



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

CANADA AND THE MERCOSUR COUNTRIES: A POTENTIAL AGREEMENT TO ADVANCE TRADE RELATIONS

Report of the Standing Committee on International Trade

Honourable Mark Eyking, Chair

**DECEMBER 2018
42nd PARLIAMENT, 1st SESSION**

Published under the authority of the Speaker of the House of Commons

SPEAKER'S PERMISSION

The proceedings of the House of Commons and its Committees are hereby made available to provide greater public access. The parliamentary privilege of the House of Commons to control the publication and broadcast of the proceedings of the House of Commons and its Committees is nonetheless reserved. All copyrights therein are also reserved.

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Standing Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

Also available on the House of Commons website
at the following address: www.ourcommons.ca

**CANADA AND THE MERCOSUR COUNTRIES:
A POTENTIAL AGREEMENT TO ADVANCE
TRADE RELATIONS**

**Report of the Standing Committee on
International Trade**

**Hon. Mark Eyking
Chair**

DECEMBER 2018

42nd PARLIAMENT, 1st SESSION

NOTICE TO READER

Reports from committee presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

STANDING COMMITTEE ON INTERNATIONAL TRADE

CHAIR

Hon. Mark Eyking

VICE-CHAIRS

Dean Allison

Tracey Ramsey

MEMBERS

Omar Alghabra (Parliamentary Secretary — Non-Voting Member)

Colin Carrie

Sukh Dhaliwal

Peter Fonseca

Richard Hébert (Parliamentary Secretary — Non-Voting Member)

Randy Hoback

Hon. Andrew Leslie (Parliamentary Secretary — Non-Voting Member)

Karen Ludwig

Kyle Peterson

Terry Sheehan

OTHER MEMBERS OF PARLIAMENT WHO PARTICIPATED

David Anderson

Daniel Blaikie

Pam Goldsmith-Jones

Linda Lapointe

Hélène Laverdière

Pierre Paul-Hus

Kim Rudd

Don Rusnak

Darrell Samson

Kevin Waugh

CLERK OF THE COMMITTEE

Christine Lafrance

LIBRARY OF PARLIAMENT

Parliamentary Information and Research Service

Bashar Abu Taleb, Analyst

Simon Richards, Analyst

THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

FOURTEENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied a potential Canada-Mercosur free trade agreement and has agreed to report the following:

TABLE OF CONTENTS

LIST OF RECOMMENDATIONS	1
CANADA AND THE MERCOSUR COUNTRIES: A POTENTIAL AGREEMENT TO ADVANCE TRADE RELATIONS	3
Introduction.....	3
Advancing Trade Relations Between Canada and Mercosur	5
A. Potential Economic and Social Impacts on Canada.....	5
B. Manufacturing Sector.....	6
C. Agricultural, Seafood and Mining Sectors	7
D. Cultural, Educational and Air Transportation Sectors.....	8
Minimizing Tariff and Non-Tariff Trade Barriers	9
A. Tariffs	10
B. Non-Tariff Barriers	12
C. Regulatory Cooperation	14
Improving Investment Relations Between Canada and Mercosur	15
A. Existing Investments.....	15
B. Opportunities to Improve Investment Relations	16
Addressing the Priorities of Certain Groups	17
The Committee’s Thoughts and Recommendations	19
APPENDIX A LIST OF WITNESSES	23
APPENDIX B LIST OF BRIEFS.....	27
REQUEST FOR GOVERNMENT RESPONSE	29
SUPPLEMENTARY OPINION OF THE NEW DEMOCRATIC PARTY OF CANADA	31

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, prioritize provisions that would eliminate tariffs applied on Canada’s exports, including moulds, farm equipment, automobiles and their parts, and products of the country’s software, technology, lighting, canola and fisheries sectors. 21

Recommendation 2

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, seek to include provisions that would eliminate current and future non-tariff barriers that limit Canada’s exports to, and investments in, those countries. In particular, provisions in a Canada–Mercosur free trade agreement should address administrative requirements and processes that are complex or unclear, sanitary and phytosanitary measures, currency manipulation, state-owned enterprises and subsidies. In addition, the Government of Canada should work with the governments of the Mercosur countries to enhance regulatory cooperation and alignment among Canada, Argentina, Brazil, Paraguay and Uruguay. 21

Recommendation 3

That the Government of Canada consider implementing new measures designed to reduce any negative impacts of a Canada–Mercosur free trade agreement on the domestic competitiveness of Canada’s firms. 22

Recommendation 4

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, endeavour to include cultural provisions that meet the following conditions: are based on the *Convention on the Protection and Promotion of the Diversity of Cultural Expressions*; ensure that Canada and each Mercosur country has the right to support its artists and other cultural producers; and increase bilateral cultural cooperation..... 22

