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# **Standing Committee on Agriculture and Agri- Food**

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**EVIDENCE**

**Tuesday, February 21, 2017**

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**Chair**

**Mr. Pat Finnigan**



## Standing Committee on Agriculture and Agri-Food

Tuesday, February 21, 2017

• (1100)

[English]

**The Chair (Mr. Pat Finnigan (Miramichi—Grand Lake, Lib.)):** I call the meeting to order.

Good morning, everyone. We shall get going with our first meeting on the study of non-tariff trade barriers to the sale of agricultural products in relation to free trade agreements.

I would like to welcome our usual members, but we also have Ms. Georgina Jolibois for Madame Brosseau.

Welcome.

On the other side, we have Mr...

Mr. McGuinty, thank you for being here with us this morning.

**Mr. David McGuinty (Ottawa South, Lib.):** Thank you for recognizing me.

**The Chair:** I was just having a Monday morning kind of a...

**Mr. David McGuinty:** I have a tie somewhere.

**The Chair:** I was thinking of your brother.

**Mr. David McGuinty:** Which one? I have five brothers. Be careful.

**The Chair:** Let's not go there this morning.

Also with us today for our first witness appearance we have, from the Department of Agriculture and Agri-Food, Mr. Frédéric Seppey, chief agriculture negotiator, trade agreements and negotiations, market and industry services branch.

Welcome, Mr. Seppey.

Also with us, we have from the CFIA, the Canadian Food Inspection Agency, Mr. Paul Mayers, vice-president, policy and programs branch.

Welcome, Mr. Mayers.

Finally, from Global Affairs Canada, we have Ms. Shendra Melia, acting director general, market access, trade agreements and negotiations.

Mr. Seppey, I understand that you will give us a 15-minute or so opening statement.

The floor is yours.

[Translation]

**Mr. Frédéric Seppey (Chief Agriculture Negotiator, Trade Agreements and Negotiations, Market and Industry Services Branch, Department of Agriculture and Agri-Food):** Thank you, Mr. Chair.

I appreciate the opportunity to be here today and speak to you in the context of your study of non-tariff trade barriers to the export of agricultural products in relation to Canada's trade agreements.

Let me first briefly set the context for Canada's agriculture and agrifood trade.

As you know, Canada is an export-oriented economy and was the fifth-largest exporter and importer of agriculture and agrifood products in 2016. With over half of our agricultural, and fish and seafood production exported, the sustained growth and profitability of the Canadian agricultural sector relies heavily on export markets and on Canada's continued competitiveness abroad.

In markets where we have negotiated free trade agreements, our exports benefit from preferential tariff treatment and the establishment of bilateral mechanisms that enhance our ability to effectively engage with our trading partners on issues of mutual concern. This puts Canadian companies on equal or more competitive footing with other exporting countries in accessing foreign markets.

In 2015, as a result of Canada's ambitious international trade agenda, 72% of Canada's overall agrifood exports were covered by a trade agreement that was either signed, concluded or in force.

Despite these trade agreements, our exporters continue to face a number of non-tariff barriers that can significantly impede the market access established through the elimination of tariffs.

Non-tariff barriers, also referred to as non-tariff measures, are a category of trade obstacles that include government interventions, other than customs duties and charges on imports and exports, that act as restrictions to trade.

It is important to remember that non-tariff measures are, in many cases, justifiable. In fact, some are, indeed, necessary to ensure imported food is safe, and that the agriculture sector and the environment are protected from the introduction of pests and diseases. Such measures become trade concerns when they are unjustified or overly restrictive.

•(1105)

[English]

From a trade perspective, our focus with respect to non-tariff measures is on ensuring that any measure adopted or maintained is necessary to fulfill a legitimate objective, is based on factual or scientific evidence, and is the least trade-restrictive possible. A non-tariff measure also needs to be consistent with international trade obligations.

Unjustified non-tariff barriers to trade can include a broad range of measures, such as import or export prohibitions or restrictions, discriminatory taxes, burdensome customs procedures, arbitrary application of trade rules, measures imposed to protect domestic industry, or measures not based on appropriate and evidence-based risk assessments.

Canadian exporters have faced, over time, multiple market access challenges related to non-tariff barriers imposed by trading partners. Let me give you a few examples of such measures to illustrate the significant economic and trade impacts non-tariff barriers have for the agricultural sector.

One example is country-of-origin labelling requirements, which become non-tariff barriers to trade that impose significant costs on the industry when they are mandatory and discriminate against imported products, as in the case of the country-of-origin labelling requirements imposed for beef, pork, and other commodities under the United States 2008 farm bill. They can lead to additional and costly requirements being imposed on imported products, such as segregation requirements that create an incentive for processors to use domestic products.

Another illustration is the recurring challenge faced by Canadian grains and oilseeds exporters with respect to approvals of products of biotechnology in export markets, notably genetically modified products.

In many countries regulatory regimes for the approval of genetically modified products are not based on science, nor are they timely, predictable, or transparent. In other countries, genetically modified products may simply not be authorized.

Delays in approvals of genetically modified products in major export markets have varied consequences for Canadian farmers. They can, for example, limit their access to beneficial, innovative agricultural technologies, as growers will hold off on using new products approved in Canada until they are approved in key export markets.

Related to international standards is the issue of pesticides, which are regulated by maximum residual limits on the agriculture or food product. Maximum residual limits regulations may vary from one country to another due to assessment methodology, consumption patterns, delays in regulatory approvals, or even a zero tolerance if no import regulation has been established. Differing pesticide regulations may be considered as non-tariff barriers if they have not been established in accordance with international practices.

To ensure the Canadian agriculture industry is able to compete on a level playing field, Canada uses a variety of approaches and

mechanisms to prevent, monitor, and mitigate non-tariff trade barriers.

First, the World Trade Organization, or WTO, is the cornerstone of the international trading system. It provides the predictable, science-based trade rules upon which exporters depend to maintain market access. It also provides mechanisms through which Canada can address non-tariff measures that affect our export interests, including through recourse to dispute settlement.

Two agreements under the WTO are especially important in this regard.

The first one is the Agreement on Technical Barriers to Trade, which is aimed at ensuring that technical regulations, standards, testing, and certification procedures do not create unnecessary obstacles to trade.

The second agreement, the Agreement on the Application of Sanitary and Phytosanitary Measures, imposes disciplines on measures aimed at ensuring food safety and animal and plant health, allowing countries to take any measure necessary to protect their territories and populations so long as it is based on a scientific risk assessment or an international standard.

Common principles in these agreements include transparency—that is, informing countries of new regulations or regulatory changes and accepting comments on the regulatory proposals; the use of international standards; proportionality—that is, measures should not be more trade-restrictive than necessary; and equivalency—that is, countries should accept each other's standards when they offer an equivalent level of protection.

Canada is an active participant in the WTO committees on technical barriers to trade and sanitary and phytosanitary measures. We use these committees to advance policy discussions around the application of our regulatory approaches in collaboration with like-minded countries, as well as to raise, in some cases, specific concerns with certain measures imposed by other countries.

Another area is international standards. Science-based international standards also contribute to a transparent, predictable trade environment, reducing business risk and facilitating market access. The standards developed within international standard-setting bodies, such as Codex Alimentarius for food safety, the International Plant Protection Convention for plant health—i.e., phytosanitary—measures, and the World Organisation for Animal Health for animal health measures, are all referenced in the WTO agreement on sanitary and phytosanitary measures.

Rules governing non-tariff measures in trade agreements are generally based on standards established by these international organizations, and hence the application of these standards is generally deemed to be consistent with trade rules.

This is why Canada actively supports and participates in the work of international standard-setting bodies. Canadian involvement and contribution is achieved through various means, notably by embedding technical experts within the three bodies, providing funding to support standard development in areas important to Canada, and increasing Canadian engagement and participation within these organizations. For example, Canada recently provided \$1 million in funding to support activities of the three bodies.

• (1110)

[Translation]

Free trade agreements provide Canada with opportunities to address new trade concerns, including non-tariff barriers. They incorporate chapters that deal with these measures and set out the international trade obligations countries must adhere to.

Overall, Canada's approach to free trade agreements is to include chapters and provisions that reaffirm and extend the obligations of the World Trade Organization, or WTO. Free trade agreements can also contain other non-tariff barrier mechanisms and measures that are not sanitary, phytosanitary, or technical trade barriers, strictly speaking. For instance, the recently concluded Canada-EU Comprehensive Economic and Trade Agreement, known as CETA, includes an engagement component to facilitate co-operation in the area of biotechnology.

The Canada-EU agreement also contains a chapter on regulatory co-operation, aimed at promoting potential areas for co-operation between Canada and the EU in developing new measures. By facilitating access to federal regulatory development processes, the parties expect to reduce the differences in their regulatory approaches, resulting in fewer barriers to trade when regulations are implemented.

