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Chair

The Honourable Mark Eyking

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• (0845)

[English]

The Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): Before we get into our meeting, there are a couple of items of business I'd like to take care of. One is that I need approval for the budget to go on a study of Mercosur.

Some hon. members: Agreed.

The Chair: The second thing is that we have gotten notification that we're going to be travelling to Washington, barring some unforeseeable circumstances. I think all parties have figured out who is going. This is just to let you know.

That's all I have for business. We're going to go right to our study.

As you know, our committee is very busy with all the various trade agreements we have around the world. Right now we are embarking on a new study. It's a study of potential trade with Mercosur. The Mercosur countries are four: Brazil, Argentina, Paraguay, and Uruguay. That's 260 million people. They have a GDP together of \$2.4 trillion.

This is a great opportunity for us to look at. We're going to have four meetings on this over the next few weeks. Today we're fortunate to have our first two witnesses with us. We have witnesses from the Brazil-Canada Chamber of Commerce and a witness from the Canadian Steel Producers Association.

If this is your first time in front of our committee, note that we usually like to keep the presentations fairly tight so that we have lots of opportunity for dialogue with MPs.

Without further ado I'm going to ask the Brazil-Canada Chamber of Commerce, Ms. Paola Saad, to address us.

You're the first to come before our committee on Mercosur, so welcome. You have the floor.

Ms. Paola Saad (Vice-President, Brazil-Canada Chamber of Commerce): Thank you.

Mr. Chair, fellow panellists, and members of this committee, on behalf of the Brazil-Canada Chamber of Commerce and our president, Mr. Marcelo Sarkis, we are honoured to participate in this important panel, to discuss the potential Canada-Mercosur free trade agreement. As you may know, my name is Paola Saad, and I am currently the vice-president of the BCCC.

Our chamber has been in existence since 1973. Our mission is to strengthen and develop links between Brazil and Canada, chiefly in trade and investment. The chamber's members include Canadian organizations that invest and trade in Brazil, as well as Brazilian companies with a presence in Canada. Our membership ranges from multinationals to small and medium-sized businesses, active in many sectors, mirroring the strategic sectors of the bilateral trade between Canada and Brazil.

In terms of Canada's trade diversification strategy, pursuing a comprehensive trade agenda with Mercosur would allow access to a wider market, increase trade for Canadian goods and services, and allow for further knowledge sharing. It would also mean that 85% of Canada's trade would be covered by trade agreements.

Mercosur is the fourth-largest trading bloc in the world and represents 260 million people and a GDP of \$3 trillion. Currently, bilateral trade represents \$8.9 billion, of which over half is between Brazil and Canada alone. We can definitely do better. If we look at trade with the Pacific Alliance grouping of Mexico, Colombia, Peru, and Chile, that's \$48 billion a year. These four countries already have FTAs with Canada.

Brazil is the largest economy and market in South America, with a population of 207 million people, largely composed of middle-class consumers.

In our view, a Canada-Mercosur agreement would certainly enhance trade and open the door for more opportunities between both parties. Historically, Canada and Brazil have had long-standing relations in terms of business, and collaboration in a range of sectors, including health care, mining, infrastructure, agriculture, innovation, education, and defence, among others. We expect a Canada-Mercosur FTA would lead to a harmonization of rules and models in these key industries as well, which is a problem.

In 2015, Brazil was the seventh most important source of foreign direct investment into Canada, with \$19.7 billion in investment. Canada has a bilateral science and technology agreement with only five countries in the world, and Brazil is one of them. Since 2011, they have established a joint committee on science and technology to discuss common areas of interest, including developments in clean technology, nanotech, and marine technology, among others. Even more recently, as a part of this venture, Canada and Brazil entered an aerospace agreement between Airship do Brasil and Buoyant Aircraft Systems International. A Canada-Mercosur free trade agreement would open the door to further such co-operation and increase knowledge sharing. There is also an opportunity to bring both countries closer in intellectual property rights, with the potential of Canada and Mercosur to agree on a patent prosecution highway, or PPH.

Since last year, the BCCC has had the honour of participating in round table discussions regarding a potential Canada-Mercosur agreement, including two meetings with the honourable Minister Champagne. One was this year, actually. Based on those conversations and the opinion of our members, some of the main barriers in trading with Brazil that we currently face are the high taxation rates, both internal and external, labour laws, and significant bureaucracy, which is an understatement. Certification requirements are also a problem. All these are items that we look forward to addressing in the Mercosur free trade agreement and during the negotiations to further allow for Canadian businesses to increase their commerce with Brazil.

We see the movement of goods, information, money, and people as key. Canada is the country of choice for Brazilians studying abroad. This exchange promotes Canadian values of tolerance, striving for excellence, doing the right thing, and strength through diversity. Let's expand this to all the Mercosur countries.

Diversifying the marketplace stabilizes our economies. Both the Canadian government and the Brazilian government are assertively promoting exports to their businesses.

Therefore, let's get on with the negotiations. Yes, let's start at home, sharing with Canadians the potential for business and social improvement. We believe in good, fair, free trade that can lead to exciting new benefits for Canada and the Mercosur bloc. We look forward to what the future brings.

The BCCC will continue to reach out to its members, partners, and entities doing business between Brazil and Canada and consult on the main challenges, the main opportunities, and how a place at the Mercosur table would benefit the parties. In addition, the Brazil-Canada Chamber of Commerce remains entirely committed to continue strengthening ties between Canada, Brazil, and Mercosur, and we are here at your disposal.

Thank you.

• (0850)

The Chair: Thank you. As you mentioned, these agreements are not only important for the trade of goods but the exchange of people, which is so important. I'm glad you mentioned that.

We're going to move on now to the Canadian Steel Producers Association, and its president, Mr. Galimberti.

Welcome, sir. You have the floor.

• (0855)

Mr. Joseph Galimberti (President, Canadian Steel Producers Association): Thank you very much.

Good morning to the honourable members of the committee, and thank you, as always, for the opportunity to present today on behalf of the Canadian Steel Producers Association, as this committee undertakes its important task of studying the implications of a potential Canada-Mercosur free trade agreement.

CSPA is the voice of Canada's \$14-billion primary steel production industry. Our producers are integral to automotive, energy, construction, and other vital industrial supply chains in Canada, producing roughly 13 million tonnes of primary steel and an additional one million tonnes of steel pipe and tube on an annual basis. This activity employs directly 22,000 Canadians, while supporting an additional 100,000 jobs indirectly.

As an organization the CSPA supports open and fair trade. We appreciate the value of a diversified trade portfolio and understand the importance of free trade agreements to Canada's economic future.

With that in mind, we also believe that the growth of and investment in advanced manufacturing in Canada should be a key consideration in the negotiation and ratification of any free trade agreement. Successful agreements should enhance employment opportunities while ensuring Canadian enterprises retain the ability to compete fairly in domestic markets; promote fair, open, and mutually beneficial trade; facilitate the global export of high-quality Canadian products; and promote Canadian socio-economic values, including strong environmental and health and safety standards.

To ensure that a given agreement has the best chance to benefit Canadians, we believe that any negotiation in which Canada is engaged should be informed by open consultation with affected industries and rooted in the following principles: the preservation of reciprocal, market-based trade with strong provisions to mitigate unfairly traded imports; the encouragement of foreign direct investment in Canada; the enhancement of domestic supply chain relationships; the promotion of the overall economic interests of Canadian manufacturers; and effective and enforceable controls for state-owned enterprises and/or currency manipulation.

Specific to Mercosur, the CSPA would like to highlight considerations for Canada's steel industry, which we think the Government of Canada should be mindful of during this negotiation. First, there is virtually no primary steel and very few steel-containing goods currently exported from Canada to Mercosur countries. This is unlikely to change in the context of a free trade agreement. We don't expect any noticeable increase and would in fact note that there are presently Canadian International Trade Tribunal anti-dumping remedies in place on certain Mercosur countries relating to imports on hot rolled carbon steel, alloy steel sheet, steel strips, and steel plate.

We would also note that there exists real potential for market share erosion within the steel-using community in Canada, particularly as it relates to those involved with automotive manufacturing and the makers of energy, pipe, and tubular goods, as the result of an agreement with Mercosur.

To mitigate these exposures the CSPA would propose a parallel domestic policy implementation process to blunt potential impacts of a Canada-Mercosur agreement on our sector. These would include the continued improvement of Canada's trade remedy system, and increased enhanced resources for investigation and enforcement at the CBSA to properly ensure that Canadian companies and workers are protected from harms associated with dumped and subsidized goods.

The fundamental principle of two-way gains from free trade agreements is founded on market-based trade, and the contravention of WTO rules through product dumping and subsidization undermines those goals. This behaviour distorts markets, displaces domestic production, and undermines Canadian supply chain opportunities.

An effective trade remedy system needs to detect unfair trade activity and engage, as appropriate, the required tools to enforce measures already in place, accurately guide those investigations, and discourage circumvention. There should be no free ride for dumped products through free trade agreements, and no trade agreement should ever include measures that would weaken the trade remedy system in Canada.

I would also note the importance of the development of government procurement guidelines that account for greenhouse gas emissions, the state of sustainable development principles, and overall respect for the environment. Greater use of Canadian steel in government procurement programs significantly reduces the carbon footprint associated with those projects. The steel in Canada is by far the cleanest steel for use in the country in terms of a full life-cycle GHG analysis.

As such, domestic preferences for Canadian steel products would reduce global GHG emissions while increasing demand for our domestic steel products and offsetting potentially increased competition from Mercosur producers.