Recommendation 5

That the Government of Canada, at an early stage of the negotiations for a free trade agreement with the Mercosur countries, examine the advantages and disadvantages for Canada of various mechanisms designed to resolve investment-related disputes, while recognizing the right of governments to adopt and maintain measures in the public interest..... 22

Recommendation 6

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, work toward outcomes that would create economic opportunities for Canada’s small and medium-sized firms, protect the environment, uphold labour standards, enhance labour mobility, contribute to gender equality and safeguard the rights of Indigenous peoples. 22



CANADA AND THE MERCOSUR COUNTRIES: A POTENTIAL AGREEMENT TO ADVANCE TRADE RELATIONS

INTRODUCTION

On 26 March 1991, Argentina, Brazil, Paraguay and Uruguay signed the [*Treaty of Asunción*](#), thereby establishing the [Common Market of the Southern Cone](#) (Mercosur).¹ In the treaty, the Mercosur countries agreed to create a common market, with harmonized legislation in certain areas, coordinated macroeconomic and sectoral policies, a common external tariff and trade policy regarding countries or groups of countries that are not members of Mercosur, and free movement of goods, services and the “factors of production” among them.

According to [Global Affairs Canada](#), the Mercosur countries together comprise the world’s fourth-largest trading bloc and account for more than 66% of South America’s economic activity. In 2017, the Mercosur countries had a combined population of 263.8 million people,² and their collective gross domestic product was 3.5% of the global total in 2016.³

On 9 March 2018, Canada and Mercosur [announced](#) that they would launch negotiations for a free trade agreement (FTA), with the first round of negotiations occurring on 20 March 2018. On the day that negotiations began, the House of Commons Standing Committee on International Trade (the Committee) adopted a [motion](#) to study Canada’s priorities during the Canada–Mercosur FTA negotiations. The Committee held six meetings in Ottawa, Ontario between 19 April 2018 and 5 June 2018, during which 31 witnesses – including Canada’s Minister of International Trade, Global Affairs Canada officials, academics, and representatives of firms, trade associations, organized labour groups and think tanks – were heard. As well, the

1 Venezuela acceded to Mercosur as a full member in 2012; however, since 5 August 2017, its membership has been indefinitely suspended. In 2012, Paraguay was suspended for one year. Bolivia is in the final stages of accession to become the sixth country to accede to Mercosur.

2 The World Bank, [World Development Indicators](#) (database), accessed on 31 July 2018.

3 Mercosur’s share of global gross domestic product was calculated using data and estimates from: International Monetary Fund, [World Economic Outlook Database – April 2018](#) (database), accessed on 31 July 2018. The most recent year for which these data are available is 2016.



Committee received three briefs, of which two were submitted by witnesses and one was submitted by a Canadian firm that did not appear as a witness.

This report summarizes some of the comments made by witnesses and contained in the briefs submitted to the Committee. The first section presents their general views about advancing trade relations between Canada and the Mercosur countries, while the second provides observations about minimizing tariff and non-tariff barriers to trade, and promoting regulatory cooperation. The third section contains their thoughts about improving investment relations between Canada and the Mercosur countries, while – in the context of a Canada–Mercosur FTA – the fourth focuses on creating economic opportunities for Canada’s small and medium-sized firms, protecting the environment, upholding labour standards, enhancing labour mobility, contributing to gender equality and safeguarding Indigenous rights. The last section contains the Committee’s thoughts and recommendations.