Bilateral relations clearly transcend free trade agreements. Agriculture and Agri-Food Canada, in close co-operation with the Canadian Food Inspection Agency, Global Affairs Canada, and other regulatory partners, is working to maintain access to existing markets. The goal of the Canada-U.S. Regulatory Cooperation Council, for instance, is to facilitate closer regulatory co-operation between the two countries and enhance economic competitiveness by aligning our regulatory systems where appropriate.

These sustained efforts include bilateral co-operation with our trading partners on a regular basis, specifically, when regulatory and administrative issues between the countries need to be resolved or when a disease outbreak in Canada—such as the avian flu outbreak—impacts access to export markets.

Our trade advocacy can also lead to the creation of international fora to provide accurate information, advance trade policy discussions, and address potential trade irritants at an early stage. For example, Canada created the global low level presence initiative in recent years to address the trade risks associated with the management of the low level presence of genetically modified crops in imports. This initiative brings together 15 countries that work together to develop global solutions for the effective management of low level presence occurrences. This initiative illustrates how we are able to work with like-minded countries to promote the development of international approaches to manage trade-related issues.

We also work closely with our provincial and territorial government partners and with the industry to ensure that non-tariff barriers that are essential to achieving market access are addressed. There are a wide variety of mechanisms through which the government works with the Canadian agriculture sector, including consultations and government-industry working groups.

Let me close my opening remarks by saying that the government's efforts to improve the international trade environment for Canadian agricultural exporters, through trade negotiations, bilateral advocacy and active participation in multilateral fora, will continue to play a key role in overcoming non-tariff barriers and ensuring Canada remains an important player in agricultural trade.

Mr. Chair, members of the committee, I wish to thank you again for your invitation and attention. My colleagues and I will be pleased to answer your questions.

Thank you.

• (1115)

**The Chair:** Mr. Seppey, thank you for your presentation.

[English]

I think this is a very exciting and timely study that we're doing. With the recent signing, and also with the possible review of existing trade agreements, I think it's going to be fun and exciting for us.

First on the list for questions is Mr. Anderson, for six minutes.

**Mr. David Anderson (Cypress Hills—Grasslands, CPC):** Thank you, Mr. Chair.

I thank the witnesses for being here today.

You talked about international standards being one of the ways we can use to combat some of these non-tariff trade barriers. Can you talk a bit about how much effort during our trade negotiations is put into dealing with non-tariff trade barriers? The follow-up from that would be that if we have spent a lot of time on this, particularly in CETA, why are there still some 300 non-tariff trade barriers in place now that the agreement has been finalized? What's the dynamic there?

**Mr. Frédéric Seppey:** Thank you. That's a very good question.

When we initiate trade negotiations on a free trade agreement, it's standard now to conduct extensive consultations with industry stakeholders. We seek their views in terms of the issues that we should address in the negotiations.

It goes without saying that there are issues that we're addressing, such as non-discrimination in tariff treatment, as well as trying to reproduce and build on the existing disciplines that are of interest to non-tariff measures, such as disciplines on technical barriers to trade or sanitary and phytosanitary measures.

However, often when we negotiate with a country.... I will take the example of the Canada-European Union comprehensive economic and trade agreement. In the lead-up to developing our negotiating positions, we consulted extensively with the industry. Several of the stakeholders—for example, the beef and pork sector—identified that regulatory approvals of certain techniques such as washing techniques for beef carcasses were an important element for them to have addressed as much as possible in the negotiations. We have tried to do that.

There are a number of things, typically, in a trade agreement. What we codify is rules of general application. We're reproducing, for example, what we have with the WTO in terms of disciplines on technical barriers to trade or sanitary and phytosanitary measures. We have also negotiated, in the context of this agreement with the European Union, side letters that allowed us to especially insert political commitments towards the resolution of a number of these issues. For example, included in these side letters there are two carcass-washing techniques that were resolved to the satisfaction of the sector.

That said, when you talk about regulatory measures, there can always be, despite the trade agreements, new measures that constantly come into effect. That's why we can use the trade agreements as an anchor point to have a productive dialogue between regulatory agencies—for example, between the Canadian Food Inspection Agency and their European counterpart—to try to build on the trade agreement in trying to resolve these emerging issues.

I will end my answer by also noting that you mentioned a list, which I think refers to our market access support system. It identifies roughly 300 market access issues that exist. Not all these market access issues are necessarily non-tariff measures. In some cases, a sector is identifying that it would like to have an equivalency arrangement between Canada and a given country in terms of standards, or it would like to have an import certificate that is prepared. These are slightly different from non-tariff measures, but they are issues that have been identified by the sector. Of that 300, it's not necessarily all of these 300 that are non-tariff measures.

• (1120)

**Mr. David Anderson:** I'd like to ask you, then, where you see the growth in these areas. What are the likely growth areas? Is it phytosanitary? Is it biotech? Is it environmental concerns? In the next few years, where will we see that kind of activity taking place?

In the past, it's been pretty direct a lot of times, such as COOL from the States, and often with the Chinese and the canola, when they don't want it or whatever. Where do you see this going in the next few years?

**Mr. Frédéric Seppey:** It's difficult to predict trends, but what we have seen over the past 20 years is that many of the means of protection in foreign countries have moved from border measures to measures that are behind the border, taking a technical or a regulatory form.

What we are hearing from the industry as possible measures is often about either how we can work by regulatory co-operation to reopen closed markets—for example, if there's an animal disease situation such as BSE or the avian influenza, how we can work with

the foreign regulatory agencies to reopen closed markets—or how we can keep the existing markets open.

For illustration, a good example is the issue in China related to canola. We are working on these elements.

How can we expand markets? For example, in specific markets the market may be open for boneless beef; how can we extend it to bone-in beef?

These are the types of issues we are seeing being raised and brought up by the industry on a regular basis. I think this trend will continue. Our trading partners are facing the same kind of situation in third markets as well.

**The Chair:** That's right on time.

Thank you, Mr. Anderson, and thank you, Mr. Seppey.

[*Translation*]

Mr. Breton, you have the floor for six minutes.

**Mr. Pierre Breton (Shefford, Lib.):** Thank you, Mr. Chair.

Thank you to all three of you for being here today to provide insight into our study.

I have a few short questions for you.

Which department, exactly, does the market access secretariat fall under?

• (1125)

**Mr. Frédéric Seppey:** It falls under Agriculture and Agri-Food Canada.

**Mr. Pierre Breton:** That means you can answer a few questions I have about the secretariat. Is it still around?

**Mr. Frédéric Seppey:** Absolutely.

**Mr. Pierre Breton:** What function does it serve? Can you briefly tell us what its role is?

**Mr. Frédéric Seppey:** The market access secretariat has two core responsibilities.

First, within the Department of Agriculture and Agri-Food, the secretariat is in charge of bilateral agriculture trade relations with our various markets. We have teams that work on European, Asian, and North and South American files. Second, the secretariat provides international market development support for agricultural, agrifood, and seafood products. With respect to market development, the department is responsible for promoting international trade in relation to seafood products. To that end, the department has an international trade commissioner service, overseen by the market access secretariat. Thirty-six agriculture and food trade commissioners are present in 15 priority markets around the world.

In addition to the efforts of these dedicated agriculture trade commissioners, some 100 Canadian diplomats at Global Affairs Canada are either wholly or partly responsible for promoting our agricultural interests. Those are the traditional core roles of the market access secretariat.

At industry's request, a new component has emerged in recent years. In the event of market access problems—whether due to non-tariff barriers or access to new or existing markets—the market access secretariat is now able to provide a swift solution. The secretariat has the ability to coordinate efforts with partners inside the department, regulatory experts at the Canadian Food Inspection Agency, and partners at Global Affairs Canada in order to provide a timely response.

**Mr. Pierre Breton:** Very good.

You mentioned 36 trade commissioners around the world. That is what I understood.

**Mr. Frédéric Sepey:** That is correct. Thirty-six trade commissioners work for the agriculture and food trade commissioner service, on top of the 100 or so general trade commissioners—

**Mr. Pierre Breton:** Diplomats at Global Affairs Canada.

**Mr. Frédéric Sepey:** Yes.

The market access secretariat has 60 or so full-time equivalent employees in Ottawa. They constantly monitor international markets and work with industry to identify potential solutions and strategies in response to market access problems around the world.

**Mr. Pierre Breton:** With the rise of non-tariff barriers in recent years, has the secretariat acquired more human or financial resources, or have they remained about the same?

**Mr. Frédéric Sepey:** To begin with, the international activities and projections of Agriculture and Agri-Food Canada go beyond the market access secretariat. For instance, my team, which is separate from the secretariat, contributes to the negotiation of free trade agreements through its work on international standards, also helping to address these problems.