Finally, we would also suggest the inclusion in the final agreement of a broad, enforceable discipline or a series of disciplines on state-owned enterprises, which would discourage government ownership of entities that operate in a commercial context, require a state-owned enterprise to operate according to commercial considerations,

prohibit those enterprises from discrimination against foreign suppliers, restrict the ability of SOEs to give or receive subsidies, and recognize that any subsidies that may be provided to SOEs are actionable and subject to countervailing measures.

● (0900)

Finally, I would also note from a Canadian steel perspective, the overarching importance of the preservation and modernization of the North American Free Trade Agreement. That agreement and the ongoing negotiations as relates to the future of that agreement are of overwhelming importance to our industry and certainly more impactful to the Canadian economy than a potential Mercosur agreement. In engaging in any additional international negotiations at this time, the Government of Canada should be especially mindful of the consequences in the NAFTA context and should avoid any discussions or activities that would potentially undermine or negatively affect in any way those vital negotiations.

In closing, thank you again to the committee for the opportunity this morning. I would be happy, of course, to answer any questions you may have.

The Chair: Thank you very much, sir, for that presentation. Like you said, you're no stranger to our committee. Every study we do we value the input of the steel industry. Of course, you are well aware we did a study on steel over the last couple of years. Thank you for that participation.

We're going to start our dialogue with MPs, but before I start I would like to welcome the member from Saskatoon—Grasswood, Mr. Waugh. As you're going to find, this is the most exciting and well-behaved committee on the Hill.

Without further ado, we're going to start the dialogue. For five minutes, we're going to start with Mr. Allison.

You have the floor.

Mr. Dean Allison (Niagara West, CPC): Thank you, Mr. Chair. To our witnesses, thank you for being here today.

Ms. Saad, as we deal with these countries in Mercosur, I think probably they have certainly had conflicts in trying to work through things, so how do you feel as a bloc they could behave, they could act, in terms of...? How would this work for us in terms of this? There are challenges.

What are your thoughts of them working as a cohesive unit as a trading bloc?

Ms. Paola Saad: That is a very good point. I've given that a lot of thought, especially when you come to conflict resolution. That can be a problem. The way Mercosur works is that they have an agreement and each country has to ratify their agreement. For example, in Brazil a lot of the negotiations that were done were ratified right away, but if the congress decides to make a new law, that would supersede what was agreed before.

I see it as an issue, and I'm glad you brought it up. We will have to be dealing not as a bloc but country to country in certain instances, because, you see, all the countries are quite different in resources, in population, and in the capacity of importing and exporting.

Mr. Dean Allison: Right, so it's something we really need to be mindful of as we enter negotiations.

Ms. Paola Saad: Exactly. I believe so. In conflict resolution they are all different so I would look at that for each country.

Mr. Dean Allison: That's hopefully the advantage of a trade agreement. You can have the conflict resolution or dispute resolution, whatever you want to call it. Thank you.

Mr. Galimberti, my question is on how—and you alluded to this, although it didn't come right out—Brazil has had a large history of subsidizing their steel. Let's talk a bit about that because the challenge is that you don't have to do a whole lot of business with Mercosur now, by and large. Do you think we could get a fair deal? We will talk about the second part, which is what you talked about in terms of trade revenue and these things, because you did mention those in your remarks as well. That would be the second part of the question.

Do you think we can get a fair shot at actually selling goods given the history of huge subsidies?

Mr. Joseph Galimberti: I don't believe there is going to be a significant export opportunity for Canadian steel in Mercosur. The transportation alone is prohibitive. To compete you're getting into a fairly low-grade product that I don't think the Canadian industry wants to be a participant in just to have the shipping make sense. You have to compete on volume at that point, and it's not what we're doing up here.

I don't anticipate there is going to be a particularly strong, or any, uptick in exports.

Mr. Dean Allison: Okay. I don't have a lot of time. I think we did mention we have 12 days until May 1st when we may see—

I guess you read the paper like the rest of us do, but do you have any insight for us in terms of how you feel NAFTA is going and whether you're going to see an extension of what's going on with you guys?

What are your thoughts right now and concerns?

● (0905)

Mr. Joseph Galimberti: We do have an exemption on May 1. I am not aware of any discussions presently between the Government of Canada and the U.S. administration on what a final arrangement would look like, so I guess we're hoping for an extension of the exemption.

Potentially of interest, as it relates to this committee's study, is that the U.S. 232 investigations initially identified 12 nations they specifically wanted to restrict. One of those nations was Brazil, for exactly the reasons you mentioned, in terms of the history of dumping and subsidy. We have to be especially mindful of diversion to Canada in the context of section 232. There will be tariffs. I understand certain Brazilian producers are in the process of negotiating hard-cap quotas. Making sure that that steel does not come to Canada is important from a Canadian industry perspective.

It is equally important because our friends south of the border will know if it's coming here and will act appropriately to make sure that it's not pushing Canadian steel south of the border.

Mr. Dean Allison: Okay, thanks.

The Chair: Thank you, Mr. Allison.

We're going to go over to the Liberals for five minutes.

Mr. Dhaliwal, you have the floor.

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

Good morning.

Once Canada goes ahead with the agreement, could this agreement increase the level of competition with respect to trading fields? Are there any particular trading fields that would become more competitive?

Ms. Paola Saad: Are you asking if they would increase competition between Brazilian and Canadian products in the Canadian market or in the Brazilian market?

Mr. Sukh Dhaliwal: I mean both.

Ms. Paola Saad: I'm going to talk from my perspective. I have a company. We do international business development. We work a lot with the Canadian government doing trade missions to Brazil, so I've personally dealt with over 200 companies entering the market in Brazil. The big problem here is the tariffs in Brazil. Canada has considerably lower tariffs and barriers than Brazil does. Brazil is quite protectionist. Even when you look at different tariffs.... For example, on automobiles and parts, the current tariff is up to 35%, but really that 35% is about 100% when you add the other taxes, which are compounding, and then sort of a GST that we have, which is about 25%. Everything you're looking at in Brazil, even if it says here 18%, 14%, or 16%, or for pharmaceuticals 14%, is going to be more because it's a compounding tax. There's even tax on top of the shipping, so what he said is really true, because it comes in and it's not competitive.

The chamber believes that if we can not only cut down those tariffs but also negotiate with Brazil directly to help change the structure—and I have to say that Ambassador Rick Savone, and the Consuls General Evelyne Coulombe and Stéphane Larue, are doing an amazing job in the commercial part to try to change those things. A lot of the Brazilian imports here that we have now I don't think are competing. A lot of them go to the local market of Brazilians that they attend to, but I think it would be good. This treaty is much better for Canada than for Brazil, in my opinion, just because of how protectionist Brazil is right now.

Mr. Sukh Dhaliwal: If you say it's much better for Canada, do you believe that Canadian businesses and business firms are aware of the current or future potential opportunities in regard to this or that more can be done?

Ms. Paola Saad: I do believe that. I believe Canada has great products, products that are differentiated from those in the Brazilian market.

Brazilians are really big on technology, and Canada has a lot to offer that way. Everything that's new is a big thing for Brazilians. People like to keep up to date and always upgrade. For example, I took a company to Brazil, a Quebec company—I forget the name now—and they make this apparatus to check doors of cars at the factory. I booked meetings for them with 11 of the 13 major automobile manufacturers in Brazil. I just happened to sit beside a guy on the plane a couple of weeks ago and they're doing great. They have an office in Brazil. They're doing great because they have a differentiated product. It really depends on what's going to come into Brazil and how differentiated the products are and the angle the company comes in with. These are all very important things.

Also in the oil and gas industry, you're looking at a lot of knowledge, especially from eastern Canada, where they have the marine technology for oil and gas. That will be better for Canada, with the lowering of local content in the quotas for Petrobras, which is a big deal, and also in importing not only products but also knowledge transfer and software. We're paying a lot for that right now, but they are buying from Canadians. Canadians are very well seen in Brazil when you look at quality, especially now that there are so many Brazilian students here. They're getting to know Canada. They're bringing them back and they want more.

• (0910)

Mr. Sukh Dhaliwal: Mr. Galimberti, I was recently in Taiwan. I had the opportunity to visit a steel company, an amazing outfit. They have ups and downs in their steel industry as well.

Even though you say this is not going to make a difference, when it comes to the steel industry, what else can be done so that we are competitive and do better?

The Chair: Sorry, you're going to have to give that question to one of your colleagues because your time is up. It was a good question, but I can't let it go because your five minutes are up.

I'm going to have to move over to the NDP. I know you wouldn't want to rob any time from the NDP, would you?

Mr. Sukh Dhaliwal: No, never.

The Chair: I'm sorry. Maybe you can hold that question for later.

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

Ms. Tracey Ramsey (Essex, NDP): I'll pick up on your line of questioning to Mr. Galimberti.

Looking at these trade deals, it's high risk and very little or no reward for our steel industry, which is struggling under global dumping. We have a lot of global dumping, and we've become a target as a country. That's very worrisome for us because this has been a backbone sector for us to be able to supply steel for our own country, our infrastructure, and everything that we have going on.

Can you speak a little further about the anti-dumping cases that already exist with some of the Mercosur countries? Also, can you dig a little more deeply into that domestic, parallel policy that you were talking about and the importance of that to your sector?

Mr. Joseph Galimberti: I mentioned that there were some orders in place specifically with Brazilian steel, carbon sheet, hot rolled. It's a range of products. Decisions have been in place for a while now. I

believe they were put in place and have since been reviewed, and they continue to be appropriate.

I talked about improvements to the trade remedy system, and I think that those are important. Dumping the subsidy is evolving globally. There is tremendous pressure as a result of global overcapacity in large part from the Asian jurisdiction and Chinese jurisdictions, predominantly, like Taiwan. They've built capacity far in excess of what their domestic demand requires.