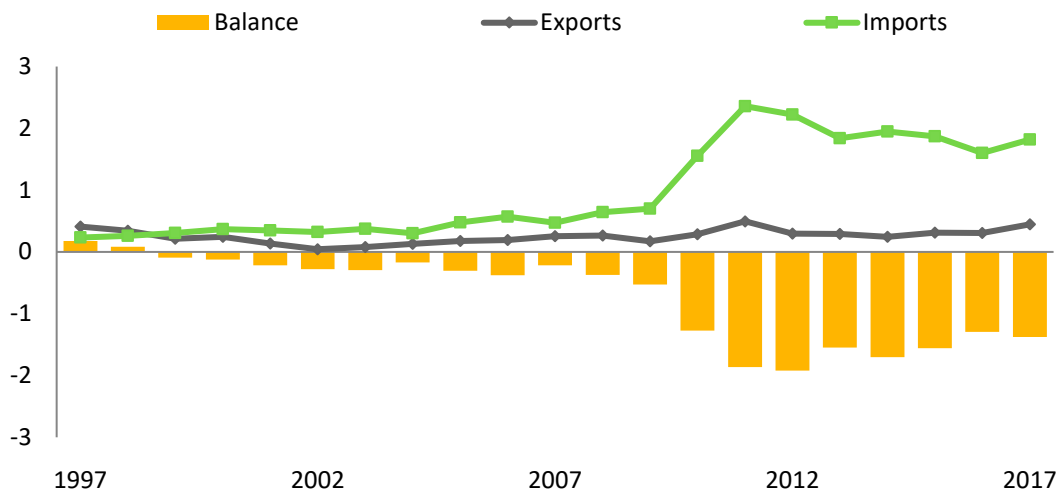
Some comments made by witnesses or in briefs submitted to the Committee are not summarized in this report, particularly those that address issues that are not directly related to a Canada–Mercosur FTA and that have been examined in earlier reports by the Committee. For example, [Canadian Manufacturers & Exporters](#), the [Brazil–Canada Chamber of Commerce](#), [LED Roadway Lighting Ltd.](#), the [Agricultural Manufacturers of Canada](#), the [Canadian Centre for Policy Alternatives](#) and the [Canadian Vintners Association](#) spoke about existing and desired Government of Canada programs, services and policies designed to assist the country’s firms that either trade internationally or wish to do so. In particular, they mentioned the Trade Commissioner Service, Export Development Canada, export mentorship, investments in innovation and other productivity enhancements, funding for wine export development, and small and medium-sized firms’ awareness of export opportunities. In recent reports on the [Trans-Pacific Partnership \(TPP\)](#), [multiculturalism and international trade](#), and [e-commerce](#), the Committee has studied the topic of Government of Canada programs, services and policies that help Canada’s firms to trade internationally.

Moreover, the [Mining Association of Canada](#) and the [Canola Council of Canada](#) discussed trade-related infrastructure, including the cost of moving Canada’s products to domestic ports for export. Trade-related infrastructure is addressed in the Committee’s reports on the [TPP](#), the [priorities of Canadians having an interest in North American trade](#) and the [competitiveness of Canada’s steel sector](#).

ADVANCING TRADE RELATIONS BETWEEN CANADA AND MERCOSUR

In speaking to the Committee, witnesses made comments about a Canada–Mercosur FTA’s potential economic and social impacts on Canada. As well, they focused on the possible implications of such an agreement for Canada’s manufacturing, agricultural, seafood, mining, cultural, educational and air transportation sectors.

Figure 1—Canada–Argentina Merchandise Trade, 1997–2017 (\$ billions)



Source: Statistics Canada, *Canadian International Merchandise Trade Database*, accessed through [Trade Data Online](#) on 23 October 2018.

A. Potential Economic and Social Impacts on Canada

According to Canada’s [Minister of International Trade](#), one of the Government of Canada’s goals in the Canada–Mercosur FTA negotiations is “a comprehensive, progressive and inclusive” agreement that will diversify the country’s markets and “capture emerging opportunities for Canadians for decades to come.” In noting that the Government wants to ensure that “everyone has a seat at the [negotiating] table” and would benefit from such an agreement, the Minister indicated that the Government would try to ensure that “all segments of Canadian society” – including women entrepreneurs, youth, Indigenous peoples and members of the lesbian, gay, bisexual, transgender, queer, and 2-spirited community – could “take advantage of the opportunities and benefits created by [a Canada–Mercosur FTA].”



The brief submitted to the Committee by [MELLOHAWK Logistics](#) claimed that a Canada–Mercosur FTA would be “win-win and a chance for progress, change and economic and social benefit for all.”

With a focus on the economic impacts of a Canada–Mercosur FTA, the [Brazil–Canada Chamber of Commerce](#) stated that such an agreement would be “much better for Canada than for Brazil,” because the latter country is “protectionist.” The [Brazil–Canada Chamber of Commerce](#) also mentioned that such an agreement would help Canada to diversify its trade and encourage knowledge-sharing, including between the science and technology sectors in Canada and the Mercosur countries. In identifying its support for a Canada–Mercosur FTA, the [International Institute for Sustainable Development](#) remarked that “[i]t’s important for Canada to diversify our trade relations and deepen our engagement with hemispheric partners.”

[Unifor](#) pointed out that, while the value of Canada’s exports to the Mercosur countries collectively have decreased by 26% since 2008, the value of imports has nearly doubled. In noting that trade diversification is among the Government of Canada’s objectives for the Canada–Mercosur FTA negotiations, Unifor stressed that “[w]hat we don’t need” is Canada committing to an agreement that would “exacerbate excessive” imports and “do little” to increase the country’s exports. The [Canadian Centre for Policy Alternatives](#) maintained that opportunities to increase trade between Canada and the Mercosur countries are limited by both geography and “a similar composition of our exports,” and suggested that the Canada–Mercosur FTA negotiations should not be a trade policy priority for Canada.