As far as Agriculture and Agri-Food Canada's budget for international activities is concerned, funding has been slightly on the rise in recent years. In my humble opinion, we have the resources we need to make progress, achieve our objectives, and address the needs of our exporters.

**Mr. Pierre Breton:** How much time do I have left, Mr. Chair?

**The Chair:** About a minute and a half.

**Mr. Pierre Breton:** I have time for another question, then.

A few weeks ago, a witness told the committee that the secretariat had a list of approximately 300 barriers to international markets, probably non-tariff barriers. I imagine your trade commissioners, diplomats, and strategists in Ottawa are working on those as well.

How do you identify which obstacles to tackle first? Which obstacles do you prioritize further to your various studies?

**Mr. Frédéric Sepey:** It's a pretty complex job. Truth be told, it's more of a database than a list. We work on it very closely with our partners on the federal interdepartmental team on market access,

which includes Agriculture and Agri-Food Canada, CFIA, Global Affairs Canada, and the Canadian Grain Commission.

The team maintains the database, which changes every day, but has just under 300 measures. At last count, there were 287, not all of which are non-tariff barriers necessarily. They represent a variety of market access issues that the industry considers important to address.

With such a large number of concerns, it is indeed necessary to rank and prioritize them. In co-operation with industry, we have set up a prioritization system based on a certain number of criteria. We consider, for instance, whether it would be possible to resolve the issue relatively easily.

• (1130)

**The Chair:** Thank you, Mr. Sepey.

**Mr. Pierre Breton:** It was getting interesting.

**The Chair:** He can finish during the next round of questions.

[*English*]

Go ahead, Madam Jolibois, for six minutes.

**Ms. Georgina Jolibois (Desnethé—Mississippi—Churchill River, NDP):** Thank you very much. Thank you to the witnesses.

Free trade agreements have considerably reduced tariff barriers. However, a growing number of increasingly complex non-tariff barriers are emerging. What non-tariff barriers are currently in place between Canada and its trading partners?

**Mr. Frédéric Sepey:** In my opening remarks I provided a number of examples of such measures that exist, but in all markets we have a number of issues that we're trying to address. Let me add to the list that I provided in my opening remarks.

In China, we are concerned by the regulatory approval process for genetically modified products. It is very complex. The timelines seem to continually increase. Currently it can take up to 40 months to get a new GM product approved in China. Of course, as I mentioned in my opening remarks, such delays in the regulatory approval of genetically modified products are an impediment on our farmers being able to use the latest innovations in GM products. That's one illustration.

Another illustration is Korea. Our sentiment and the sentiment of the industry is that often pressures from consumer groups or industry seem to have an influence on the decision-making processes in terms of regulations. As a result, the approval process for new products or new techniques—sanitary or phytosanitary measures—lacks predictability. If we don't have predictability in trade, it can interfere very effectively with the ability of our exporters to export.

These are two illustrations of the types of measures that exist and that we are monitoring. We're working with the industry, using our advocacy efforts, and using trade discussions when they're available. We'll try to make progress and address these issues as much as possible.

**Ms. Georgina Jolibois:** Thank you.

Do I have time for another question?

**The Chair:** Yes. You have three minutes.

**Ms. Georgina Jolibois:** Okay.

What approaches to reducing these barriers could be used with respect to Canada's existing trade barriers? Can you elaborate, please?

**Mr. Frédéric Seppey:** We have a number of available tools at our disposal. The most obvious one is to use the disciplines and the rights and obligations we've negotiated under the World Trade Organization. If we face a market access problem or non-tariff barriers, often the Canadian delegation, through....

There are regular meetings, several per year, of committees at the World Trade Organization with regard to sanitary and phytosanitary measures or technical barriers to trade. At the margins of those meetings, or at the meetings per se, our delegation will raise questions. We'll have meetings with foreign countries to better understand the measures but also to try to see if we can discuss with the foreign country other ways for them to achieve something that is often based on a legitimate policy objective or whether they can find a way to apply their measures in the least trade-restrictive fashion as possible.

If the problem is not resolved, we always have the recourse of the dispute settlement mechanism, the tribunal that exists under the World Trade Organization. This is what we did, for example, when we had concerns and problems with respect to the United States' mandatory country-of-origin labelling that was introduced under the United States farm bill of 2008. When we use such dispute settlements, however, it's really as a last resort. Unfortunately, it takes years to get a satisfactory resolution. In the case of COOL, the measure was introduced in 2008 and the issue found a resolution only in December of 2015. It took a number of years.

As well, if we have trade negotiations or we are negotiating a free trade agreement, as was the case recently with the European Union, we can try to address these measures by having either disciplines or political commitments attached to the trade agreement.

These illustrate the types of vehicles we can use. In addition, of course, there are the advocacy bilateral contacts that the industry would either use on their own or jointly with the government to make representations to foreign governments.

• (1135)

**Ms. Georgina Jolibois:** Can you elaborate on what you said about the tools available for the tribunal disputes? I'm curious about the current status of the United States of America. Do we have any updates on where they're going, where they're heading?

**Mr. Frédéric Seppey:** Thank you for this question.

This is, of course, a very new administration. I think yesterday marked the first month of the arrival of the new president. It therefore is still too early to have a sense of a clear direction on trade policy for the new administration.

A number of key secretaries are nominated, but they have yet to be confirmed by the Senate. First among those is the Secretary of Commerce, but there's also the United States Trade Representative, the equivalent to our Minister of International Trade. As well, all the top senior officials in the U.S. government when it comes to trade are subject to confirmation by the Senate. We'll have to wait for these confirmations, for these people to be formally appointed, to get a greater sense of clarity with respect to the U.S. trade policy.

However, as you know—

**The Chair:** Thank you, Mr. Seppey. We have to move on.

Thank you, Madam Jolibois.

Mrs. Lockhart, you have six minutes.

**Mrs. Alaina Lockhart (Fundy Royal, Lib.):** Thank you.

We talk a lot about the 300 barriers that we've identified and continue to work on, but I would assume that Canada has also set some non-tariff barriers. Could you talk to us a little bit about how we are effectively protecting our agriculture sector through these measures?

**Mr. Frédéric Seppey:** First of all, as I pointed out in the opening remarks, many non-tariff measures, although we often use the concept of "barriers", are in place for very legitimate reasons, such as those aimed at protecting human, animal, and plant health. Often what we see as a legitimate policy measure may be seen by trading partners as excessively restrictive. That's why these committees we have at the World Trade Organization are important to maintain a very close dialogue. However, the primary purpose of these measures should not be to protect our agricultural interests. It should be to protect human, animal, and plant health.

In terms of defending our agricultural interests, we have a number of policies in place, including, where it's appropriate, tariff measures. Canada, like other countries, maintains these. While the vast majority of agricultural products can be imported into Canada duty free, without any tariffs, we still have some tariffs in place, as do the United States, the European Union, and other countries. This is a more predictable, transparent tool to address issues that enter more into the nature of protecting our agricultural interests.

In terms of tariff measures, their primary purpose is legitimate policy objectives, or it should in theory be that way.

**Mrs. Alaina Lockhart:** Let me rephrase that, then. Which measures do we get the most complaints about? Which ones are irritants?

• (1140)

**Mr. Frédéric Seppey:** I'll use one example that is currently under dispute at the World Trade Organization.



Just before the change of administration in the United States, the United States filed a complaint against Canada with respect to the policies of British Columbia on wine. That was the right of the United States. They obviously had concerns about the impact of a regulatory measure that exists in Canada, and has existed for a long period of time in several provinces, on the sale of alcoholic beverages.

The United States, over time, has had discussions involving the Government of British Columbia on those measures to explain the purpose of those measures. Ultimately, the United States has exercised their right to bring these concerns to a more formal process under the World Trade Organization. This is a process that has just started. We are in the initial phase of consultations and are trying to resolve this issue informally.

This is an illustration of the types of concerns other countries may have with respect to certain non-tariff measures existing in Canada, whether it's at the federal or, in this case, the provincial level.

**Mrs. Alaina Lockhart:** You mentioned international standards bodies as well. Is Canada currently playing a leadership role on these international boards?

**Mr. Paul Mayers (Vice President, Policy and Programs Branch, Canadian Food Inspection Agency):** Thank you very much for the question.

In the case of what we call the “three sisters”—Codex Alimentarius for food safety, the International Plant Protection Convention for phytosanitary risks, and the World Organisation for Animal Health—in all three cases, Canada is very active. In terms of participation, we lead a number of subsidiary bodies in support of the development of standards of relevance to Canada. We participate in all of the relevant subordinate bodies that develop standards that touch on issues relevant to Canadian agriculture.

Indeed, as my colleague noted in his opening remarks, we provide direct support to the work of the standard-setting organizations in terms of extra budgetary funding in order to advance the pace of international standards development, recognizing that it's important to our agricultural sector. Within these organizations, it can sometimes take a long time to develop international standards that we believe to have great relevance in creating greater predictability in terms of trade, and greater protection through those standards as well.