We're making sure that we have the appropriate enforcement tools, investigative resources at CBSA and capacity at the CITT, to make sure that we're doing investigations quickly and coming to fair results. We should aim to determine rates of dumping and subsidy that are accurate, that are appropriate, and that preserve market conditions.

Ms. Tracey Ramsey: Could you also comment on GHGs and the fact that Canadian steel is produced at such a higher level of environmental standards of being clean steel than the overproduction and the dumping that's coming from other countries? Could you speak a little bit to that in terms of Mercosur countries and where you see a threat or a potential amount of that kind of dirtier steel, if you will, coming into the country?

Mr. Joseph Galimberti: Let's say there's steel facility A in Hamilton and steel facility B outside of Rio. Let's just make the assumption that those are apples-to-apples steel facilities. The Canadian steel, if it's used in Canada, is still going to be far better from the GHG perspective because we have much readier access to the fundamental inputs associated with steel. There is iron ore in Brazil, but we have iron ore very close in Quebec and Labrador. We have metallurgical coal very close, and we have clean transportation links. We have a largely renewable power grid. All of those things combined make our steel quite environmentally responsible. There is also, obviously, no shipping to end market from a Canadian perspective.

There's also something from a regulatory responsibility perspective. You can make the assumption that those facilities are apples to apples, but I don't think that's something that should be casually done. Environment Canada can come and have a look at any of our producers. We regulate our behaviour on a provincial, municipal, and federal level, know our emissions standards, and are very clear about how environmentally responsibly we are behaving.

If you take a look at global steel, when that kind of material shows up in bulk on a dock, you know that it is on dock but you don't really know anything else about how it was produced. You can say what it is, but you really can't say how it got there. If you want to be environmentally responsible, it's probably not the best way to build one's infrastructure.

• (0915)

Ms. Tracey Ramsey: My next question is to Ms. Saad. You mentioned in your presentation that you were discussing labour laws and democracy. It's clear to us that there have been some violations from some of the Mercosur countries. They've been suspended at different moments in time for human rights, democracy, and things that are going on.

Could you speak a little more about how you think Canadian entry into Mercosur would somehow improve labour laws or the democracy that you're trying to advance in Mercosur countries?

Ms. Paola Saad: I can only speak for Brazil. Right now, I'm sure everyone knows that Brazil is going through what I'm going to call a political crisis in some ways. Our past president was impeached; our past president went to jail. We have the vice-president in power now, and there will be elections this year.

The good thing about that is that people are taking democracy into their hands, things are changing, and people are going to jail. It's moving. The best thing that can happen with all of that is that the population is moving away from government in terms of expectation. Right now, you don't have everyone waiting for the election in October, which is what happened four years ago. Everyone was waiting for the whole year. Everything stopped because of the elections.

Right now, the businesses are saying, "You know what, we can't wait for government because anything can happen any second—it's so volatile right now." The businesses are taking ownership of what they need to do to go ahead and not depend on government.

To answer your question, if anything, democracy in Brazil is getting better.

The Chair: Thanks very much.

We're quite over time.

We're going to move over to the Liberals and Mr. Fonseca, who is no stranger to Portuguese Brazil.

Go ahead, sir.

Mr. Peter Fonseca (Mississauga East—Cooksville, Lib.): [*Member speaks in Portuguese*]

It's a pleasure to have you two here.

First, thank you for what you do for business and for promoting trade for Canada. I know that in Mississauga, in my riding, we have our economic development department, and they were down in Brazil numerous times. They were able to be successful, but it took many trips over many years before we landed a company, Biolab Pharma. They came in with about a \$57-million investment into Canada.

How do you see the commitment of Mercosur countries—maybe Brazil in particular to you, Ms. Saad—in opening up the markets in this liberalization? What would a potential agreement do to help in terms of bringing more business to Canada and vice versa in terms of our trade down there?

Ms. Paola Saad: If the Mercosur negotiations include harmonizations of rules and models, that would help Brazilian companies coming here a lot. Biolab actually did the opening for Biolab here, and they have a research facility here. The reason is that it's much easier and faster to get all the permits and the trials to be accepted in Brazil. We need more of that harmonization of the rules and models, and that will help Brazilian companies come up here and bring more FDI into Canada. That is the key for bringing those businesses here to Canada.

We already have, for example, Gerdau, which is a steel company. We have 3G that's here, as well as Labatt and Vale. We have a lot of Brazilian companies that have invested in Canada and believe in Canada. I have done a few FDI missions, and I see that Brazilian companies want to expand for the same reason Canada wants to expand now, because they don't want to put all their eggs in one basket.

● (0920)

Mr. Peter Fonseca: If that were to happen with the Mercosur countries, and let's take Brazil because that's what you know best, what sectors do you see in terms of increased growth? In some areas, we're pretty anemic and there's very little trade happening. What potential do you see? What would this agreement bring in terms of potential growth?

Ms. Paola Saad: Mainly the oil and gas and science and technology. They're the two main sectors that I see moving, as well as infrastructure. If they could even bring infrastructure building models, like the Canadian public-private partnership, and build those models in Brazil, that exchange of knowledge and of rules and regulations would also facilitate this harmonization in Mercosur between Brazil and Canada.

Mr. Peter Fonseca: I'm glad you bring up infrastructure when it comes to infrastructure, in general, but also trade infrastructure. Are the Mercosur countries ready for increased growth in that trade, their ports, their—

Ms. Paola Saad: Infrastructure does not stop. Right now, they have Marcio A. Francesquine with the infrastructure forum in Brazil. That was highly successful with the Government of San Paulo. Our minister of planning, Dyogo Oliveira, was here also to talk about infrastructure. Between May 29 and 30 the government is having an international infrastructure forum, and we're putting together a mission to go to this forum. There are lots of opportunities, not only at the federal level but also at the municipal and provincial levels. Those opportunities are going to be presented. We already have Brookfield Asset Management, Ivanhoé Cambridge, Cadillac Fairview Corporation, and they are doing really well.

Mr. Peter Fonseca: You see a really great opportunity. In terms of the politics in the Mercosur countries, there are times where there are changes in leadership, as you're saying, but there's also some instability and strife. They can be very passionate down there when it comes to their politics.

How do you see this agreement? Would this bring the stability that is needed for increased trade?

Ms. Paola Saad: I think it's a step toward that. I think once the agreement is certified it will go on by itself and people will see what's missing and try to piece that together. Once we have the first step, it will grow and if they're able to achieve the tariff changes and the harmonization, it will be a party for Canadian companies, especially SMEs. The big guys don't need us. The SMEs need us. They need the help and the information.

The Chair: Thank you very much.

I'm going to move over to Mr. Peterson. You have the floor.

Mr. Kyle Peterson (Newmarket—Aurora, Lib.): Thank you, Mr. Chair.

Thank you both for being here today.

Ms. Saad, I want to start off by looking at the case of Venezuela. Venezuela was, of course, suspended from the organization. Do you see the Mercosur and free trade agreements, perhaps in general, as a way of ensuring that the member states of any of these agreements respect democratic values? Do you see that as an important role and perhaps that's an extra value of a free trade agreement?

Ms. Paola Saad: Yes, I do see that as an important role, especially because Mercosur has free trade agreements with other countries as well, like New Zealand and Israel, and I believe, Peru, Colombia, Bolivia, and Egypt. They have other free trade agreements they have to honour. I think they are keeping their eye out for any violations. We all know that standards are different and with the change of governments especially. There is not a government left anymore that would give money to Venezuela. I believe, yes, we'll be much better, and Canada will make Brazil more accountable as well.

• (0925)

Mr. Kyle Peterson: That was my follow-up point. With Canada joining the agreement, do you think that would help strengthen that agreement?

Ms. Paola Saad: Yes, I do.

Mr. Kyle Peterson: Thank you for that.

You mentioned in your brief opening remarks that Canada accepts a lot of foreign students from Brazil.

Ms. Paola Saad: It's the top destination.

Mr. Kyle Peterson: What numbers are we looking at?

Ms. Paola Saad: You've caught me there.

Mr. Kyle Peterson: If you don't have them—

Ms. Paola Saad: It's 15,000; I was going to say 12,000.

Mr. Kyle Peterson: Okay, 15,000; that is big. That's obviously without being part of this agreement. Do you think that would grow if the agreement comes into effect?

Ms. Paola Saad: I believe so. The Government of Canada, again, has been doing an excellent job in Brazil in promoting both French and English as languages. I think that just tends to grow. Canada is a safe destination, more than the U.S. In Brazil, family is a big thing, so the parents like to know that they are in a safe place, and they see Canada as a safe place that's close. It's not Australia.

Mr. Kyle Peterson: You also mentioned that you see the agreement helping the SMEs more than the large multinationals.

Specific to your chamber of commerce that you represent here today, is your membership made up mostly of SMEs or is it a mix?

Ms. Paola Saad: It is a mix. We have companies like Brookfield and Gerdau. Gerdau said for them, whether Canada is a member of Mercosur or not won't make a difference because they have facilities here in Brazil, and in the U.S. We have bigger companies like Brookfield. It might make a difference in some things, but we're looking at the SMEs. They need help in resources from the government, from consultants. Those are the ones that are going to profit. These are the people who should be exporting to Canada.

Mr. Kyle Peterson: Thank you for that.

Mr. Galimberti, I want to talk about steel a little bit here.

The industry has been on a bit of a rebound in the recent past. You could look at things like Stelco coming out of insolvency. Obviously, there was a bit of a shock in March when the American administration announced the tariffs. Those were worked through. I think 80% of steel exports go to the U.S. Correct me if I'm wrong.