[Unifor](#) supported the Government of Canada’s decision to undertake economic and social impact assessments of a Canada–Mercosur FTA, and stressed the need for these assessments to be completed immediately and independently. With a focus on the potential social impacts of such an agreement, the [Canadian Centre for Policy Alternatives](#) urged the Government to commission, at an early stage of the Canada–Mercosur FTA negotiations, independent environmental sustainability and human rights impact assessments.

B. Manufacturing Sector

According to [Canadian Manufacturers & Exporters](#), Canada’s trade deficit with the Mercosur countries collectively is caused by “high tariffs, barriers to entry, and other unfair trading practices,” which should be eliminated in a Canada–Mercosur FTA. Canadian Manufacturers & Exporters believed that such an agreement could “lead to a prosperous manufacturing industry [in Canada] and [a] stronger Canadian economy.”

In highlighting “significant market opportunities” in Argentina and Brazil, the [Agricultural Manufacturers of Canada](#) commented that small and medium-sized firms in Canada’s farm equipment sector could hire more domestic workers if a Canada–Mercosur FTA helped them to increase their exports to the Mercosur countries.

[Global Automakers of Canada](#) claimed that a Canada–Mercosur FTA would support Canada’s trade diversification strategy. However, in describing the *North American Free Trade Agreement* (NAFTA) as “the fundamental agreement” under which Canada’s automotive sector has operated since 1994, [Global Automakers of Canada](#) thought that renegotiation of that agreement should be “the clear priority.”

Similarly, the [Canadian Association of Moldmakers](#) contended that, if Canada does not negotiate a “good NAFTA agreement,” the negotiation, ratification and implementation of various FTAs – including a Canada–Mercosur FTA – would “be for nothing.” In maintaining that a Canada–Mercosur FTA would create opportunities to export moulds to Brazil, the [Canadian Association of Moldmakers](#) said that – unlike the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) – such an agreement would be “low risk and high potential.”

The [Canadian Steel Producers Association](#) mentioned that Canada exports “virtually no primary steel and very few steel-containing goods” to the Mercosur countries, and stated that such exports would likely not increase with a Canada–Mercosur FTA. Moreover, the Canadian Steel Producers Association believed that such an agreement could erode its members’ share of the domestic market, including in relation to automotive manufacturing and the production of energy, pipe and tubular goods.

The [Canadian Steel Producers Association](#) proposed that Government of Canada procurements should favour the purchase of domestic steel, which would help to offset the potential for increased competition in Canada’s steel market that could result from a Canada–Mercosur FTA and would reduce greenhouse gas emissions.

C. Agricultural, Seafood and Mining Sectors

The [Canadian Agri-Food Trade Alliance](#) remarked that Canada’s exports of certain agricultural products – including grains, oilseeds, beef and pork – compete with such exports from the Mercosur countries. In observing that its members do not believe that “there is enough potential growth in the Mercosur region to consider [a Canada–Mercosur FTA],” the [Canadian Agri-Food Trade Alliance](#) urged the Government of Canada to prioritize such trade policy initiatives as renegotiation of NAFTA, ratification of the CPTPP and exploratory discussions for a Canada–China FTA.



Like Global Automakers of Canada, the [Canadian Vintners Association](#) suggested that a Canada–Mercosur FTA would contribute to Canada’s trade diversification goals, but stressed that it would also create competitiveness challenges for the country’s wine sector. As well, the Canadian Vintners Association highlighted Canada’s “significant wine trade imbalance” with the Mercosur countries, and commented that these countries “have not been, and will not be, a priority market for Canadian wine producers.” The [Canadian Vintners Association](#) called on the Government of Canada to provide the country’s wine producers with transitional assistance to help them adjust to market changes that are caused by Canada’s FTAs.

The [Fisheries Council of Canada](#) thought that a Canada–Mercosur FTA could create opportunities for Canada’s seafood producers to increase their exports to the Mercosur countries, but pointed out that such an agreement is not currently a priority for the country’s seafood sector. As examples of issues that are relatively more important for the sector at this time, the Fisheries Council of Canada noted successful renegotiation of NAFTA, full implementation of the *Canada–European Union Comprehensive Economic and Trade Agreement*, ratification and implementation of the CPTPP, and Canada–China FTA negotiations.

The [Mining Suppliers Trade Association Canada](#) identified Brazil and Argentina as the two highest-priority countries to which Canada’s mining supply and services firms direct their export and marketing activities, and advocated a Canada–Mercosur FTA. Similarly, the [Mining Association of Canada](#) encouraged the Government of Canada to negotiate and implement such an agreement.