**Mrs. Alaina Lockhart:** Canada plays a leadership role. Why is that? Why is the world looking to Canada on these issues?

**Mr. Paul Mayers:** There are a number of reasons. We have very mature and well-developed regulatory systems. Colleagues in other jurisdictions believe there are lessons they can learn from Canada in terms of how we approach regulating. We have a very strong commitment—and this committee has expressed it on a number of occasions—to a science-based approach to regulating in this space, and that is well respected internationally.

As we've seen in some situations, such as in the food safety area, Canada compares extremely favourably with any other jurisdiction in terms of its system. Indeed, the Conference Board's most recent report recognizes Canada and Ireland as the strongest food safety systems internationally.

**The Chair:** Thank you, Mr. Mayers.

Thank you, Ms. Lockhart.

[*Translation*]

It is now Mr. Gourde's turn for six minutes.

**Mr. Jacques Gourde (Lévis—Lotbinière, CPC):** Thank you, Mr. Chair.

My question is for Mr. Seppey.

During the portion of your presentation on bilateral and technical co-operation with regulatory authorities, you said that the goal of the Canada-U.S. Regulatory Cooperation Council was to facilitate closer regulatory co-operation between the two countries and enhance economic competitiveness by aligning our regulatory systems where appropriate.

Does the phrase “where appropriate” suggest something negative? How is Canadian co-operation with the Americans perceived? Do the Americans see us as very co-operative? Conversely, do we see the Americans as being very co-operative towards us?

Our relations with the Americans haven't always been positive. On the issue of meat traceability, for example, we had to bring a challenge before the WTO. Do we have to watch out for the Americans? Can we rely on them? Can we look at them as dependable partners, or should their attitude really concern us?

• (1145)

**Mr. Frédéric Seppey:** I will let my colleague, Mr. Mayers, give you some specific examples of regulatory co-operation between Canada and the U.S.

Even though we have different legal systems, we certainly share regulatory objectives and outcomes that are very similar on a number of elements. Given the closeness between our two countries, it's natural for us to co-operate very closely with the U.S. Clearly, with the volume of trade that flows between the two countries, issues can always arise. However, in most cases, if not the vast majority, things run fairly smoothly. Mr. Mayers can give you some examples of that.

**Mr. Jacques Gourde:** That answers my question.

My next question is this.

As the chief agriculture negotiator, you are no doubt concerned by what is coming.

In future agriculture negotiations, would Canada do well to deal with the Americans bilaterally, rather than trilaterally with Mexico and the U.S. under NAFTA?

**Mr. Frédéric Seppey:** It's hard for me to comment on a political direction that really flows from cabinet and ministers.

What I can tell you, though, is that, theoretically, when it comes to trade negotiations or foreign trade policy, Canada has always favoured a multilateral approach as much as possible. When the maximum number of players all follow the same trade rules, it gives rise to synergies and cross effects.

In the case of NAFTA, the fact that three countries represent a very significant economic mass means that Canadian exporters can source inputs from the U.S. and Mexico. For example, a Canadian business can export a product to the U.S. and enjoy the benefits afforded by NAFTA because the product includes inputs from NAFTA countries.

If you were to reduce the number of countries making up that whole, and suddenly, you could no longer source inputs from Mexico, it would certainly have an impact on your operational effectiveness and efficiency. That was one of the advantages of the Trans-Pacific Partnership, whose 12 members represent 40% of global gross domestic product.

The more member countries in a free trade agreement, the more you can source inputs from those countries. By and large, the more countries there are in the free trade agreement, the more flexibility our exporters have in terms of sourcing inputs within that zone.

**Mr. Jacques Gourde:** Several bilateral agreements have been signed with some countries in the past decade, and the experience has been fairly successful. Actually, it is easier to achieve a successful marriage of two than a marriage of 12. If there are 12 parties, and we are able to sign the agreement, all the better, but the fact is that the Trans-Pacific Partnership Agreement has yet to be signed.

If it isn't signed, will we opt for a bilateral agreement with countries that interest us?

**Mr. Frédéric Sepey:** It's a possibility. If the Trans-Pacific Partnership Agreement isn't signed, Canada may want to ensure that every opportunity is taken to promote the growth of its trade. As for the question you asked at the outset, I would say that ideally, the best rules in the world would be within the WTO, which has 160 member countries.

There is a limit to what can be achieved under the WTO. That's why, starting with the Canada-U.S. Free Trade Agreement, Canada has begun to add bilateral free trade agreements as a complement. In each of these cases, it helped to create a bilateral relationship that went beyond what was possible within the framework of the WTO. Indeed, it is always a matter of determining to what extent agreements with a large number of countries can be profitable. You asked if there was another solution when the first one proved impossible. I would say we should keep all options open.

For example, we are currently negotiating bilaterally with Japan, but should we also engage in bilateral negotiations with other countries in the Asia-Pacific region?

That is one of the options that could be considered.

• (1150)

**Mr. Jacques Gourde:** Last week, the media reported that Mexico was calling on Canada to maintain its presence in NAFTA and the negotiations that will take place under that agreement.

If Mexico is asking for our help, is it because it fears a complete dissolution by Canada in this regard? Is it afraid that the agreement will then become bilateral?

**Mr. Frédéric Sepey:** It is difficult for me, in the office I hold, to make assumptions about what is perceived by a foreign government. On the other hand, it is important to note that NAFTA has worked very well for Canada over the past 20 years. We have a very rich relationship both with our American neighbours and with Mexico, whether on a bilateral basis or in a trilateral integrated framework such as NAFTA.

**The Chair:** Thank you, Mr. Sepey and Mr. Gourde.

[*English*]

Mr. Longfield is next. You have six minutes.

**Mr. Lloyd Longfield (Guelph, Lib.):** Thank you, Mr. Chair.

Thank you all for being here and for the great discussion so far.

Back in October I had an opportunity to sit in on a round table in Guelph that Ontario Agri-Food Technologies put on. There were two things that were discussed at that round table over and over. One was public trust and how we make decisions through CFIA based on science versus some of the things that go out there to the public trust, in particular looking at European standards versus Canadian standards on some issues that don't have as much science behind them as what Canada would be putting forward.

Could you comment on public trust as one of the barriers that we're working on?

**Mr. Paul Mayers:** Thank you for the question.

It certainly is a complex area when in addition to managing the technical aspects, issues of consumer perception and public trust are brought into the mix. We know that they are quite divergent views from time to time.

My colleague pointed to biotechnology. This is an example that's often raised of where the scientific review of products demonstrating their safety has been the hallmark of decision-making in Canada, while in the European Union, in addition to the scientific review... I note that when products are reviewed, our colleagues in the European Food Safety Authority who carry out the risk assessment reach the same conclusions we reach in Canada, but there is an additional step in the European approval process that includes consideration both collectively and on an individual member state basis, and that has resulted in many fewer approvals in Europe.

That has presented for Canadian businesses a tremendous amount of uncertainty. It is an area around which we have continued to work closely with our European counterparts. In particular, when products are approved in one jurisdiction, we work to facilitate continued trade in that particular commodity while respecting the fact that an approval is not yet in place, in order to create a more predictable trade environment as it relates to low-level presence.

These are areas that represent significant challenges for Canadian businesses. We certainly will continue to advance a view that we believe a science-based, risk-based regulatory system to be the most effective in terms of trade facilitation, but we do recognize that these differences exist and will continue to be areas of debate.

**Mr. Lloyd Longfield:** Thanks. We just don't have time to get into the progressiveness of that agreement and those dispute mechanisms for when these issues come up. I know that's something we continue to work on.

You mentioned low-level presence, and domestic versus international low-level presence was also a point that was brought up continually in our discussions. We don't have standards, sometimes, across Canada, let alone between us and other countries. On canola with China, dockage became part of the discussion. Where are we in terms of low-level presence, and what do we have to do to be more effective internationally?

**Mr. Paul Mayers:** Perhaps I can start, and my colleague may want to add.

We've been working very closely with stakeholders to look at the issue of our domestic position with respect to low-level presence and to advocate in an international context for a predictable approach to the management of low-level presence. There is a draft policy position that we have consulted on with Canadian stakeholders. As mentioned, because we have been very active with a number of trading partners in establishing an international group within which we can have these discussions, we've been sharing our perspective through that forum in the interest of continuing to advance this position, but there is much work yet to do.

• (1155)

**Mr. Frédéric Sepey:** If I can add very briefly to what my colleague said on low-level presence, the leadership of the Canadian grain and oilseeds sector is to be praised, because often we can discuss government to government how we can address these issues, but we are able to count on the support of importers in foreign countries.

