are with respect to our trade infrastructure. We had the rail blockades, then the port of Montreal strike and then, of course, COVID, which was a global disruption.

Those two instances really showed how critically important Canada's rail infrastructure is and the connections it then has to the ports and how narrow that band of infrastructure is across the country. When one element of it goes down due to disruption, whatever the reason may be.... The knock-on effects that we saw, not just in the auto sector but throughout the economy, were massive. Companies weren't able to say, "Okay, we'll divert to a different port" or "We'll divert to a different rail line." There was no other option; that was the only way, so we ended up having to use trucks or airplanes at great expense to move goods.

I would just urge that, as the government thinks about a post-COVID trade infrastructure strategy, we think about building some resiliency into some of those key linkages across Canada to make sure we avoid those situations.

Mr. Ziad Aboultaif: Thank you.

Why do you think the government hasn't done enough there yet? We are politicians. We know that policy really should drive everything. Yes, business people do the business, the suppliers will do the supply, and the importers and exporters will do their job, but at the end of the day it's about the policy.

What kind of advice would you give us, as parliamentarians and as a government, on how to protect the supply chain and how to make sure it's going to serve us very well, especially post-COVID?

Mr. Brian Kingston: Now that we've come through this scenario—well, not quite yet, but hopefully we're approaching a recovery—this would be a time to take stock of our infrastructure weaknesses, identify some of those choke points and identify areas in the supply chain that are potentially weakened. Now that we've gone through these instances, we can look at it and determine where we need that investment to be directed.

We've had great initiatives in the past, like the trade corridors, where the problems have been flagged, but what has happened is that we haven't seen the follow-through. There have been funds announced, but then getting shovels in the ground and building this

additional infrastructure gets delayed, takes too long or doesn't happen.

I would just urge that now is the time to really think this through, particularly as the government is looking to stimulate the economy, as we saw in the fall economic statement. This is the type of stimulus that has economic benefits. It can be done relatively quickly, and it will serve the country going forward for decades.

• (1425)

Mr. Ziad Aboultaif: I'm from western Canada and I know that, as we look towards the future, there's not much that can be done without the oil and gas sector, which we do very well and it's our main bread and butter, basically, in the western provinces.

We know we're facing protectionism under different banners, with the new era, post-COVID, just the different names, the China bloc on the other side, and thinking again that for the economy the balance is going to tip to that region.

What should we do to make sure that we also maintain the oil and gas industry, going forward, to 2050 or 2100? We're talking 30 to 80 years from now, during which time we cannot survive without protecting this industry.

Do you have any comment on how we can do better to make sure that we protect this industry, at least for the short term to 2050?

Mr. Brian Kingston: Would you like me to answer that?

Mr. Ziad Aboultaif: Absolutely.

The Chair: Mr. Kingston, can you give just a short answer, please?

Mr. Brian Kingston: Sure.

Number one, I know it has probably been said a lot, but infrastructure is critical for the oil sector, getting oil to tidewater. We have much more to do there on the protections front, working with the WTO and hopefully working with the new Biden administration to tackle trade barriers that we're seeing around the world. If we can partner with our strongest ally, the Americans, we will always be stronger.

Mr. Ziad Aboultaif: Thank you.

By the way, Merry Christmas to all of you.

The Chair: Thank you, Mr. Aboultaif.

We'll go on to Mr. Sheehan, for five minutes.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much.

There has been some very excellent testimony as we deal with the realities of COVID-19 and how we can strengthen our position for the people you represent and we represent, so I truly appreciate it.

Keeping on the motif of supply chains, obviously Canada has more trade agreements than any G7 country, virtually with all G7 countries, but in remarks that I heard earlier in this discussion, I had to reflect on recent events.