Mr. Joseph Galimberti: Yes, it's in the ballpark.

Mr. Kyle Peterson: It's a significant amount.

Mr. Joseph Galimberti: Yes, certainly.

Mr. Kyle Peterson: Can you tell me in what ways you're looking at diversifying the export market for the steel industry? Mercosur doesn't seem to necessarily fit into any diversification plans that the steel industry may have, but are there other markets we should be trying to open up to the steel industry?

Mr. Joseph Galimberti: Diversifying a market is extraordinarily difficult in the context of the global overcapacity challenge. Frankly, the export markets are flooded, and the further away you travel from the market, you lose the advantages you have.

That said, we have enormously innovative and efficient producers here in Canada, making extraordinarily high-tech, high-grade, quality product. Our success, from a market diversification standpoint, is tied to the health of our customers in Canada and what those customers are able to export as finished steel-containing goods, given their high quality. That's where we are.

You mentioned the tariffs. We have that exemption, certainly. It's a temporary exemption and we continue to work away at making that as permanent as we can.

Mr. Kyle Peterson: I appreciate that. Thank you.

The Chair: Thank you, Mr. Peterson.

We're going to move over to the Conservatives now.

Mr. Carrie, you have five minutes.

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

I want to thank both of you for being here.

I come from Oshawa. Right next door to me is Gerdau Ameristeel. It's wonderful to have both of you here because it gives a little bit of perspective on the industry. These are good quality jobs for Canadians.

You spoke about some of the challenges, such as the dumping issues, things along those lines. Could you give us an idea on competitiveness and domestic policy? One of the things that was brought up was infrastructure. We have public infrastructure, but we also have private infrastructure, things like pipelines, which are, of course, made of steel. In the last couple of years we've had a horrible situation where foreign direct investment, because of domestic policy, something like \$87 billion has been lost for pipeline projects. This would directly benefit Canadian jobs and the Canadian economy.

I have spoken to your colleagues or friends at Gerdau, and there is a bit of frustration on how domestic policy affects our ability to compete internationally. Gerdau had the ridiculous situation where they shut down an afternoon shift because the cost of electricity made it very expensive for them to do business.

Can you comment on what the Canadian government could do domestically, through policy or things we could encourage here for domestic use, that would help increase your volume and your competitiveness so that, as we move toward more open markets, Canada's steel could have that competitive edge, instead of worrying about not being able to compete?

Who would like to start on that?

• (0930)

Mr. Joseph Galimberti: I'll take a shot at it.

Gerdau's a great example. I believe Gerdau is the largest volume recycler in Canada, turning scrap steel and used automobiles into new product that is specifically used for infrastructure. I mentioned the benefit that would be associated with that. Gerdau, I should also mention, operates in Selkirk, Manitoba, and Cambridge. It's not just Whitby, although their largest facility is in Whitby. I think that they would be one of the more direct beneficiaries.

If the Government of Canada were to take a look at having a full life-cycle analysis of GHG built into its sourcing for infrastructure projects or built into the sourcing for infrastructure projects that are just funding through provincial governments. Sometimes that funding is passed through, but I don't think that obviates the responsibility to make sure that the inputs are responsibly sourced. I think that would be a tremendous help for them. It also makes a lot of sense from an environmental perspective. If we are concentrating on building green infrastructure in Canada, we should make sure the inputs associated with that infrastructure are green.

You mentioned pipelines. Evraz, which is out in my hometown of Regina, has been building a large diameter line pipe for those projects for a long time in a very environmentally responsible manner using recycled steel from across western Canada. They're literally getting used farm implements out of yards, melting them down, and turning them into extraordinarily safe, high-quality, very advanced pipe that is providing a lot of really excellent employment in Regina, Saskatchewan.

I think those are both really good news stories and very environmentally responsible narratives.

I know how our producers behave and how conscious they are about these things. As an industry, that's something we probably need to do a better job of featuring, but we'd certainly appreciate a government commitment, on the infrastructure front, to make sure that this would be policy that would be carried through.

Mr. Colin Carrie: Ms. Saad, did you want to comment on that?

Ms. Paola Saad: No, I don't need to comment.

Mr. Colin Carrie: I agree with you very much. In Ontario, I think 1,100 companies and over 42,000 jobs depend on the oil and gas sector. We're seeing a bit of a shock in that sector right now, as far as pipelines being built. We're hoping that the Prime Minister, who is

over in other parts of the world, really does work on selling Canada and some of the strengths we have.

I was wondering, Ms. Saad—since I come from Oshawa—you mentioned some automotive opportunities in Brazil. Could you expand on those a little bit?

Ms. Paola Saad: Automotive parts, they import them—

The Chair: It will have to be a short answer.

Ms. Paola Saad: They import automotive parts from Magna Canada and from a couple of other manufacturers for parts, but not the automobile. The automobile has very high taxation, so that won't be happening, or if it does happen, it will cost a lot of money.

Mr. Colin Carrie: Thank you.

The Chair: We have time for one more MP.

We're going to go to the Liberal Party.

Madam Lapointe, you have the floor.

[*Translation*]

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

Welcome. Everything you have said today is very interesting.

Ms. Saad, you said earlier that the change in tariffs for companies in Brazil would primarily benefit SMEs. Yet we have often heard at this committee that it is very difficult to include SMEs and to inform them of opportunities available to them.

How could we inform SMEs about the benefits of a potential Canada-Mercosur agreement?

[*English*]

Ms. Paola Saad: Can you please summarize the question for me in English?

• (0935)

[*Translation*]

Ms. Linda Lapointe: Would you like me to repeat the question?

[*English*]

The Chair: Go ahead, Madam Lapointe.

[*Translation*]

Ms. Linda Lapointe: You said earlier that, among Canadian companies, SMEs would be the most likely to benefit in Brazil. At this Standing Committee on International Trade, however, what we have heard most often is that SMEs must be made aware of business opportunities in Brazil so we can help them break into those markets.

In your opinion, how could the Brazil-Canada Chamber of Commerce inform SMEs and help them break into those markets?

[*English*]

Ms. Paola Saad: That's a great question. I have worked with the Quebec government in Brazil in bringing in companies. The company I mentioned was a Quebec company in the automobile industry.

[*Translation*]

Ms. Linda Lapointe: Are you referring to Raufoss?

[English]

Ms. Paola Saad: It could be.

Ms. Linda Lapointe: They're in my riding.

Ms. Paola Saad: They are amazing.

Ms. Linda Lapointe: Yes, they are. They are doubling their production.

Ms. Paola Saad: It makes me really proud to have helped them enter the market. I have to say that the Quebec government is doing a great job in Brazil, getting those companies to enter the market and supporting them.

A Canadian company did all the flooring for the subway in Sao Paulo, for example. I did the trains and trail trade show. I'm actually very proud of Quebec's presence in Brazil, because they are doing well.

You could improve that through something we did with our sister chamber in Brazil. It's a road show that explains to small businesses how business works in Brazil and does cultural training for them. The French companies are closer, in many ways to Brazilians, for example, in that theirs is a Latin language and in the way they behave and in the way they think, so that's a plus for us.

Really, it's about getting the knowledge out there that there are opportunities in the markets and that the companies should not be afraid to go into such a big market. When they look at Brazil, they see a big wall and they don't know how to go over it. They don't know the resources. The Government of Quebec is doing an amazing job in doing that, but they need to do more in terms of reaching out to those companies, the SMEs, and talking to them personally. A lot of them just go into a little bubble, just sell in Canada or in the U.S., and they don't think about going abroad and the size of the market abroad.

What you can do is educate more people on the benefits of trading with the Mercosur bloc. It's the same thing that the rest of the country should do.

[Translation]

Ms. Linda Lapointe: So you think that the Quebec government is essentially helping Quebec companies enough, but that those good practices must be extended to the rest of Canada.

[English]

Ms. Paola Saad: Absolutely.

[Translation]

Ms. Linda Lapointe: Mr. Galimberti, you talked earlier about currency manipulation. Which countries were you referring to as regards Mercosur?

Mr. Joseph Galimberti: I will answer in English. I learned French in Saskatchewan.

[English]

Specific to Mercosur, I don't know that we necessarily have recent examples of currency manipulation out of those jurisdictions. I'd need to go back and take a look at how long ago that was. I think we've mentioned that there has been some instability in that region. Certainly we've seen currency manipulation for the purposes of

stimulating the economy in other jurisdictions that share, I would say, a profile.

I would suggest that the reason we would like to see controls on state-owned enterprise and currency manipulation in this agreement... We'd like to see that in any agreement. We talked about this in the context of the CPTPP. We are, as a nation, looking at the initiation of a negotiation with China, in which those kinds of controls on state-owned enterprises and currency manipulation would have to be fundamental to any kind of a deal.

Really, I think there is a continuing opportunity to find what Canada views as acceptable behaviour in these agreements and to find what it is we're prepared to tolerate. We're going to encounter such challenges in negotiations going forward, and we should really start proactively thinking about what those are going to look like.

● (0940)

[Translation]

Ms. Linda Lapointe: Thank you very much.

[English]

The Chair: Thank you, Madam Lapointe.

That wraps up our first round and our first part of the meeting on Mercosur.

Thank you very much for coming, witnesses. This is a good way to start this study. It's going to take a while, because we're also potentially going to be travelling to South America, but we should have the study wrapped up in the fall, and you're free to have a copy of our study when we get this report done.

Thank you for coming.

We're going to suspend for five minutes because we have another group of witnesses coming in at a quarter to eleven.