D. Cultural, Educational and Air Transportation Sectors

In a brief submitted to the Committee, the [Alliance of Canadian Cinema, Television and Radio Artists](#) indicated that any cultural provisions in a Canada–Mercosur FTA should be based on the *Convention on the Protection and Promotion of the Diversity of Cultural Expressions*,⁴ which Canada and the Mercosur countries have ratified. According to the Alliance of Canadian Cinema, Television and Radio Artists, such provisions would ensure that Canada and each of the Mercosur countries would have “the absolute right to support its own artists and cultural producers,” and would promote the development of “more robust” forms of cooperation and cultural exchanges.

4 The United Nations Educational, Scientific and Cultural Organization’s *Convention on the Protection and Promotion of the Diversity of Cultural Expressions* recognizes governments’ sovereign right to introduce policies designed to protect and promote the diversity of cultural expressions.

As well, the [Alliance of Canadian Cinema, Television and Radio Artists](#) urged the Government of Canada to convene a “high-level meeting of leaders of the Canadian cultural sector” to examine possible ways in which to develop Canada’s cultural relationship with the Mercosur countries. The [Alliance of Canadian Cinema, Television and Radio Artists](#) stressed the importance of ensuring that representatives of artists’ associations are able to participate in any such meeting.

According to the [Brazil–Canada Chamber of Commerce](#), Canada is “the country of choice for Brazilians studying abroad.” The [Brazil–Canada Chamber of Commerce](#) predicted that the number of Brazilian students in Canada would increase if a Canada–Mercosur FTA were implemented.

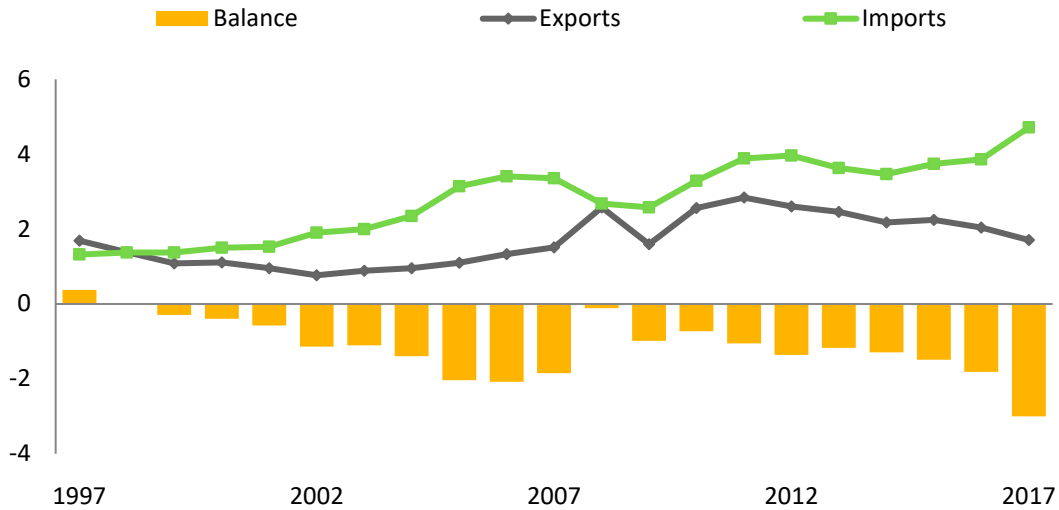
In noting that FTAs that increase trade also create opportunities to transport cargo and businesspersons between Canada and other countries, [Air Canada](#) said that a Canada–Mercosur FTA could “foster the type of business growth and trade opportunities” that both support business and “provide an excellent foundation” to expand air routes.

MINIMIZING TARIFF AND NON-TARIFF TRADE BARRIERS

Witnesses discussed tariffs with the Committee, and focused particularly on those that are applied on Canada’s manufacturing, canola product and seafood exports to the Mercosur countries. As well, regarding non-tariff barriers to trade, they highlighted certain administrative requirements and processes, sanitary and phytosanitary measures, and other trade-related policies. Witnesses also mentioned regulatory cooperation and alignment between Canada and the Mercosur countries.



Figure 2—Canada–Brazil Merchandise Trade, 1997–2017 (\$ billions)



Source: Statistics Canada, *Canadian International Merchandise Trade Database*, accessed through [Trade Data Online](#) on 23 October 2018.

A. Tariffs

Canada’s [Minister of International Trade](#) observed that the country’s average tariff rate of 4.1% is lower than the rate of 13.7% for the Mercosur countries collectively. According to the Minister, trade between Canada and the Mercosur countries as a bloc is not balanced because “the [Mercosur countries’ tariff] rates are so high that it makes it difficult for [Canada’s] products and services to compete in [those countries].” The Minister added that eliminating or reducing tariff rates in a Canada–Mercosur FTA would make Canada’s firms more competitive in those countries.