Ron Irwin, who is from my riding, was a cabinet minister. He was a fairly bombastic fellow, but he was also the ambassador to Ireland. I remember when I was a young fellow and I was at a presentation at Algoma University, and the question was posed to him about trade, about what the opportunities are and where Sault Ste. Marie, and Canada itself, should look. He said, "Is it still a buck fifty for the bridge?" Obviously, the United States is always going to be one of our greatest places. Then he went on and explained the Irish situation.

I went on to actually work in different capacities, in both the public and private sector, doing inbound and outbound trade missions, including those with Ireland, and there's a ton of opportunity there. He was joking. However, the reality is that 80% of our population, the settlers, settled along the border for various reasons. The first nations have been coming to Sault Ste. Marie and area for thousands of years for the natural linkages through the Great Lakes and to fish. When they came here to fish, it became a sacred area where they did not do war; instead, they did trade and various things.

In particular, in reflection of that, I think about the example of the auto sector. What would have been the reality if there had been those section 232 tariffs on the auto sector? We heard it before the pandemic, but think in the context of what that would mean now, and in particular, speaking of supply chains, had we not gotten rid of the section 232 tariffs on steel and aluminum, which would affect ridings across Canada as well.

I'll start with that question to the presenters, and then I'll frame some other questions.

Mr. Brian Kingston: Thank you. It's an excellent question.

The effect of the section 232 tariffs on the auto sector in particular, if they had ever been unveiled directly on autos, would have been disastrous. Our industry is so tightly integrated into the U.S. Over 90% of the vehicles we're producing are going to the United States, so to have significant tariffs on those products would have been hugely damaging. Even with the section 232 tariffs on steel and aluminum, we saw the impact throughout the supply chain. It's a testament to the government that they managed to navigate through that and keep those tariffs off and then negotiate a trade agreement that has kept our auto sector trade duty-free.

Frankly, that has been a very big enabler of new investments in Canada. If you're considering a significant new auto mandate here, you don't do that because you're only going to service the Canadian market. We're too small. You have to be able to access the U.S. and do so in a duty-free fashion.

Therefore, it's critically important that we keep those trade lanes open into the United States.

• (1430)

Mr. Terry Sheehan: My next question is for Mr. Watson. We heard testimony from Chief Perry Bellegarde, who apparently is not

running again, about how important it was to have indigenous voices at the CUSMA table.

In your view, how has that benefited—or potentially continues to benefit, because it's a fairly recent agreement—indigenous peoples across Canada?

Mr. Patrick Watson: It's critically important to have indigenous leaders at the table, actively involved, not just taking information but also providing meaningful proposals to inform the negotiations.

It doesn't just stop at the negotiating table or once the ink is dry on the FTA. It's also about involvement in the implementation committees. We welcome invitations to participate in the various implementation committees of the CUSMA—chapter 4, rules of origin; chapter 25, small and medium-sized enterprises; chapter 26, competitiveness—because that's where the rubber hits the road. How are you interpreting the rules as articulated in the FTA? How are you doing that in a good way where you build relationships with indigenous peoples in the United States of America, as well as Mexico?

This is where I want to go, and I'm kind of anticipating Mr. Green's question. How do we see these things as opportunities to build indigenous capacity and involve indigenous peoples?

It's not just about the front end in terms of the negotiation—although that's very important, not just for CUSMA but also Mercosur, the Pacific Alliance and others—but also about how to include indigenous peoples, leaders, nations and institutions throughout the entire process, which sets them up for success to ensure they can move in a good way to showcase goods and services and take advantage of the provisions within those free trade agreements.

The Chair: We're on to Mr. Savard-Tremblay, for two and a half minutes.

[*Translation*]

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

Over to you once again, Mr. Groleau.

Basically, and this is very interesting, your presentation summarized the reasons why the agreement with Europe worked well on paper, but not in practice. I don't think that's an unfair summary of your comments.

If I have understood you properly, the problem really lies with the non-tariff barriers. This has been frequently mentioned in discussions of this agreement. As the agreement with the United Kingdom is virtually a copy and paste of CETA, you're worried that it would give rise to the same problems.