● (0940)

_____ (Pause) _____

● (0945)

The Chair: We're going to continue with the second part of our meeting today, the first meeting on the Mercosur and its potential.

MPs, there is the potential of a vote. I'll let the witnesses know that it's not that we don't want to hear from you, but when a vote is called, we have to go.

Since we have Unifor by video, I think it would be best that we go with Unifor first, in case we have a disruption. We can go from there.

I appreciate that Unifor and the Canadian Agri-Food Trade Alliance are with us this morning. Welcome.

Without further ado, maybe we can start with Unifor.

Mr. Angelo DiCaro (National Representative, Unifor): Thank you very much.

Good morning, Mr. Chair, and members of the committee.

My name is Angelo DiCaro. I am a national representative and the lead trade policy researcher with Unifor, Canada's largest private sector union.

Unifor represents 315,000 workers across Canada in nearly every major sector of the economy including manufacturing, communications, resources, and services.

On behalf of our national president, Jerry Dias, I want to thank this committee for the invitation to once again appear before you and for also accommodating my participation today. There's certainly a lot to discuss regarding how a potential agreement with Mercosur fits within Canada's overall trade strategy. I will be as brief and direct as I can.

I want to make two points. The first is macroeconomic. I think it's worth noting some of the broader trends in Canada's merchandise trade with Mercosur. For starters, overall exports from Canada to Mercosur have declined over the past decade by about 26%. At the same time, there's been a sizable increase in imports from Mercosur to Canada, with imports nearly doubling in value since 2008. One of the stated objectives in proposing an FTA with Mercosur is to diversify Canada's trade and explore export opportunities away from the United States. While tactical, it's also important to acknowledge that North America is still the proverbial centre of gravity for Canada's trade policy. The lion's share of our trade is still within the NAFTA zone, and there are still many open questions for key industries in Canada—particularly in the auto sector—that are still to be resolved as part of the NAFTA renegotiation. What we don't need is Canada committing to a trade agreement in the spirit of diversification only to exacerbate excessive one-way import flows and actually do little to boost exports. I think in this case Korea is a cautionary tale for Canada.

The second point I want to make is that in the context of Mercosur, Canada has signalled its desire to advance its so-called progressive trade agenda, or PTA, with a trade partner that appears willing to engage. Even though the PTA remains a bit of an enigma to the those of us who are following it closely, the desire to do this is certainly welcome news. However, I think it's important to remember that, despite advanced thinking on progressive issues among Mercosur nations, the original conception of the customs union was entirely silent on labour and social conditions—not unlike the original NAFTA.

Any advancements that were made since its inception in 1991, particularly on labour conditions, have come in the form of structural institutions developed in the framework of the accord but not found in the accord itself. These advancements were a response to mass social unrest and public protest, and that includes the development of the 1998 social-labour declaration within Mercosur. There is strong, aspirational language within that declaration but its conditions remain non-binding and unenforceable. This has been the target of lasting criticism among many progressive organizations. It's unclear whether or not the nations of Mercosur have signalled the willingness to expand their level of ambition regarding social clauses in trade agreements. Brazil, we know, has historically been a vocal opponent of this approach.

If Mercosur's own intramarket ambitions reflect their negotiating mandate, then that would appear to be out of step with Canada's own approach in current free trade talks, notably within NAFTA and the Pacific Alliance. In fact, it would put Mercosur out of step with the level of ambition expressed by countries like Mexico, and that's quite concerning.

Canada must not misinterpret Mercosur's stated willingness to advance progressive ideas. In our view, a truly progressive approach must include, among other factors, clear and unequivocal protections on public interest regulation, full protection for the delivery of current and future public services, and strong and binding social clauses.

In closing, it's important that Canada clarify its desired outcomes and underscore its overarching principles in these Mercosur talks, and this must extend beyond matters of market access. We're glad that Canada has committed to conduct various economic and social impact assessments, but we also need those assessments done immediately, before talks start in earnest. Done independently, these will help provide a careful assessment of our total objectives to trade, and a clear articulation of our principles. This should inform our approach to Mercosur talks, whether and how we should proceed.

• (0950)

Thank you very much, and I'm happy to take any questions.

The Chair: Thank you, sir. You're right on time.

This isn't the first time you've come in front of our committee. It's good to see you.

Mr. Angelo DiCaro: That's right.

It's nice to see you again. Thank you.

The Chair: Thanks for joining us again.

We're going to move on to the Canadian Agri-Food Trade Alliance. We have Madam Citeau.

It's good to see you here again.

Ms. Claire Citeau (Executive Director, Canadian Agri-Food Trade Alliance): It's good to see you.

The Chair: You have the floor. You know how it rolls, and we're looking forward to your presentation.

Go ahead.

Ms. Claire Citeau: Thank you for inviting me to speak on behalf of CAFTA, the voice of Canadian agri-food exporters.

CAFTA represents the 90% of farmers who depend on trade, and producers, processors, and agri-food exporters who want to grow the economy through better and competitive access to international markets. This includes the beef, pork, meat, grains, cereals, pulses, soybeans, canola, sugar, malt, and processed food industries.

Together, our members account for 90% of Canada's agri-food exports, which in 2017 exceeded \$57 billion and supported about a million jobs in rural and urban communities across the country. A significant portion of these jobs would not exist without competitive access to global markets.

Trade, as I've mentioned previously before this committee, is one of our main economic drivers, as 60% of the value of the sector is generated through exports. Over half of everything we produce is exported. That's half of our beef, 65% of our soybeans, 75% of our wheat, 70% of our pork, 90% of our canola, and 95% of our pulses. Also, 40% of our processed products get exported.

Over the last 10 years, our exports have grown by over 100%, boosting from cash receipts at the same time by 61%. This is why Canada's agri-food sector has been highlighted for its significant contribution to the economy and recognized by the advisory council on economic growth as a key sector for growth due to the sector's focus on exports. This is further represented by the ambitious goal to grow Canada's agricultural exports to \$75 billion annually by 2025.

Canadian agricultural exporters generate a GDP of \$95.5 billion for agriculture and food manufacturing. Food manufacturing alone is the largest manufacturing employer in Canada—60% of it is concentrated in Ontario and Quebec—with close to a quarter million jobs more than the automotive and aerospace sectors combined.

We have two priorities today. First, it's paramount that Canada ratify the CPTPP quickly, and we urge the government to implement it without delay.

CAFTA has been a strong supporter of the CPTPP and applauded the fantastic news that Canada concluded the deal and signed it last February in Chile. The CPTPP will not only provide the sector with unprecedented access to the high-value Japanese market and rapidly growing markets in Asia, such as Vietnam and Malaysia, but it will also provide a competitive advantage over the U.S. since it's not part of the agreement at this time.

The CPTPP will enter into force as soon as six countries ratify it, and it's very likely that seven members—Japan, Australia, New Zealand, Malaysia, Singapore, Brunei, and Mexico—will have done this process by the end of 2018. Canada may lose a first-mover advantage if it's not in the first tranche of countries ratifying the deals, and with the uncertainties surrounding NAFTA, it's really essential for our globally competitive industry to have improved access to the markets in the Asia-Pacific region. Really, the best chance to implement the agreement quickly is to ratify it quickly.

Second, due to the importance of NAFTA to Canadian agri-food trade, CAFTA urges the government to continue working to reach a modernized agreement that will strengthen the access and competitiveness of the nation's farm and food products. In short, maintain what has been successful and modernize the deal where possible. Specifically, the agreement should not be allowed to include new tariffs, new non-tariff barriers, or any other provisions that could be used to limit trade.

In its submission, CAFTA identified several areas for improvement where NAFTA could enable further growth for specific products, such as canola, grains, meats, sugar, and sugar-containing

products, among others, and in areas such as greater regulatory cooperation and dispute settlement mechanisms.

With regard to a potential Canada-Mercosur free trade agreement, we offer the following views. The agri-food industry is a major economic driver in Mercosur, and it is one of the largest agri-food exporting blocs in the world. Major agri-food competitors in the region include the U.S., Chile, China, the EU, and the Mercosur partners themselves, especially Brazil.

Canada exported \$143 million in agri-food products in 2017, \$117 million of which was sent to Brazil. This total has been higher in some years. For example, it was \$245 million in 2013, but this is still well below a half of one per cent of our total annual agri-food exports.

• (0955)

Mercosur also exported \$1.3 billion in agri-food to Canada in 2017, and the trade surplus has grown substantially over the past five years.

Canada actually competes on world markets with Mercosur members in many of our major exporting sectors. Those are grains, oilseeds, beef, and pork. Canada's share of agrifood exports to Mercosur countries is relatively small. Canada is actually the 17th largest supplier to Brazil, and at this point our members don't see much potential for increased sales to those countries.

We believe, therefore, that a free trade agreement with Mercosur—when viewed beside other FTAs that are in progress or being renegotiated, or new ones we see as offering important prospects for increased trade—does not provide a sufficient export growth potential to justify allocating the resources required to negotiate an agreement with that region.

There are considerable demands on Canadian negotiators. These demands include the impending renegotiation of the NAFTA; the practical completion of the CETA, the Comprehensive Economic and Trade Agreement with the European Union; the ratification and implementation of the CPTPP; and the launch of free trade discussions with China.

CAFTA members recommend that—

• (1000)

The Chair: I'm sorry, are you almost done?

We're way over time. If you want to wrap it up, I'd appreciate it.

Ms. Claire Citeau: CAFTA recommends that the resources of the government be put into the successful completion of these other negotiations, and that a Canada-Mercosur agreement be put to a later date.

The Chair: Thank you very much.

We're going to have a dialogue with the MPs now.