Especially in Europe, it is the importers of Canadian grains and oilseeds who often are able to influence and to supplement our efforts and to raise the importance, from an importing perspective in Europe, of addressing this issue. One illustration is that in 2009, the trade between Canada and the European Union on flax, which is used in Europe for industrial purposes among other things, was halted overnight because there was one very small quantity of genetically modified product that was approved in Canada but not yet approved in the European Union. Seventy percent of the trade was halted. That's an illustration of the type of issue we're trying to address.

**The Chair:** Thank you, Mr. Sepey.

Thank you, Mr. Longfield.

Next we have Mr. Peschisolido.

You have your six minutes.

• (1200)

**Mr. Joe Peschisolido (Steveston—Richmond East, Lib.):** Thank you so much for the presentation.

Let me begin with the European Union, and congratulations on your work in the ratification of the EU deal. I'd like to follow up on what both Mr. Gourde and Mr. Longfield were discussing on the theoretical and then the practical implications.

I forget who mentioned this, but we have a deal with the EU that hasn't been ratified by a variety of countries, and we have 300 or so non-tariff measures or barriers. Who do you deal with when you're dealing with the theoretical? Are you dealing with the EU bureaucrats, or are you dealing with the local guys, let's say, from France, Germany, or Italy? I'm just trying to wrap my head around how it actually works practically.

**Mr. Frédéric Sepey:** When we conduct the negotiations on the Canada-European Union comprehensive economic and trade agreement, we are negotiating with the European Union, and their representatives are part of the European Commission, the various departments that they call directorate-general. That's the level at which we're negotiating; however, as in any negotiations, we both need to operate within negotiating mandates and the directions of the appropriate political authorities, and when it's time to try to close the negotiations, as we have seen last fall, then the involvement of the minister is important. That's why Minister Freeland spent a lot of time in the European Union at the time.

At one point it leaves the realm of what falls under trade negotiators, and in the case of the European Union, for example, you have to seek not only the support of the European Parliament but also support at the national or even the regional level in some European Union member states. That's when the political engagement on both sides is important.

Mr. Mayers can add to this in terms of the importance of regulatory contacts beyond the trade negotiations.

• (1205)

**Mr. Joe Peschisolido:** Mr. Sepey, thank you for that. On the nuts and bolts, the CFIA are the feds, and the provinces basically allow you to come in and deal with the regulatory side, and if you're there, we can export our products. May I ask how it works in the European Union? Let's just take Germany, Italy, and France. Are they the guys who determine what hogs come in or what beef comes in, or is it bureaucrats from the EU?

**Mr. Paul Mayers:** My colleagues may want to join in on a bit of an EU operations 101.

Our trading relationship is both with the individual member states and with the European Union as an entity. We pursue, to the extent that we can, recognition of equivalent outcomes in terms of the regulatory system on an EU-wide basis, because for a product to be placed on the common market in the EU, the expectation is that the product meets the EU regulatory frame. However, delivery is done by the member states.

If we take a meat product as an example, we will review the common EU legislative and regulatory requirements, but we will audit the application on the part of individual member states, as does the EU as well, so our counterpart, the Food and Veterinary Office of the European Commission, carries out audits of the member states as well. We will take advantage of its reports as well as our own audits to confirm that an individual member state, in its independent application of the EU requirements, is meeting that effect, because it is on that basis that we provide import access.

**Mr. Joe Peschisolido:** You're saying the equivalent of our CFIA in, let's say, in Germany, France, or Italy can keep pork out of Italy, France, and Germany.

**Mr. Paul Mayers:** They could raise their concerns with, for example, the emergence of a disease in Canada, and they would raise that with the European Union as well as with us.

**Mr. Joe Peschisolido:** Earlier on in the questioning, the TPP was brought up, and let's assume that there are going to be renegotiations or a new approach taken, given the change in government in the United States. I'm from B.C., so there's as much of a focus on, let's say, Korea and Japan. I know hope springs eternal, but are there legitimate opportunities for us, taking into account the cultural and historical differences in Korea and Japan, that we can sell a whole lot of beef, hogs, eggs, and milk in those two huge markets?

**Mr. Paul Mayers:** We've had tremendous success in resolving market access issues in Asia, but let's be realistic: that has been the result of some tremendous work and effort.

The same principles apply in our approach, but the value proposition in addition to that bilateral interaction of FTAs is significant, which is why we were so active in support of our AFC and Global Affairs colleagues in TPP negotiations.

In looking forward, I'll turn to my colleagues.

**Mr. Frédéric Seppey:** You're absolutely right that these countries have huge potential to increase our exports. Japan is a market that is ready to pay a high price for high-quality products, but they are very demanding in terms of food safety. That's why one of the biggest assets for exporters is the quality of our food safety and animal health.

**The Chair:** Thank you, Mr. Seppey.

Thank you, Mr. Peschisolido.

Now we have Mr. Shipley for five minutes.

**Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC):** Thank you very much, Mr. Chair.

Thanks to the witnesses. It's good to see you again.

I want to go back to country of origin labelling. I think it started somewhere around 2009 and was repealed in 2015. That's almost six years. My math may be wrong, but it was a long time. It came about because of the U.S. farm bill, as you mentioned. Where was the scientific justification for that?

• (1210)

**Mr. Frédéric Seppey:** I will defer to my colleagues from Global Affairs to comment, but the measure per se was not based on science but rather on the desire by consumers to have more information on

the origin of the products. It was not primarily for sanitary or phytosanitary reasons.

**Mr. Bev Shipley:** That's interesting. Does it fall under WTO in terms of the WTO providing predictable science-based trade rules regarding export? This maybe wasn't under NAFTA. This was a U.S. farm bill, and yet it affected a NAFTA partner. It wasn't necessarily science-based, as far as we knew, yet when we were in the United States, we found out that consumer groups, ranchers, truckers, and processors supported our position and not that of the appellant.

It took a long time. It cost our producers billions of dollars. My concern is that we lose some faith in the ability to deal with scientific issues, which I think Canada bases itself on. Our pork and beef industries were dramatically affected. How do we improve that relationship and get respect for our science-based products that are going to our largest trading neighbour?

**Mr. Frédéric Seppey:** In that regard, it's an illustration that the trade rules are not sufficient on their own to maintain economic relations. You have to use all the tools in your tool box.

Ultimately Congress had the authority to repeal that legislation, which they did in December 2015. Part of the success was a combination of the full support of our industry and a number of key allies in the United States in the industry, especially in the meat processing sector, in preventing the emergence of issues of that kind. This is why it's important to constantly do what we call advocacy, both at the level of our embassy in Washington and through our network of consulates, to have as much dialogue as possible with policy-makers and decision-makers ahead of decision-making to explain our perspective and why certain measures should not be.... COOL was always intended to serve a legitimate policy objective, but it's had enormously disproportionate impacts on the very well-functioning integrated red meat market in North America.

**Mr. Bev Shipley:** We can't neglect to express our appreciation to all those in Canada—the lobby groups, the livestock industry people, the government people—who did a lot of work, which I think had a huge influence on this. We say “thank you” to them.

In terms of the phytosanitary area, I'm just not sure where it is. Is there any concern in terms of livestock and the genetic semen exports? Where do they fall under it? Have we had any non-tariff trade barriers based on that? It would seem to me that it's very closely and easily monitored.

• (1215)

**The Chair:** If you can, give just a short answer, please.

**Mr. Paul Mayers:** Briefly, yes, there continue to be issues that we work through. I'll use one example.

Small ruminants in Canada being exported to Mexico or to Central or South America currently face the challenge that they can't be transported through the United States because we're awaiting a rule on spongiform encephalopathy. That is one of the examples. We work on these types of examples every day.

**The Chair:** Thank you, Mr. Mayers and Mr. Shipley.

Ms. Jolibois, you have three minutes.

**Ms. Georgina Jolibois:** Thank you very much.

I want to spend some time on the non-tariff measures in Canada. With Canadian industries, I'm assuming there are plenty across Canada. Can we spend some more time on having you explain the non-tariff measures? Can you give me examples for cattle, wheat, and canola?

**Mr. Paul Mayers:** Certainly. As my colleague noted earlier, we have a number of measures that serve to protect Canadian interests as related to the import of products to Canada that could bring with them pests or diseases. The regulatory framework under the Health of Animals Act prescribes a number of diseases on which Canada places restrictions in terms of the entry of products. The plant health act does the same. Listing individual measures would be lengthy, but suffice it to say that the regulatory framework in terms of the control of imports of food, agricultural products, and beyond serves to provide those protections.

I'll use one example in the plant health context that most people would not anticipate, which is that in returning to Canada as a hiker, if you have dirty boots with soil on them—soil is a significant vehicle of plant pests—our regulatory requirements could then result in those boots having to be decontaminated before they could enter Canada. The examples go from as simple as that one to a shipment of grain coming to Canada with us seeking the assurance through export certification that a number of plant pests are not present before the shipment is offered entry to Canada.