Similarly, [Canadian Manufacturers & Exporters](#) maintained that the Mercosur countries’ tariff rates of up to 35% that are applied on automotive goods, machinery and equipment, and pharmaceutical products “are trade prohibitive [when] compared to Canada’s relatively modest tariff levels.” In stating that these countries’ tariffs “directly and negatively impact [Canada’s] major industrial and export sectors,” Canadian Manufacturers & Exporters commented that eliminating these tariffs should be a priority during the Canada–Mercosur FTA negotiations.

[Global Automakers of Canada](#) contended that the Mercosur countries’ tariff rates that are applied on automobiles and their parts are “higher than almost anywhere in the

world,” and thought that eliminating tariffs on automobile parts in a Canada–Mercosur FTA “could present opportunities for Canadian parts makers and advanced technology companies.” Moreover, the [Brazil–Canada Chamber of Commerce](#) claimed that Brazil’s effective tax rate on imports of automobiles and their parts is approximately 100% because of certain taxes that are applied in addition to the country’s 35% tariff rate on these products.

Moreover, the [Canadian Vehicle Manufacturers’ Association](#) suggested that the Mercosur countries can apply import tariffs multiple times on the same good, and provided the example of vehicles: a 35% tariff is applied on a vehicle when it is shipped from Canada to a Mercosur country, and a tariff is paid again if that vehicle is shipped from one Mercosur country to another.⁵

[LED Roadway Lighting Ltd.](#) remarked that the amount of the Mercosur countries’ tariffs can exceed the cost of producing its goods, “making commercial success for our products and other Canadian exports nearly impossible.” Similarly, the [Canadian Association of Moldmakers](#) mentioned that its members have been unable to “penetrate” Brazil’s market because of tariffs and protectionist policies, and indicated that a Canada–Mercosur FTA could allow Canada’s moldmakers to increase their exports to that country.

In describing opportunities to supply Brazil’s mining and transportation sectors as “significant,” [Redline Communications](#) pointed out that high tariffs make it difficult to export Canada’s software and technology to that country. Redline Communications also stated that, because of tariffs, its exports to Argentina are solely to that country’s oil and gas sector. In a brief submitted to the Committee, [Redline Communications](#) noted that the Mercosur countries apply export and import duties on goods that customers return for repair, which entails “significant ... costs” for them. Accordingly, Redline Communications thought that a Canada–Mercosur FTA should reduce – if not eliminate – tariffs that are applied on electronic and telecommunications equipment imports,

5 A draft version of the United States–Mexico–Canada Agreement (USMCA), which has yet to be reviewed for accuracy, clarity and consistency, includes [regional value content](#) requirements of 75% for automobiles, and of between 65% and 85% for various auto parts, depending on the part and the calculation method used. In addition, the USMCA would ensure preferential tariff treatment for an automobile only if at least 70% of the steel and aluminum purchased by the vehicle’s manufacturer originates in North America. Moreover, and in addition to other obligations, an automobile producer would have to make designated amounts of “high-wage” expenditures, including on parts, materials and vehicle assembly that are made or performed by workers earning at least US\$16 per hour.



including those that are being returned for repair, and eliminate any local content requirements⁶ in relation to these imports.

The [Agricultural Manufacturers of Canada](#) characterized Argentina's and Brazil's tariffs on farm equipment as "prohibitive," and said that the Government of Canada should "aggressively pursue" a Canada–Mercosur FTA that would reduce these tariffs. In pointing out that the Mercosur countries' tariff rates on Canada's farm equipment can change, [MacDon Industries Ltd.](#) maintained that such an agreement should provide certainty regarding future rates.

According to the [Canola Council of Canada](#), a Canada–Mercosur FTA should eliminate tariffs that are applied on Canada's canola products, including oil and meal. The [Canola Council of Canada](#) also remarked that, even without tariffs, opportunities for its members to export to the Mercosur countries would be insignificant because those countries "produce many of the same things we do and are very competitive large exporters of oil and protein already."

The [Fisheries Council of Canada](#) stated that a Canada–Mercosur FTA should eliminate tariff rates that are as high as 32% for fish and seafood, and thereby increase Canada's fisheries exports to the Mercosur countries.

B. Non-Tariff Barriers

According to Canada's [Minister of International Trade](#), the country's exporters want "stable, efficient, transparent and ... predictable" access to foreign markets. The Minister claimed that Canada's small and medium-sized firms would not make significant investments designed to increase their market share in "countries where technical barriers to trade abound." As well, the Minister believed that eliminating tariffs in a Canada–Mercosur FTA would not be sufficient to "realize the full potential" of Canada's trade relationship with Mercosur as a bloc.