I'd like to welcome the member from Cypress Hills—Grasslands. It's good to see you at our committee.

Without further ado, you're the first one up, Mr. Anderson. You have five minutes and you have the floor.

Mr. David Anderson (Cypress Hills—Grasslands, CPC): It's an incredible honour to be here under your chairmanship, Mr. Eyking.

I'm interested in agriculture. I have a background in that sector, but I'm interested in your comment that you don't see that this is a priority or should be a priority right now.

We've had a good relationship with the United States, with the EU, with eastern Europe, particularly on manufacturing, on moving our products into their.... You're saying that there isn't a potential market, or isn't a good enough potential market in these four countries. Brazil and Argentina, obviously, are a couple of our major competitors on products, but your opinion is that there isn't enough of an advantage to make it worthwhile pursuing this in terms of agriculture.

Ms. Claire Citeau: Right.

It is true that Brazil and Argentina are some of our competitors, but the U.S. is as well. Australia, Mexico, and the European Union are our competitors in various world markets also.

At this point, our members don't feel there is enough potential growth in the Mercosur region to consider a free trade agreement. This is particularly true in light of everything else that's going on: the NAFTA renegotiation, the need to ratify CPTPP and get a level playing field in Japan, making greater inroads in Asia. There have been talks about exploratory discussions of a potential FTA with China. That should be the priority.

There are also remaining issues with respect to the CETA agreement that was implemented last September. A number of our exporters still can't get real access to the market, in particular in the meat and grains sector. These issues, I think, should be solved before moving forward with a Mercosur agreement.

Mr. David Anderson: We don't have any disagreement at all about CETA, NAFTA, CPTPP, and the critical importance of those markets, but I'm interested.... There's a huge market in South America.

What is the difference with those four countries, and Brazil and Argentina in particular, that would keep us from developing opportunities? What are the barriers preventing us from saying there's a really fertile market for Canadian agriculture products, Canadian agriculture manufacturing, and processed food products?

Ms. Claire Citeau: At the moment, the majority of import and export within the region is done within the region, Brazil and Argentina in particular. The U.S. and Chile do some exporting there, but it's minimal relative to what they're doing in other markets.

Mr. David Anderson: Do you see that as a protective attitude on the part of Argentina and Brazil in particular, or is it just that we have not explored that market well enough to be able to really penetrate it?

Ms. Claire Citeau: I think it could be all of the above.

I'm happy to have some of our members follow up on the specific sectors that I mentioned: grains, oilseeds, beef, and pork, but at this

point, they don't see the potential. That doesn't mean there won't be potential in the future, whether it's opportunities to send products that are of different quality or more volume, but at this point—

Mr. David Anderson: Do you represent agricultural manufacturers at all?

Ms. Claire Citeau: Yes. We represent commodities and processed foods.

Mr. David Anderson: You don't see an opportunity for them either. My province of Saskatchewan is known worldwide for having developed innovative products on the farm that have turned into small companies that actually export around the world. Eastern Europe is a good example where we've been able to really move into markets where other people haven't.

Do you not see opportunity then for the manufactured products either—for machinery?

Ms. Claire Citeau: I'll send your request to our member at FCPC, who handles a lot of the processed food products.

Again, at this point it doesn't seem that the local populations have expressed strong appetites for the products that our members are willing to export, and at a certain price. It seems that they're able to get more value and more volume elsewhere.

• (1005)

Mr. David Anderson: Do you have a perspective then on human, plant, and animal health issues?

Typically, we've seen that there's often a lot of non-science involved in these issues. I guess an example would be the transport regulations that were proposed for Canadian livestock, particularly beef. The suggestions were actually being based primarily on European Union labour standards, so that we're setting limits on movement of animals and those kinds of things based on somebody else's standards.

What would be the—

The Chair: Sorry, Mr. Anderson. I know you're not a stranger to committees, but you have five minutes and you only have five seconds left. I don't think you're going to get that question in. You'll maybe have to punt it to your colleague.

We're going to have to move on.

Mr. David Anderson: That's fine.

The Chair: We're going to go over to the Liberals, and Madam Ludwig.

You have the floor.

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

It's nice to see you again.

I'm going to take a launch from Mr. Anderson's question, actually. I had the same line of questioning.

You had mentioned, Ms. Citeau, that it's \$1.3 billion in exports to Canada. Is that just in agri-food?

Ms. Claire Citeau: That's correct.

Ms. Karen Ludwig: Okay.

Here's my question on this. Maybe we're not seeing a big, significant increase in exports to the Mercosur countries, but certainly with \$1.3 billion in exports to Canada is there an opportunity, if we enter into negotiations or a trade agreement, to possibly raise the standards in terms of harmonization but also on the science-based policies?

I have people in New Brunswick who are very concerned about glyphosate spraying in the forest, but if there's \$1.3 billion in exports to Canada, what kinds of controls do we have in terms of the agricultural practices on the ground, the spraying, the herbicides, and the pesticides?

Ms. Claire Citeau: Free trade agreements, in general, don't impact Canada's ability to regulate and impose its food safety standards, which are among the top in the world and recognized internationally. It's not because we import that we're going to lower our standards. There are recognitions or equivalencies at times being negotiated, but it's two different things.

Ms. Karen Ludwig: In terms of the harmonization of standards, is that something we should be concerned about between Mercosur and Canada?

Ms. Claire Citeau: It's not something that our members have flagged at this point.

Ms. Karen Ludwig: In terms of the main exports from Mercosur countries to Canada on the agri-food side, what would they be?

Ms. Claire Citeau: I would need to follow up with you on that.

Ms. Karen Ludwig: Thank you.

We had, in the last session, Invest in Canada present to us, which is the new entity on foreign direct investment.

I'm wondering if you see anywhere within the agricultural sector an opportunity or a challenge with foreign direct investment from, let's say, a Brazilian corporation into the Canadian agri-food market.

Ms. Claire Citeau: Not at this point, no.

Ms. Karen Ludwig: In terms of the practices that we offer here in Canada, would it be fair to say that we are less labour intensive in Canada on the agri-food side than in Mercosur countries?

Ms. Claire Citeau: For that I would need to refer to my members who are handling that sort of thing. We focus really on the trade policy side.

Ms. Karen Ludwig: Do you see any opportunities that would come together for a free trade agreement between Canada and Mercosur?

Ms. Claire Citeau: It's limited.

Ms. Karen Ludwig: It's really interesting on the science side. I guess maybe it's an idyllic perspective. I think the value of negotiations or early conversations is also to make a difference globally in the investment in science and the perspective in the area of agri-food and its practices and policies. Also, looking at the opportunities for women in Mercosur countries, we have to say that,

if we raise the economic security of women, we raise the economic security of all. I see there is an opportunity. I understand your priority in terms of where it is on the list.

• (1010)

Ms. Claire Citeau: I agree on the science side that in free trade agreements there needs to be a commitment to science-based decision-making and rules that are predictable and transparent to allow our farmers and producers to make decisions on the long term and to ensure that there's predictability and decisions based, again, on science, in free trade agreements but very much at the international level as well. It can be one way of dealing with it, but working with international organizations and at the WTO are also other avenues to do so.

Ms. Karen Ludwig: Certainly working with the WTO would make it much more cumbersome and stretch it out. I'm just wondering if there's an opportunity for some harmonization or some —

The Chair: I'm sorry, you're not going to be able to get a question in there. Your time is up.

Ms. Karen Ludwig: Thank you.

The Chair: I have a quick question. Mr. Hoback used to be here, and many times in his previous business he sold equipment, and when Russia opened up, he found that the biggest advantage for the Canadian agriculture industry was equipment to Russia at that time.

Is there any big potential for us, because when you go out west, we have the most highly technical equipment in the world and we develop it. Are there any opportunities for us to be selling our high-tech equipment, our agriculture equipment, or even seeds? Besides selling as an export product, is there other stuff that we have a potential to sell down there?

Ms. Claire Citeau: There could be. The agricultural equipment manufacturers would be best to answer that.

The Chair: Okay, maybe we'll bring them in.

We're going to move on to the NDP. We have Ms. Ramsey for five minutes. Go ahead.

Ms. Tracey Ramsey: Thank you.

Thank you to our witnesses today. We're four witnesses in on this Mercosur study. We had steel on the previous panel. Three of you have told us that you see no opportunities here, and in fact, potentially, that the one-way economic load is really exacerbated by this deal. That's quite interesting considering that we're putting a lot of resource behind this potential agreement.

Mr. DiCaro, I would like to speak with you a little bit about labour, because obviously you've been involved in quite a detailed way around NAFTA and the labour provisions that are being considered in a renegotiated NAFTA. You mentioned the 1998 social labour declaration that, like NAFTA, is non-binding, unenforceable, and has had much resistance from Brazil in particular. What I'd like to hear from you is what would need to be included in labour provisions in all agreements going forward. If we're setting a standard in NAFTA, what is that standard and why are we unevenly applying this to other deals and not using this as a pattern going forward?

Mr. Angelo DiCaro: There are a couple of things in there. To your direct question about what needs to be in any labour chapter of any trade agreement, I think it starts off with a fundamentally different approach from what we've done in the past. I think we're seeing the outcomes of that with respect to a lot of social unrest and a lot of concern around the rights of working people not "growing", for lack of a better phrase, in tandem with the areas of productivity, profits, and other measures. I think a clear example of that is using these trade agreements as facilitators of this process of globalization but having simply aspirational goals with regard to labour and other social conditions—conditions that get whipsawed, in a lot of ways, by the workings of trade and the machinations of trade.