Given the particular situation the United Kingdom is in—an agreement with Europe, after all, covers an entire continent—are there specific industries, sectors or areas that we should monitor and pay special attention to for the United Kingdom?

Mr. Marcel Groleau: In the United Kingdom, there are of course specialty cheeses of interest to Canadians. The United Kingdom will definitely target this market here in Canada. There is also beef. People may not know this, but we import more beef from the United Kingdom than we export to them. And yet Canada is a much larger producer on a world scale.

It all stems from the same phenomena. Firstly, market protection. The United Kingdom has applied the same non-tariff measures as Europe. We would not want to see this repeated in the renegotiation of a bilateral agreement with the United Kingdom.

Then of course, support for farm producers can take many forms. In Europe, such support often comes via green measures. This makes European producers more competitive in terms of exports.

The fact is that Canadian producers are not playing on the same hockey rink as European and American producers. It's as if we were on a different ice surface, with different skates, a different kind of stick and none of the goalie equipment needed to stop a puck. And yet we're compared to them.

• (1435)

[English]

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

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

Mr. Matthew Green: On my earlier comments, I want to note that my colleague Daniel Blaikie, at the committee dealing with CUSMA, tried to move an amendment to include a clause in the enabling legislation that would “simply confirm the existing rights of Indigenous peoples”, which is an important step toward reconciliation.

He put it in a letter to Minister Ng, dated December 7:

“Indigenous peoples of Canada” has the meaning assigned by the definition “aboriginal peoples of Canada” in subsection 35(2) of the Constitution Act....

For greater certainty, nothing in this Act is to be construed as abrogating or derogating from the protection provided for the rights of the Indigenous peoples of Canada by the recognition and affirmation of those rights in section 35....

Mr. Watson, can you comment on the need to have these rights enshrined in our international agreements?

Mr. Patrick Watson: Thank you very much, sir.

I think that is very important, but also to use free trade agreements not just defensively but offensively in how we are creating opportunities when it comes to not just trade but also investment.

I just want to note—because I have had some time, thank you—that indigenous SMEs, from our research, were actually found to be twice as likely to be exporters as non-indigenous SMEs. We see that there's actually quite a lot of capacity there, potentially, to draw down the provisions of free trade agreements.

We really want to set them up for success and build that capacity, but we also want their involvement in the negotiation process to ensure that their needs are reflected at the table and also through the implementation.

I hope that provides a fulsome answer.

Mr. Matthew Green: If I could, in my last question.... I know that cannabis legalization has been a grey area of law with Indian Act territories, and I know there is tremendous interest in local cannabis deals having access to both domestic and international markets.

Would you care to comment on how this has been a barrier for cannabis trade within first nations communities?

The Chair: Give a brief answer, please.

Mr. Patrick Watson: Thank you.

I would just say that those rules are determined by each individual first nation community. I would defer to their leadership.

Thank you.

Mr. Matthew Green: Is there—

The Chair: I'm sorry, Mr. Green. Your time is up.

We move on to Mrs. Gray, for five minutes.

Mr. Matthew Green: Just as a point of order, I do have a timer here and—

The Chair: You had two and a half minutes, sir.

Mr. Matthew Green: I time it quite sharply.

The Chair: So do I. Thank you.

Mrs. Gray, go ahead, please.

Mrs. Tracy Gray: Thank you, Madam Chair.

I'd like to thank all the witnesses for being here today.

I have a couple of questions for Mr. Kennedy. You were going into a number of different observations during COVID-19 pandemic time and then after this time. One of the points you mentioned was around non-tariff barriers, how they have become even more prevalent and how to deal with them.

I'm wondering if you would be able to expand on that a little bit with some of your own observations on how we move forward on those.

Mr. Douglas Kennedy: Thank you very much for that question.

I think Mr. Groleau has outlined some of the issues we face on pure trade issues.