**Ms. Georgina Jolibois:** I'm curious about this per province. There are the national standards for the non-tariff measures and the tariff measures. When we export various products, are the provinces different?

**Mr. Paul Mayers:** In terms of products that move internationally, they fall under the federal regulatory framework. Provincial requirements would apply in terms of products entering, but in terms of exports, the products would fall under the federal framework.

**The Chair:** Thank you, Madam Jolibois.

Now we'll start the second round.

Mr. Anderson, you have a full six minutes.

**Mr. David Anderson:** Thank you.

I have three questions I'd like to ask, so we'll have to move fairly quickly.

First, we had reports last week that Italy is trying to move towards some sort of country-of-origin labelling on durum. Can you tell us how you will deal with that? How do you deal with a situation like that when it arises?

**Mr. Frédéric Seppey:** Thank you.

Very briefly, this is a measure that is in a relatively early stage of development. We are aware of it. We're working closely with the industry.

Essentially, we are using two mechanisms. We're engaging directly through our embassy in Rome with the Italian government. We are raising it as well with the European Commission in Brussels, because any measure of that nature needs to be confirmed or vetted at the European Union level.

**Mr. David Anderson:** Thank you.

I have a question about us. How are we keeping from overregulating ourselves and making ourselves uncompetitive?

We have two or three regulatory proposals before us. One of them has to do with transport. I guess I'll use that as an example. We've heard from some people that we need to have the same standards as the Europeans do on the transport of animals, which is ridiculous, given the differences in our countries.

Can you talk a bit about how we can make sure we're not overregulating and driving ourselves out of the market?

• (1220)

**Mr. Paul Mayers:** Quite simply, it is the commitment to science-based, risk-based regulation. We focus on the risks that Canadian agriculture faces and apply a science-based approach—measures we can defend in the science—in order to provide assurance that we are not overregulating or regulating spuriously, but instead regulating in response to the outcome we collectively desire.

The second element is consultation. We are very committed to a very significant engagement with stakeholders before we move to regulate. Of course, stakeholders are very quick to share with us any concerns when they believe we're going further than necessary.

**Mr. David Anderson:** I think one of the things this committee is focused on is making sure our farmers are defended with science and not put under any other types of pressure.

There is another aspect of non-tariff trade barriers, and that's subsidization. I'll just use the example of the United States. The U.S. farm bill dwarfs our bill. The U.S. is now trying to convince us that we should be changing some of our farm systems. How do you deal with that as a non-tariff trade barrier? They're not going to change their subsidization; they expect us to change our systems. Why would we do that?

**Mr. Frédéric Seppey:** These issues are very important for Canada. It's a long-standing position of the Canadian government to address the issue of both domestic support—subsidies that countries pay to their farmers—and export competition—subsidies that are provided to help the farmers of a country be extra-competitive in the foreign market. It is a long-standing position of the government to address these issues in trade agreements.

The issue of domestic support is very challenging to address in a bilateral trading context, because it's a measure you apply.... Why would you subscribe to specific rules with only one of your trading partners? You're ready to do it if all your other trading partners are obeying the same rules. This is an issue that we're advancing, for example, in the context of the World Trade Organization. That said, the negotiations at that level are a so-called revolving door. Let's just say they have been proceeding at a very slow pace over the past few years.

This is definitely an objective we are encouraging, short of trade negotiations. We're encouraging our trading partners to take the same approach we do in Canada, which is to apply strict discipline in the introduction of new programs that may have a trade-distorting effect.

**Mr. David Anderson:** I have one last question to follow up on what Mr. Peschisolido said. How do you deal with conflicting agreements?

He talked specifically about EU members and the EU itself, but in terms of other places where we may find a conflict between trade agreements...or do they all agree at every point?

I'm just wondering what has priority. Is WTO kind of seen as the overarching agreement? If NAFTA disagrees with WTO—and something else may disagree with the TPP, if we get there—how do you resolve those conflicts?

**Mr. Frédéric Seppey:** For example, when we negotiated the trans-Pacific partnership agreement, we were very careful not to introduce disciplines that would contradict. In fact, in trade negotiations, usually one agreement would perhaps go further than another one, so rather than conflicting, they supplement each other. I will limit myself and not go too far in terms of providing a legal interpretation, but generally the agreement that is the most ambitious or succeeds the others in time is the one that would probably prevail.

COOL is a good illustration. We had the possibility of using either NAFTA, which was negotiated and came into force in 1992, or the World Trade Organization, implemented in 1995, to bring our concerns and to invoke the dispute. We chose to use the WTO, for a number of reasons. We had that possibility of choosing our forum.

Once you choose a forum where you want to settle your dispute, you have to stick to it. In the case of COOL, we went with the WTO, in part because we knew that if we were bringing it in the WTO, we could have other countries join the dispute as a third party if they were interested in the same legal question.

**The Chair:** Thank you, Mr. Anderson.

Thank you, Mr. Seppey.

• (1225)

[Translation]

Mr. Drouin, you have six minutes.

**Mr. Francis Drouin (Glengarry—Prescott—Russell, Lib.):** Thank you, Mr. Chair.

I would also like to thank the witnesses who are here today.

My question is along the same lines as those of my colleagues opposite.

At a committee meeting a few months ago, we heard that the Market Access Secretariat had a priority list of 300 barriers to foreign markets.

How do you set priorities within the secretariat?

**Mr. Frédéric Seppey:** Thank you for your question.

Basically, this is the result of requests from the industry. We work closely with the industry. We apply different criteria using a mathematical scoring system. One of the criteria that plays a major role is when it is a priority for the industry in a particular sector. Another factor that plays an important role is the relative importance of a market for Canada, for the sector. I will use an example from the past. The mandatory country-of-origin labelling policy imposed by the United States has had a severe impact on the beef industry. Mr. Shipley said that the industry had estimated that the impact of this policy on beef products was more than \$1 billion a year. Naturally, this became a very high priority.

By applying criteria of this type, we can establish priorities.

**Mr. Francis Drouin:** Speaking of beef producers, he mentioned that, previously, someone was responsible for the beef file but that, now, no one internally was in charge of it directly.

Has there been a reorganization of the office as to the allocation of these files, or is it simply that no one is dealing with the beef file in particular?

**Mr. Frédéric Seppey:** I think I understand the nature of your question.

The work is done in teams at the Department of Agriculture and Agri-Food and at the Canadian Food Inspection Agency. We have sector specialists, and I can assure you that we have specialists who are very knowledgeable about the beef industry and who work almost exclusively on beef issues in our department. We also have specialists for each country.

However, when we talk about something like reopening a foreign market to beef, we're going to call on the expertise of someone who knows the industry, namely, a beef analyst. We will also have to work with colleagues from the Canadian Food Inspection Agency who are the specialists in the health requirements of the country in question. They will be able to tell us, for instance, whether they need an export certificate, a veterinary certificate or something else.

In order to manage these 300 or so market access priorities—the number varies from day to day—it is important to proceed in an orderly fashion and follow a system that sets the right priorities.

We use what we call a one-stop shop. The one-stop shop allows us to receive all requests based on a service standard and to follow up, rather than having ad hoc interactions with particular individuals. In our experience, when this is done on an ad hoc basis, monitoring and problem solving are done in a less rigorous way.

**Mr. Francis Drouin:** Thank you.

We also often hear that Canada is very quick to adopt measures to allow exporters from other countries to move their products here to Canada, but that other countries are slower when it means adopting our measures.

Does the Market Access Secretariat talk to the Canadian Food Inspection Agency? I imagine it is the agency that makes those approvals. Is there a means of communication between the two?

It seems to me that we are playing cards and have all our cards on the table, and we are quick to approve their actions, but other countries take much longer to provide such approvals. As a result, we no longer have bargaining power.

[English]

**Mr. Paul Mayers:** Indeed, yes, absolutely. In fact, staff from the Canadian Food Inspection Agency are embedded directly in the market access secretariat to ensure highly effective coordination of files, in terms of both export and import interests.

Often in our conversations with another jurisdiction, both export and import interests are part of our discussions. As I noted earlier, our principle with respect to a commitment to a science base is a foundation for us. Industry partners here in Canada from time to time will view that commitment as enabling an import context while we're resolving export issues, while what we hear from exporting countries is that Canada takes much too long to consider things. One can understand those perceptions, because each is looking at it from a different perspective.

What I can assure you is that we operate on the basis of that principle. It's extremely difficult to promote a principle of science-based, rules-based, predictable trade if you don't live it yourself.

• (1230)

**Mr. Francis Drouin:** I have to admit that I've only spoken to...I haven't spoken to the exporters from our side; I've only spoken to our exporters. I'm sure that the conversation would be somewhat different.

[Translation]

Mr. Chair, is my time up? I think it is.

Thank you.

[English]

**The Chair:** Thank you, Monsieur Drouin.

Now, Madam Jolibois, you have six minutes.