One thing we've called for consistently, which now appears to have gotten some support from Global Affairs and Canada, is creating more binding and enforceable provisions. We would take that a step further and say that a lot of the social conditions of trade have to be met before trade can occur, as opposed to creating long-drawn-out processes of trying to fix problems once they've already been created. This is something we're eager to see developed in all forms of free trade negotiation. I think there's some progress being made in NAFTA—we don't know where that's going to land—and the Pacific Alliance, to our understanding. There's an eagerness to look at things in these terms.

That's really the crux of the criticism that we know from our allies in South America around that 1998 declaration and Mercosur more broadly. It's one thing to have aspiration, but the rubber is hitting the road on this. I think it's imperative that we start treating the enforceability of these social conditions on the same par as we would treat market access provisions.

• (1015)

Ms. Tracey Ramsey: Has Global Affairs mentioned that they recognize that these provisions need to be applied in Mercosur? Have you done any consultations with Global Affairs, on Mercosur specifically, on the level that you have in NAFTA?

Mr. Angelo DiCaro: I think we as well as others have participated, at this point, in just one broad stakeholders briefing on Mercosur. Essentially, it was an issue around what the timetables could look like and so forth. I have no intel about what the actual proposal is. I can only glean what I'm taking from news reports and comments from the minister. There seems to be a level of heightened ambition around these progressive trade ideas. As I mentioned in my remarks, that is welcome, but as to what that looks like in practice, how it's manifested in proposals, and whether this signals a sufficient sea change in how Canada would consider social conditions of trade in the context of Mercosur, it's still unclear. We're committed to

working with government on this. We're hoping they do show some strong ambition on this front.

Ms. Tracey Ramsey: We also hope, of course, that they—

The Chair: I'm sorry. That wraps up your time.

Ms. Tracey Ramsey: That was so fast.

Thank you.

The Chair: We'll move over to the Liberals now.

Madam Lapointe, you have the floor.

[*Translation*]

Ms. Linda Lapointe: Thank you very much, Mr. Chair.

Welcome everyone.

I have a question for Ms. Citeau, who represents the agri-food sector overall.

Maple products are produced primarily in Quebec and the U.S. northeast. Do you think there is a market in Mercosur countries that could be expanded?

Ms. Claire Citeau: Our members include sugar producers and processors. It is the same thing. Opportunities are limited, and I think there is a lot of competition in that part of the world. Right now, they are more concerned about NAFTA and what will happen with the negotiations and with their access to the U.S. and Mexican markets. As you know, sugar producers were excluded from the initial NAFTA agreement.

Ms. Linda Lapointe: Sugar is one thing, but maple products are still...

Ms. Claire Citeau: I am talking about sugar and all processed products, so that means all aspects of the rules of origin.

Ms. Linda Lapointe: Maple products are produced in the northeastern America only. If there are consumers of maple sugar products in South America, sugar is not what they want. Maple products are quite different.

There is great interest in maple products in Europe. Since tariffs will be reduced, there could be growth in that market. The same is true of Asia. Japan is also a very important market for maple products.

My question is specifically about maple products and not about sugar. Sugar and maple products are quite different.

Ms. Claire Citeau: No, they are not the same thing. You will have to talk to the maple product representatives then.

Ms. Linda Lapointe: I thought you represented them.

Ms. Claire Citeau: We represent just over 90% of the agri-food sector, but not them.

Ms. Linda Lapointe: Okay, thank you.

The representative of the Brazil-Canada Chamber of Commerce said earlier that there is a problem with bureaucracy, primarily as regards Mercosur.

Are you aware of this whole bureaucracy problem?

Ms. Claire Citeau: No, not right now.

In general, when free trade agreements come into force, and even before that in some cases, a certain number of non-trade barriers arise. That can even happen in the total absence of free trade agreements. One needs only to think of very large Asian countries, and I do not need to name them for you to know which ones I mean. Countries have different approaches and different reasons for adopting new regulations which can be seen as protectionist and as bureaucracy.

• (1020)

Ms. Linda Lapointe: Thank you very much.

Mr. DiCaro, I have some questions for you.

You said earlier that Canada should clarify its expectations regarding market access. What exactly would you like us to clarify?

[English]

Mr. Angelo DiCaro: I'm not sure that what I had said was specifically around market access clarifications, but more broadly speaking, I think it includes that.

One of the things that our experience with Canada's approach to trade negotiations...and I think they all sort of fall into this category. NAFTA may be a bit of an exception just because of how much public attention was shone on it. However, there is a clear absence of an articulated mandate going into these negotiations. I suppose our various lead negotiators, the negotiating team, and the federal government have a plan in place about some of their bottom line proposals, about some of the key areas they want to gain market access to and some social provisions they want to make progress on. However, that's not ever clear what that is, unlike other countries like the EU and like the U.S. to some degree.

One of the things that we've also consistently called for is a more transparent process and a clarity about what it is we are trying to achieve in this. Speaking from a civil society point of view, I think it would be helpful to know this and in a way, I think that it also serves as a more appropriate strategy because it sends a signal to our negotiating partners that Canada has very clear bottom line positions, and as in the case of NAFTA, it could come to pass that a lot of Canadians and a lot of Canadian organizations will rally behind that. Therefore, I think this is something that we want to see more of, but there's no sense that will happen in Mercosur, which is the spirit behind my comment.

[Translation]

Ms. Linda Lapointe: Thank you very much.

[English]

The Chair: Thank you, Madam Lapointe.

We're going to move to the Liberals with the second round.

Mr. Peterson, you have five minutes.

Mr. Kyle Peterson: Thank you, Mr. Chair, and thank you to our guests for being here with us again. I'm going to ask both guests the same question.

There was a public consultation period that ran from April 2017 to the end of May of last year. Did either of your organizations submit a brief or any input during that consultation period?

Ms. Claire Citeau: Yes, we did.

Mr. Kyle Peterson: Angelo, do you know?

Mr. Angelo DiCaro: That was a period where I believe the Canadian Labour Congress had submitted views. We don't submit views to every trade agreement going on and we weren't asked to be consulted, aside from the *Canada Gazette* notice, just to clarify that.

Mr. Kyle Peterson: You endorsed the CLC submission. Is that what I'm hearing, or did you input into that?

Mr. Angelo DiCaro: We would have had input into that, yes.

Mr. Kyle Peterson: That's good to know. I know it's much broader than just the five minutes that you've had a chance to submit within today, so I wanted to make sure you were participating in the process from the get-go.

Madam Citeau, on that submission, I presume you took part in its formulation.

Ms. Claire Citeau: It was not me personally because I was on maternity leave, but my replacement at the time did.

Mr. Kyle Peterson: Your organization did.

Ms. Claire Citeau: Yes.

Mr. Kyle Peterson: Are you familiar with it now? If I ask you questions about it, are you comfortable answering them?

Ms. Claire Citeau: Yes.

Mr. Kyle Peterson: Did your organization do any economic analysis or take any look at what the lay of the land is now and how that would change if Mercosur came into effect? Was that the nature of your brief?

Ms. Claire Citeau: What happens is that our members do so and then we roll all the information up into our submission.

Mr. Kyle Peterson: Was there a consensus among your members or...?

Ms. Claire Citeau: There has to be. That's how we operate.

Mr. Kyle Peterson: From what you said today, I'm going to infer that the consensus was that there would be limited benefits to joining Mercosur economically.

Ms. Claire Citeau: At this point, yes. In checking with my members earlier this week, that remains the same.

Mr. Kyle Peterson: Does that mean we should assume that you're going to be opposed to it, or is there a way that the agreement can be framed and structured that would deliver benefits to your organization?

Ms. Claire Citeau: I think it all depends on what is in the agreement in particular for our sectors. In general, CAFTA is supportive of free trade agreements that generate growth for our sectors. That's really what we're looking for. Whether we will oppose it, that is too far for me to say. In principle, we're supportive of free trade agreements that create opportunities and help our sectors generate growth.

•(1025)

Mr. Kyle Peterson: I met earlier this week with the Grain Growers of Canada and they reiterated to me the importance of export markets to their industry. I think 75% to 80% of their production needs to be exported because Canada is a big country geographically but small population-wise. I see why you're saying you're in agreement with free trade agreements generally. It just has to be the right free trade agreement I think is what you're saying.

Ms. Claire Citeau: We're also aware that the European Union has been negotiating with Mercosur for 20-plus years.

Mr. Kyle Peterson: Right.

Ms. Claire Citeau: Our ability to reach something substantial soon is yet to be seen.

Mr. Kyle Peterson: Thank you for that.

I'm just going to follow up, Mr. DiCaro, on some of the Unifor submission. I hear what you're saying about whether it's a progressive deal. Everybody has to wait to see the deal and see what's in there. I think I agree with you that the analysis needs to be done contemporaneously so that it can inform all participants' decision-making.

I just want to go maybe a little more sector specific. What opportunities do you see? I'm thinking perhaps of aerospace or any other sectors that Unifor has a strong membership in. I met with some of your aerospace colleagues earlier this week. That's why that's top of mind. Are there sectors that perhaps would be more favourable than others?

Mr. Angelo DiCaro: This is a very good question. On our end, it's something that I think we have a broad handle on, but certainly we're going to be digging more into sector-specific stuff. We're going to have our team looking into this more.

The broad concern we would have—and it's following up on Claire's comments as well—is just understanding the nature of trade currently with Canada and Brazil. I appreciate that it's a sizeable market. It's a region that could be considered in a developing part of the world and a growing economy. Our trade is very minuscule to this part of the world. I crunched some numbers just before this presentation began. I think if you measure total trade between Canada and Mercosur last year, it would equate to something like the same amount of trade we would generate with the United States in four days.