The point that I was trying to make is that if we're looking at economic engagement, as opposed to just exporting, there are issues in terms of the way industries operate in general, such as subsidies, taxation, state-owned enterprises and their treatment, investor protections against states and against contract enforcement, and copyright. There are lots of other issues on which there are no global platforms, or limited global platforms. Increasingly, organizations like the WTO are being stymied or sidelined in that people are opting for bilateral agreements.

In terms of Canadian companies' engagement with international markets—be it IP licensing, joint ventures or traditional exporting—I believe getting these sorts of trade infrastructures or engagement infrastructures in place is as important as tariffs, in many cases, because tariffs have been trending down in a lot of cases. In some cases, they are no longer particularly important compared to quotas, industry standards, labelling and a plethora of other issues that are stymying trade and putting sand in the machinery of international economic engagement.

I think those would be worth working on, even separately from the traditional trade agreements.

• (1440)

Mrs. Tracy Gray: Great, thank you.

Can you just expand a little bit on the state-owned enterprises issue, the thoughts around that and how Canada might want to approach those types of organizations coming in at a post-pandemic time?

Mr. Douglas Kennedy: That is an extremely difficult question, because with state-owned enterprises or state-controlled enterprises—which doesn't necessarily mean owned; it could be regulated enterprises, airlines and so on—you have issues of favouritism in procurement, for example. In some cases, the treatment of foreign competitors is somewhat opaque in many countries, so trying to get clarity, particularly if you could get multinational or multilateral clarity on.... What is a subsidy? How is that defined? Subsidies can be narrowly defined, as they tend to be, but it can also be in terms of procurement, state support for research and so on.

There is a whole range of issues where it would be much easier for Canadian companies to compete if there was a common understanding of what those were, and enforceable standards globally.

Mrs. Tracy Gray: Thank you.

One of the other things you mentioned was that you were noticing more of a regionalization in terms of how a lot of countries and even industries might want to regionalize a lot of their distribution and trade. Can you go into that a little more? What would be the proximity of that? Are we talking about countries that have borders? Are you talking about larger areas? Can you maybe expand a bit more on that and specifically on how Canada might fit into it?

Mr. Douglas Kennedy: That is a very good question.

It's difficult, because it really varies by industry. For example, in terms of regional supply, my colleague Mr. Kingston mentioned CUSMA and the auto industry.

With the auto industry, Canada basically works off a North American platform. Some of our parts manufacturers are global, but essentially, in terms of assembly and market and so on, we have decided to go regionally. It would make sense for us, because the market is here, that in some cases portions of the procurement done overseas would move here, or for us to at least diversify sources of overseas procurement.

For other industries, it may not be such an issue if you can move production very quickly from one place to another. If you're doing plastic housewares, confectionary or whatever, those are not so dif-

ficult, but a lot of complicated manufacturing—for example, very high-run manufacturing—requires scale.

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

We'll go on to Ms. Bendayan.

[*Translation*]

Ms. Rachel Bendayan: I'd like to thank all the witnesses for having accepted our invitation to appear on a Friday afternoon. We're very grateful to them.

My question is for you, Mr. Groleau. I'd like to thank you for your statement and would like to draw your attention to the fact that the committee heard from Ms. Citeau of the Canadian Agri-Food Trade Alliance. In response to one of my questions, she told us that it was very important to understand that the problems with CETA had nothing to do with the wording of the agreement itself, but what rather with, "the reluctance of the European Union to comply with commitments and to eliminate barriers". She then explained what these barriers were. I'd like to hear your comments on this.

We also heard from Mr. Gobeil of the Producteurs de lait du Québec. I asked him for suggestions about how we could work closely with Quebec's dairy producers, and he told me:

We need to help producers and processors find new opportunities in value-added markets. It could be in animal production, dog and cat food for example. There is also the baby formula market. It's important to find value-added Canadian markets.

I spoke about this with Minister Bibeau. She explained to me that we had large-scale processors here in Canada, which makes it difficult for smaller companies in the market. As an expert in this field, do you have any suggestions?