**Ms. Georgina Jolibois:** Thank you very much.

Can we elaborate on the market access secretariat, the staff, and the staff abroad in various sectors? Could you break it down?

**Mr. Frédéric Seppey:** The market secretariat is not structured by sectors but more by expertise in terms of specific markets.

We have a number of staff, as Mr. Mayers was pointing out. CFIA staff are embedded in the market secretariat, and they may cover several markets, but the resources are really standing ready to work on the highest priorities at any time. Addressing a number of market

access issues, whether on beef or canola in China, for example, would call on the same type of skills.

Again, the market secretariat is playing coordination and integration functions and would then draw on resources and collaborate with people in CFIA, for example. Then, if it's a canola issue, it would work with experts on oilseed issues. If it's on beef, they will work with experts on beef. In the market secretariat per se, the resources are focused in terms of specific markets.

**Ms. Georgina Jolibois:** I understand that. Does Canada, our country, have enough financial and human resources in these areas?

**Mr. Frédéric Seppey:** We could always use more resources, but I would say that we have.... The resources that we have are not set at our level but at a higher level. What we are trying to do is maximize the resources that we have by being as efficient as possible in terms of being coordinated closely with the industry, because there are a certain number of things that the industry can do.

By dividing the work with the industry or provincial and territorial partners, which are also playing a key role, we are trying to lever the maximum effort and efficiency in terms of addressing market access issues. The prioritization is very key in that regard as well.

**Ms. Georgina Jolibois:** Thank you.

**The Chair:** Thank you, Madam Jolibois.

Now we'll now move on to Mr. Pierre Breton.

[Translation]

You have six minutes.

**Mr. Pierre Breton:** Thank you, Mr. Chair.

Several studies have been done since 2005. They conclude that it would be better to resort to customs duties than to non-tariff barriers, which are numerous. Earlier, someone said that there are 287 or 288 tariff barriers and 16 classifications.

I'd like to hear your opinion on that. This data comes from studies that have been done by experts. There are always two sides to the coin, but it would be interesting to hear what each of you has to say about these studies and the conclusions reported in them.

**Mr. Frédéric Seppey:** A number of studies are increasingly trying to assess these aspects. Given that non-tariff barriers or measures are less transparent than tariff measures, it is much more difficult to quantify their economic effects.

I would like to make two brief comments in response to your question.

With regard to tariff measures, under the rules of the World Trade Organization, all countries have a limit on the tariffs they can apply. They are obliged, under their schedule of commitments, not to impose tariffs above the negotiated threshold. Therefore, a country like Canada does not really have the flexibility to raise its tariffs unilaterally, except in very specific cases, but they are very limited. The same is true for other countries. They can't raise their tariffs very easily.

Second, if a country has a tariff protection measure in the form of a tariff, that is very clear. However, non-tariff barriers are more difficult to quantify. Not all measures are on equal footing with regard to their effects on trade. As I mentioned in my opening remarks, several of these measures are legitimate, but our American colleagues may differ on the legitimacy of a Canadian measure. If there is disagreement, the matter will be referred to an arbitration tribunal of the World Trade Organization.

Increasingly, measures that restrict trade are not tariff measures because, with successive rounds of negotiations, tariffs have gone down. Now, more and more, the barriers are non-tariff. We talked this morning about the tools we have at our fingertips to defend our interests. Bilateral discussions or regulatory cooperation are the tools we have to try to overcome these obstacles.

● (1235)

[English]

**Mr. Pierre Breton:** Mr. Mayers, do you have something to add to that?

**Mr. Paul Mayers:** No.

[Translation]

**Mr. Pierre Breton:** That was the only question I wanted to ask, Mr. Chair.

[English]

**The Chair:** Go ahead, Ms. Lockhart.

**Mrs. Alaina Lockhart:** Thank you.

In your testimony you mentioned interfacing with provincial governments with respect to trade. We've talked a bit about interprovincial trade, and I'm wondering if you could give us some commentary on other trade measures that are impacting growth in the industry.

**Mr. Frédéric Seppey:** Many observers of the industry will say that if we are able to negotiate free trade agreements with foreign countries, we should be able to have a single economic space in Canada. This is why more than 20 years ago the agreement on internal trade was negotiated. In recent years there have been joint efforts, actually at the call of provincial premiers, to have a significant revamping of the agreement on internal trade. The effort is now known as the Canadian free trade agreement.

Negotiations are very advanced in that regard. It has the ambitious goal to significantly increase the mobility of goods, services, and people across the country. Actually, the agriculture and fisheries committee of the Senate did a study on interprovincial trade and heard from many witnesses.

The witnesses who appeared often referred to measures with respect to the movement of alcoholic beverages across provincial borders, differences in terms of standards for certain types of products, such as dairy, which is one area, or differences in meat, for example. There, as my colleague Mr. Mayers was mentioning, while the movement across provincial borders is federal, you often have smaller slaughterhouses that are regulated under their provincial regime because they sell within the province. However, in an area like Ottawa-Gatineau, where you have small slaughterhouses or meat processing plants on both sides of the border, if there's an

interest in selling just across the river, legally you have to be a federally inspected plant to do that, and the requirements of CFIA are different from those of MAPAQ in Quebec or the OMAFRA in Ontario.

These are examples of measures that provinces and the Canadian government are trying to work out under the Canadian free trade agreement.

**Mrs. Alaina Lockhart:** Sure.

I brought this up because I was reading about it in an article that's somewhat dated, which said that interprovincial agricultural trade from 1992 to 1998 was larger than was agricultural trade with the United States. Is that still the case? At that time it was averaging \$17 billion Canadian per year, versus \$14 billion Canadian to the U.S. Is that still the case?

**Mr. Frédéric Seppey:** I'm afraid I don't have the current economic facts, but this figure doesn't surprise me, and I presume it's still the case.

● (1240)

**Mrs. Alaina Lockhart:** So there haven't been any significant changes?

**Mr. Frédéric Seppey:** This indicator does not necessarily imply the state of the barriers that could exist. I mentioned a number of issues that exist in terms of interprovincial trade, but for commodities like fruit and vegetables or processed food products, you don't have these impediments. For many products, we don't have interprovincial barriers. There are a number of areas in which, because there's more regulatory oversight, there may be more barriers.

**Mrs. Alaina Lockhart:** Okay. Thank you very much.

Thank you, Mr. Chair.

**The Chair:** Thank you.

We go now to Mr. Gourde for six minutes.

[Translation]

Mr. Gourde, you have the floor for six minutes.

**Mr. Jacques Gourde:** Thank you, Mr. Chair.

The free-trade agreement with Europe will be in force on an interim basis in a few weeks. Is that correct?

**Mr. Frédéric Seppey:** Meaning that we have to wait until the Canadian legislative process is completed. The bill is currently before the Senate. Some regulatory changes will be required after that. However, the intention is for the agreement to be in place on an interim basis as soon as possible, probably in the spring.

**Mr. Jacques Gourde:** If it is on an interim basis, then the terms of the agreement are in effect.

As for the 17,700 tonnes of European cheese entering Canada, has a process been initiated for Canadian importers? Has that decision already been made?

We have no idea who will have the right to import these cheeses.



**Mr. Frédéric Seppey:** There is a quota of 16,000 tonnes for all cheeses and another for the 1,700 tonnes of so-called industrial cheeses. The decision on the allocation of quotas is the exclusive prerogative of the Minister of International Trade. To provide information on this decision, consultations were held with industry stakeholders over the past summer. Many submissions have been filed.

It's still under consideration. The Minister of International Trade will have to make a decision on this.

**Mr. Jacques Gourde:** So the process began last summer with the call for tenders.

**Mr. Frédéric Seppey:** Indeed. An extensive consultation process has taken place.

**Mr. Jacques Gourde:** Are we talking about consultations or tenders?

They are two completely different things.

**Mr. Frédéric Seppey:** I'm talking about consultations. A call was published on the Internet. The Department of Agriculture and Agri-Food communicates regularly with all stakeholders in the dairy industry, be they involved in production, processing or retailing. Global Affairs Canada and the Department of Agriculture and Agri-Food ensured that as many stakeholders as possible could submit their views.

Bilateral meetings were held, and documents were submitted by the speakers, who were able to express their views and preferences regarding the allocation of the quota.

**Mr. Jacques Gourde:** I knew that these people had been consulted, but I have never heard that calls for tenders had been made on these quotas.

**Mr. Frédéric Seppey:** I'm sorry, I have to clarify some details about how the tariff quota is allocated.

It is not a call for tenders in the context of a public contract. It is really about expressing points of view. There are only minor administrative costs. An import permit is granted without it involving any special charges. It isn't necessary to determine who is the lowest or highest bidder. I used the word "submissions," but I wanted to talk about a document that was used to express points of view. I am sorry about that.