There would be export opportunities certainly in any situation where you would want to eliminate tariffs that would be considered a barrier. In the case of auto, we have sizeable tariffs in Brazil of upwards of 35%. Ostensibly you'd think that would be a boost. There are also issues in the Mercosur trading bloc where there are renowned non-tariff barriers, lots of subsidies, fights going on with the WTO currently right now in Brazil. There's no sense that would end in a meaningful way.

The question I think we have to ask is this. Market access and opening doors is one thing. Is it demonstrable improvements for Canada? Is it worth the trade-off of some of the other things in trade agreements that have been proven to be very troubling for Canada? These would be things around special privileges for investors and locking us into regulatory freezes, and things of that nature.

When we look at these agreements, why my comments around doing the impact assessments independently and comprehensively are so critical is that I think the days are gone when we can just say if you take that tariff off, maybe that will give us more than a couple of hundred million dollars' worth of exports. I think our thinking on free trade has to evolve beyond that now.

The Chair: You're well over time, Mr. Peterson, but it was a good question and I thought we wanted to hear the answer. Thank you very much.

We're going to move on to Mr. Carrie with the Conservatives.

Go ahead, sir.

Mr. Colin Carrie: Thank you very much, Mr. Chair.

Thank you to the witnesses.

What I have noticed is that there seems to be a theme that there is some concern about trading with the Mercosur area of the world. My question is why? I know your organization is very supportive of free trade in general. In my community of Oshawa and southern Ontario, we do a lot of manufacturing. One of the things I hear from manufacturers is that basically Canada is becoming one of the most costly places to manufacture. There are some domestic policy issues with unique costs that go into that equation, and whether they're regulatory, the cost of energy, or environmental carbon taxes, the uncertainty that this poses for our manufacturers, particularly right now, means that going out into the world, they just don't know what their bottom line is.

The worry I have is whether Canada is getting too expensive to compete and if this is due to government policies where we're putting in unique costs. I'll start with Claire. If the government does move forward, what policies can we put in place to improve our ability to compete? I was wondering if you could talk a little bit about technical barriers, customs procedures, regulatory coordination, even give us some examples of non-tariff barriers and tariff barriers that are out there.

Mr. DiCaro brought up Brazil, and very close to my community, automotive, and the point is well taken. What can we do, if we're going to be moving forward with these trade agreements, from a technical standpoint? Technical barriers, customs, or regulatory, can you give us some examples that the government could be looking at if we want to open up these markets?

•(1030)

Ms. Claire Citeau: Our members have not flagged Mercosur as a concern or have not flagged concern with the agri-food trade relationship. Where the concern comes from is the resources put on the negotiators that have a lot on their plates right now with regard to the NAFTA, CPTPP, and a potential deal with China, which I think should be prioritized over Mercosur, and fixing the non-tariff barriers in Europe, where there's a huge potential and we can't tap into that market until the non-tariff barriers are taken care of. Canada needs to stand up to the commitments that Europe made in this agreement.

Mr. Colin Carrie: In other words, on moving forward with this agreement, it's not necessarily that you may be opposed to it, but it may be an issue of timing. It may be an issue to see how we work out agreements that we already have. Is that my understanding from you?

Ms. Claire Citeau: It's part of it. I'd like to add that our members don't see the opportunities at this point. There are much greater opportunities in China. There are greater opportunities in Japan, Vietnam, and Malaysia, a fast-growing market of 90 million people with a growing middle class.

What do people want to do when they have better incomes? Eat better food products. Some of our members are starting to make greater inroads. The CPTPP will certainly help propel that further, and this is where, really, the growth will come from. If you look at the globe today, yes, we're getting better value for some of our products in Europe, which we're not able to fully tap into, but the growth will come from Asia. This is where, really, we should be looking.

Mr. Colin Carrie: I'm curious, because as the chair said, we may be travelling down to these countries and asking some questions down there. I was wondering if, thematically, you could maybe give your advice to the committee here on what questions we should be asking down there—if, like I said, the government decides to move forward at this time—that you think would be beneficial for Canadian agriculture or manufacturing.

I noticed that Mr. DiCaro said maybe we have to take a step back here and take a look at the new world and the new realities out there. Do you have some advice for the committee, as we explore this, so we might be able to bring the concerns that you have right down to the countries, if we do decide to go this route?

Ms. Claire Citeau: I'll follow up with you on this. I'll circle back with my members, and then I'll follow up with you.

Mr. Colin Carrie: That's good.

How am I doing on time?

The Chair: You only have half a minute, but if it's a short question and we can get a short answer, then we're good.

Mr. Colin Carrie: Yes, I wouldn't mind.

Mr. DiCaro, do you have a comment on some of these things that I brought up?

Mr. Angelo DiCaro: I can never give a short answer, so I'll do my best.

The comment that you made about the cost factor is very interesting and important to explore. I guess I would pose this back. Part of our expanded thinking about trade and why labour conditions, labour standards, and other social conditions are important is that, if free trade agreements have facilitated the model of globalization that we know, and it facilitated these trade rules around the world, in the case of Mexico, for instance, you could argue that in a lot of ways it was those provisions, the lack of ambition on those issues, that have sort of suppressed Mexicans from enjoying the benefits of expanded trade and seeing the results of expanded productivity. I think if we could explore this in a way where, if social conditions of trade become higher on the priority, there's less of an imbalance in terms of the cost variables between these developing countries and Canada.

Anyway, this is just some food for thought.

•(1035)

The Chair: Thank you, sir.

We're doing really well here, folks. We have time for one more MP.

Mr. Fonseca, you have the honour. Go ahead, you have five minutes.

Mr. Peter Fonseca: Thank you very much, Chair.

Angelo and Claire, it's good to see you both here again. Angelo, please say hi to your parents who live in the great riding of Mississauga East—Cooksville.

Angelo, I want to ask you a number of questions. You brought up Mexico here. I'm sure Unifor has done a study and analysis on labour rights, on employment standards, etc., within Mexico. Have you done the same for the Mercosur countries?

Mr. Angelo DiCaro: We haven't done the same for the Mercosur countries yet. We do have relationships with a number of the South American trade unions, good relations. I know there are some discussions afoot about trying to pull these organizations together to get a better read bilaterally and multilaterally on what some of the major issues are. We should have that as this process unfolds, but right now to present to you, no.

Mr. Peter Fonseca: There's a reason I ask. Be it Mexico or now with the Mercosur countries, you talk about a bottom line position. Can you outline for us those priorities, those provisions that you would want to see in any agreement going forward?

Mr. Angelo DiCaro: There's a lot of detail to this. I'll give you some high-level pieces and I'll give you an example of what's happening in Brazil right now.

One of the core things we have on the books right now that Canada and many other nations have agreed to are core conventions in the International Labour Organization. Technically, every country should be abiding by the letter of those conventions, and the issue is that if they don't, there is no enforceability mechanism in place at the ILO, or any multilateral body, to actually make sure these countries are upholding those rights. Those are rights in fundamental things like collective bargaining, the right to organize, freedom of association, minimum ages of work, and so forth.

As a baseline, we have called for in the NAFTA a full ratification of those conventions and making them enforceable under the terms of the new agreement. This is something that social society, civil society, and Mercosur have talked about with respect to their social declaration. In addition, there are areas we want to see explored that cover gender aspects of work in trade agreements, which a lot of countries have signalled their interest in but really are refusing to put teeth to with respect to binding conditions as part of trade. We can expand that to include indigenous rights, environmental rights, and so forth. I think it's catalogued nicely in our NAFTA submission, but those are some of the high-level pieces.

I'll tell you one thing. In Brazil, under the new government of Temer, one of the first orders of business was to institute a fairly robust labour law reform package, similar to what's going on in Mexico right now. The point of that labour reform is couched in the spirit of labour market flexibility, competition, but it truly gets at the erosion of rights for workers, their rights to unionize, and many of the civil society organizations we work with are claiming that those reforms would actually put Brazil out of step with these ILO conventions. This can't happen. If we want truly fair, balanced trade and true competition, we can't have the undermining of workers' rights.

I hope that answers your question.

Mr. Peter Fonseca: Yes. Thank you, Angelo.

Claire, I want to ask you a question. I had the opportunity to meet with the grain growers, great people advocating for the sector, many

of them from Saskatchewan, who were in to see me to talk about Asia. In particular, they talked about China. Can I get your thoughts for CAFTA's, your organization's, ideas on where the government should go with China? I hear a lot of push-back from the opposition in terms of doing trade with China.

Ms. Claire Citeau: There are a lot of non-tariff barrier issues with China, but it's our second export market at this point, a market valued at close to \$6 billion. Certainly, a potential free trade agreement with China has the possibility to boost our exports to the world's second-largest economy. China is poised to be the world's largest importer of ag and food products by 2020, so we need to have rules for trade there with that country.

China has demonstrated that it's open to freer trade with free trade agreements with Australia, New Zealand, and other countries. In terms of ag and food products, the results have been substantial. If those countries have been able to do so, we certainly should be able to get there as well. We encourage the government to launch FTA talks with China, and certainly they should consider this before a potential Mercosur agreement.

• (1040)

Mr. Peter Fonseca: That's what I heard loud and clear from your members.

I am hearing what you're saying with Mercosur. Maybe you don't see as much of an opportunity as you do with Asia. Maybe our focus should continue to be with Asia. We are trying to...yes, Chair.

The Chair: I didn't assume you were going into a question. Were you just making a comment?

Mr. Peter Fonseca: You could take it at that.

The Chair: That wraps up our time and our first meeting on Mercosur. I thank the witnesses for joining us today. When we finish this report, we will send you a copy and we look forward to that.

The meeting is adjourned.

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