• (1445)

Mr. Marcel Groleau: There are several parts to your question.

First of all, with respect to CETA, it's true that the problem is not in the actual wording of the agreement. The problem is that Canada doesn't force Europeans to meet their commitments, in particular with respect to non-tariff barriers. As was mentioned, there's one for wheat and one for beef, for example. I won't list them all because you're no doubt familiar with them. In short, I fully agree.

The world dairy protein market is based on a very low price caused by a surplus of this protein. Supplies are therefore available in Oceania, the United States and Europe at a price that is really below its actual value, and used to make value-added product products like animal feed or baby formula.

However, Canada has trouble selling this protein at a competitive price because of its climate, production costs and the scale of its enterprises. Undertakings that would like to invest in processing this protein should therefore be supported.

Our large-scale dairy processors are prepared to do so, but they hesitate to enter this market because of world competition and everything that I've just explained. Indeed, the major players like Nestlé are very difficult to dislodge from the markets they hold. We should therefore provide assistance to firms prepared to invest in state-of-the-art equipment to process milk protein into value-added products.

Ms. Rachel Bendayan: Good.

Earlier, you also mentioned considering the possibility of an international approach to agricultural trade, or even simply an agreement for the food sector. By this do you mean the United Nations, the World Trade Organization? How can we give...

[*English*]

The Chair: Can we get a short answer, Mr. Groleau, if possible?

[*Translation*]

Mr. Marcel Groleau: I consider it to be somewhat like the approach adopted for climate. No single country can settle the climate issue. It's a world issue. The same is the case for food. We think that the Food and Agriculture Organization might be an appropriate body for an international agreement on sustainable food. Canada could certainly be a leader in this area.

Ms. Rachel Bendayan: That's very interesting.

Thank you.

[*English*]

The Chair: Thank you very much, committee members.

I want to thank the witnesses for being with us today.

As we said, a Friday afternoon is not always the best time to have witnesses, but we thank you all very much for your information. All of you can leave the screen if you'd like, as we have some committee business to take up for our last few minutes.

As the committee is aware, of course, the report on the Canada-U.K. potential trade agreement, the interim report, was tabled yesterday on behalf of the committee. Of course, the other agreement was tabled on Wednesday.

We need to talk about... I'm going to make a suggestion for our meeting of January 25 that we have three witnesses on COVID-19 and the exporters recovery plan and that, at the same meeting, we provide analysts with instructions to write a report on the issue of the recovery plan for COVID-19. We would then use the balance of the time to discuss future business.

At the moment, WTO is outstanding for us to complete, based on what we previously approved.

Is the committee okay with that, or are there comments?

Yes, Mr. Hoback.

• (1450)

Mr. Randy Hoback: Yes, I'm just kind of curious. We were given notice that we have to go through the CCC appointments within 30 days of receiving that notice, and that notice was received on December 3. How are we going to figure that out?

The Clerk: I have to check if it's sitting days or calendar days. I don't remember, so I have to check.

The Chair: Thank you. I'll get the clerk to get back to us.

Mr. Randy Hoback: Sure.

The Chair: Are there any further comments or discussions?

If everybody is okay with that, at our first meeting back in January, we will complete COVID-19 testimony, develop a report and have a further discussion at that time.

I thank the interpreters, our clerk and our staff. Thank you all so much for getting us through a challenging time.

Committee members, merry Christmas and all the best in the new year. Stay safe and stay well until we see each other again.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: And I'd like to wish you a happy holiday season, Madam Chair.

[*English*]

Mr. Sukh Dhaliwal (Surrey—Newton, Lib.): Merry Christmas to everyone and a happy new year.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: If you're not here, you won't be able to have a glass. I'm getting ready to serve our colleagues.

Ms. Rachel Bendayan: There'll be other opportunities.

[*English*]

The Chair: Oh, I'll miss it.

Okay. Thank you very much.

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