**Mr. Jacques Gourde:** Those who are chosen will therefore get a percentage of the tonnes of cheese available.

Will they obtain these long-term import quotas or will it be reassessed after a certain period of time?

**Mr. Frédéric Seppey:** Under current tariff quotas, there are no uniform rules that determine whether these quotas are long-term or whether they will be reassessed periodically. The detailed arrangements for the allocation of these two tariff quotas will make it possible to determine this. It's one of the things that the Minister of International Trade must consider when making his final decision.

**Mr. Jacques Gourde:** Does the Minister of International Trade take into consideration the fact that some companies will be able to export cheese more easily if they obtain import quotas?

If you buy cheese in Europe for resale, you can take advantage of a lever. However, if you are just an exporter, you can't get the same benefits. For example, if you already produce cheese in Canada and buy 2,000 tonnes of cheese in Europe, you can sell it more easily than if you are just an exporter and don't offer anything in return.

• (1245)

**Mr. Frédéric Seppey:** Generally, one of the policies that is applied in the allocation of tariff quotas is the ability to use the quota wisely. Being active in the field of cheese distribution is a criterion that is likely to be very important when allocating the tariff quota.

**Mr. Jacques Gourde:** Thank you.

[English]

**The Chair:** Did you want to share some time? There's about one minute left.

**Mr. Bev Shipley:** Sure. I'll just ask a quick one. Well, I don't know about that, but...

You talked about Canada's exposure to non-tariff trade barriers or measures. When we implement them, is it mainly because they don't meet our scientific regulations or criteria? If we have scientific criteria that are higher than those of the country that is exporting to us, how does that work? Is that seen as a non-tariff trade measure?

**Mr. Paul Mayers:** Certainly any regulatory requirement in the sanitary or phytosanitary space impacting an import is a non-tariff measure; however, it doesn't constitute a barrier unless the exporting country can't meet it. It's an unjustified barrier if we can't defend its legitimacy in protecting a Canadian interest in terms of human health and safety or the protection of our agricultural environment.

We protect ourselves in that regard through our commitment to being science-based and risk-based. We carry out risk assessments to determine the appropriate level of a measure, and that serves, in our view, to protect.... What we're doing is applying a legitimate restriction in order to achieve a legitimate protective outcome.

**The Chair:** Thank you, Mr. Mayers, and thank you, Mr. Shipley.

Mr. Longfield, you have up to six minutes.

**Mr. Lloyd Longfield:** Thank you, Mr. Chair.

The conversation continues.

I'm interested in the relationship between the provinces and the federal government in terms of regulatory frameworks. I touched on that earlier. I said that we have a bit of a patchwork of regulations across Canada that can sometimes be more bothersome than the regulations dealing with other countries.

Forty per cent of Canada's cattle and beef has to be exported, and 90% of our canola needs to be exported. Cargill, in Guelph, just put in place a \$3.5 million expansion, with the help of some funding from the province. We're doing what we can in terms of setting a base for development.

This might be more of a marketing question than a non-tariff trade barrier question. How are we working with the provinces to overcome the barriers that currently exist?

**Mr. Paul Mayers:** Perhaps I could start with the regulatory dimensions of that.

Because there is shared jurisdiction in Canada in the agricultural context, it is the case that in some situations there isn't a perfect alignment between provincial requirements between provinces or between provincial requirements and the federal system. As a result, we have a number of different approaches.

Products moving interprovincially are subject to the federal requirements. We are working very closely with our provincial counterparts in terms of collaborating on regulation.

There is a strong interest in deepening regulatory co-operation and maximizing regulatory alignment, but we equally recognize that the regulatory frameworks have grown up independently, so you do have differences. Those differences can result, as my colleague noted, in a provincially regulated slaughter plant operating in Gatineau being unable to ship its products to Ottawa or from Timiskaming to Temiskaming. That situation arises.

It is an issue that the Canadian Food Inspection Agency and Quebec are exploring right now, in terms of pursuing a pilot to strengthen the alignment. It is not to say that one system is weaker or stronger, but they're different. Addressing those differences to reduce the restriction on the movement of products is a very strong interest on both sides.

• (1250)

**Mr. Lloyd Longfield:** Great.

Could I just dive into that a little bit deeper? One of the restrictions we have, or one of the areas that affects our competitiveness, is the sheer size of Canada and the transportation network. Often our transportation programs are highlighted as giving preferential treatment to Canadian farms and businesses.

Where are we in terms of, let's say, rail agreements or trucking agreements in terms of dealing with other countries?

**Mr. Frédéric Sepey:** With respect to other countries or within Canada?

**Mr. Lloyd Longfield:** I'm thinking that other countries could say we're giving subsidies on the rails or we're doing things in terms of providing highway systems that give us preferential treatment.

**Mr. Frédéric Sepey:** This is not a concern that we hear in terms of transportation per se.

In the past, more than 20 years ago, we had some elements in connection with the Canadian Wheat Board and the grain transportation system in western Canada. These measures have been phased out. However, we continue to have logistical issues in terms of geography in western Canada, especially in exporting grains, in terms of the competition with other commodities that are dependent on being exported through our few ports on the west coast.

This is an initiative that Minister Garneau is trying to address in the transportation portfolio, and the Minister of Agriculture is closely involved, given the significance of the issue for the crop sector in Canada.

**Mr. Lloyd Longfield:** Yes, where I was going with that was the Canadian Grain Commission and the impacts there.

Could I share some of my time with my good friend Mr. Peschisolido?

**Mr. Joe Peschisolido:** To follow up on Mr. Longfield's point, the sense I'm getting from this conversation is that we will always have non-tariff measures or barriers, because if we don't, we're going to live like the Japanese, the Koreans, the French, or the Chinese.

Probably they don't want to do that and we don't want to do that, because we have separate societies, so we're always managing and trying to set rules that reflect our values and principles but also our interests.

Are there new countries that...? I know you guys implement and you don't develop policy, but countries such as Argentina or Brazil have huge agricultural markets where there can also be some integration. Is that a possibility? We always talk about the same places, right?

**Mr. Frédéric Sepey:** Actually, the point you're making is a very valid one. Argentina has many characteristics in common with Canada. It's largely an exporter and has a surplus of agricultural production. We are working with countries like Argentina to promote international standards or to promote the idea that if a country doesn't have a regulation on maximum residual levels, for example, instead of starting from scratch and inventing new levels, can they follow international standards? Can they adopt something that a country like Canada, with a lot of experience, has adopted?

That's why our involvement in international standard-setting bodies, in regulatory co-operation, and in sharing our experience with foreign regulatory agencies is so important.

**The Chair:** Thank you, Mr. Sepey.

We're getting close to the end of the session, and I want to save a couple of minutes to approve the budget for this study.

However, Mr. Shipley, I'll allow you a very short one.

**Mr. Bev Shipley:** I have a quick one. You talked about the global low-level presence initiative that started, I think, around 2013. There are 15 countries. What is the status of it? How do you expand that, or are we expanding it, or getting close to addressing that with our trading partners?

**Mr. Frédéric Sepey:** We have had four meetings on the initiative so far. The last one took place last year in Italy. We are planning for the next meeting to take place later this spring, hopefully.

The 15 members are countries that share the same interests in terms of addressing that issue, and it's largely export, mainly grains and oilseeds exporters. We have a tradition in this group of always inviting observers from large importing countries such as the European Union, Japan, or China. Our focus is largely on maintaining that dialogue, because if there's a country or an entity that we need to convince, it is a market like the European Union. We are very much focusing on continuing our dialogue to make sure that they understand our perspective and why it's also important from their perspective to address this issue.

• (1255)

**Mr. Bev Shipley:** Is there a chance that the initiative on maximum residue limits will be discussed on a larger basis with a number of our trade countries?

**Mr. Frédéric Seppey:** We are exploring, by working closely with our industry sectors, ways to advance the work internationally on maximum residue levels. A number of countries share our interests, such as the United States and the large agriculture exporting countries, so yes, we are definitely doing the maximum to advance these issues internationally.

**The Chair:** Mr. Shipley—

**Mr. Bev Shipley:** Actually, I think it carries about the same significance.

Thank you, Mr. Chair.

**The Chair:** Thank you, Mr. Shipley.

I just want to thank the panel for appearing today. It was very informative and it opens our eyes as to how complicated trade can be, especially internationally.

Thank you very much to all three of you, Ms. Melia, Mr. Seppey, and Mr. Mayers, for appearing in front of us today. Thank you.

Committee, I think you all have received a copy of the budget for this study. Basically it's standard procedure. I don't know if there are any questions on the budget that's proposed.

**Mr. Bev Shipley:** That's just general, right?

**The Chair:** Yes, it's just general.

Shall we adopt the budget?

**Some hon. members:** Agreed.

**The Chair:** That will conclude our meeting for today. Thank you very much, and see you Thursday.

The meeting is adjourned.

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