With a focus on administrative requirements and processes, the brief that [MELLOHAWK Logistics Inc.](#) submitted to the Committee noted that exports by Brazil's small and medium-sized firms to Canada are "hampered by Brazilian bureaucracy." Similarly, the [Brazil–Canada Chamber of Commerce](#) observed that labour laws, certification requirements and "significant bureaucracy" affect Canada's trade with Brazil. The [Agricultural Manufacturers of Canada](#) indicated that the ability of its members to export

6 According to a February 2016 Organisation for Economic Co-operation and Development [Trade Policy Note](#), "local content requirements" are government policies that require firms to use goods or services that are domestically manufactured or supplied as a condition to "operate in an economy."

to the Mercosur countries has been affected by such non-tariff barriers as unclear regulatory processes and a lack of intellectual property protections.

The [Canadian Vehicle Manufacturers' Association](#) thought that import-licensing requirements, as well as both complex customs procedures and federal and state tax regimes, have created “significant challenges” for firms that export vehicles to the Mercosur countries. The Canadian Vehicle Manufacturers' Association emphasized the need for provisions in a Canada–Mercosur FTA that would address current and future non-tariff barriers, and for a “rigorous, time-efficient, and legally binding” dispute-settlement mechanism to enforce compliance with these provisions. As an example of measures that reduce the expected rate of return on Canadian investments in the Mercosur countries, the [Mining Suppliers Trade Association Canada](#) identified tax rules, and specifically mentioned that “[t]here's always new taxation that you haven't heard about.”

The [Canola Council of Canada](#) stated that a Canada–Mercosur FTA should contain provisions regarding biotechnology and the “spurious use of sanitary and phytosanitary measures,” and commented that such provisions could “build momentum” for similar provisions to be included in Canada’s other FTAs. The [Fisheries Council of Canada](#) supported the CPTPP’s sanitary and phytosanitary provisions, and asked that they be used as a model for provisions in a Canada–Mercosur FTA.

In highlighting that trade in animal genetics relies heavily on “animal health discussions, protocols, and negotiations,” the [Canadian Livestock Genetics Association](#) noted its concern that the Mercosur countries “use either the Mercosur rules or those of their own country, depending on [which are] more favourable,” which limits market access for exporters in Canada’s livestock genetics sector.

Concerning other trade-related measures and practices, [Canadian Manufacturers & Exporters](#) called for the removal of trade barriers resulting from “anti-trade” policies adopted by some of the Mercosur countries that are harming “Canadian economic interests,” such as those relating to currency manipulation, state-owned enterprises, subsidies, dumping and regulatory complexities. Like the Canadian Vehicle Manufacturers' Association, Canadian Manufacturers & Exporters suggested that a Canada–Mercosur FTA should include expedient and effective dispute-resolution provisions.

The [Canadian Vehicle Manufacturers' Association](#) believed that Canada’s FTAs should have provisions designed to ensure that currency manipulation does not occur. In the view of the [Canadian Steel Producers Association](#), a Canada–Mercosur FTA should include “enforceable controls” regarding both currency manipulation and state-owned



enterprises. In focusing on state-owned enterprises, the Canadian Steel Producers Association observed that such an agreement should contain provisions that would prevent government ownership of entities that “operate in a commercial context,” and would require state-owned enterprises both to operate “according to commercial considerations” and to refrain from discriminating against foreign suppliers. Concerning subsidies, the Canadian Steel Producers Association said that state-owned enterprises should be restricted in their ability to provide and receive subsidies, and remarked that countries should be able to apply countervailing measures in response to such subsidies.

The [Canadian Steel Producers Association](#) pointed out that the Canadian International Trade Tribunal has imposed anti-dumping remedies against certain steel imports from the Mercosur countries, including Brazil, and urged the Government of Canada both to improve the country’s trade remedy system and to provide the Canada Border Services Agency with increased resources to undertake investigation and enforcement activities.

[Armstrong Fluid Technology](#) noted its investment in manufacturing operations in Brazil in an effort to avoid non-tariff barriers that affect heating and cooling equipment. As well, Armstrong Fluid Technology stated that it could manufacture equipment in Canada and “take many more products into the Brazilian market if these market access issues were resolved.”

C. Regulatory Cooperation

In supporting enhanced regulatory cooperation and alignment between Canada and the Mercosur countries, the [Canadian Vehicle Manufacturers’ Association](#) mentioned that alignment with – and recognition of – North America’s regulatory standards, which are “underpinned” by scientific evidence and “rigorous compliance requirements,” would both increase trade in automobiles and their parts, and establish new supply chains between North America and the Mercosur countries. In particular, the Canadian Vehicle Manufacturers’ Association maintained that accepting Canadian motor vehicle technical and safety standards, and the U.S. standards to which they are aligned, is required to ensure that Canada’s motor vehicle exporters can access the Mercosur countries.

[Canadian Manufacturers & Exporters](#) observed that some countries adopt vehicle testing requirements even though they lack the equipment that performs compulsory tests, and said that regulatory alignment is both an essential component of modern FTAs and needed in order “to eliminate all those barriers that can pop up on an ongoing basis.”

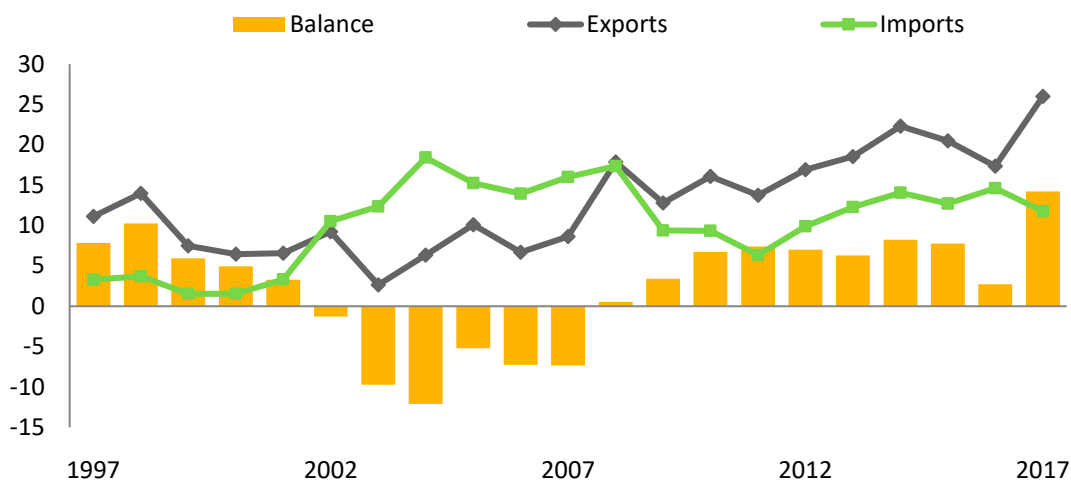
The brief that [Redline Communications](#) submitted to the Committee suggested that a Canada–Mercosur FTA should: ensure that Canada’s safety standards are recognized; simplify or eliminate certain product approval processes and import verification

procedures for goods that are being returned for repair; and streamline taxation requirements between Canada and the Mercosur countries.

IMPROVING INVESTMENT RELATIONS BETWEEN CANADA AND MERCOSUR

Witnesses spoke to the Committee about existing Canadian investments in the Mercosur countries and Brazilian investments in Canada, and about investment protections in a Canada–Mercosur FTA.

Figure 3—Canada–Paraguay Merchandise Trade, 1997–2017 (\$ millions)



Source: Statistics Canada, *Canadian International Merchandise Trade Database*, accessed through [Trade Data Online](#) on 23 October 2018.

A. Existing Investments

With a focus on existing Canadian investments in the Mercosur countries, the [Mining Suppliers Trade Association Canada](#) observed that more than 61 Canadian-owned exploration and mining firms operate in the Mercosur countries, and stated that these firms have an ownership stake in 27% of the active exploration and mining projects in those countries. According to the [Mining Association of Canada](#), Canada’s mining firms invested \$1.9 billion in Brazil and Argentina in 2016.



[Armstrong Fluid Technology](#) remarked that the lack of sufficient measures in the Mercosur countries to meet the objectives of the Paris Agreement has made the Mercosur countries “an attractive market for retrofitting energy-obsolete [heating, ventilation and air conditioning] equipment,” and has provided the firm with an incentive to continue to invest in Brazil.

In noting that Brazil’s firms want to expand their international operations “because they don’t want to put all [of] their eggs in one basket,” the [Brazil–Canada Chamber of Commerce](#) mentioned that many of the country’s firms “believe in” – and have invested in – Canada. The [Brazil–Canada Chamber of Commerce](#) pointed out that, at \$19.7 billion, Brazil was Canada’s seventh-largest source of foreign direct investment in 2015.

B. Opportunities to Improve Investment Relations

With a focus on the Mercosur countries’ existing investment cooperation and facilitation agreement, which established a dispute-avoidance system, the [International Institute for Sustainable Development](#) noted that this system includes a state-to-state, rather than an investor–state, dispute-settlement process that is used as a last resort for resolving disputes. The Institute for Sustainable Development suggested that a Canada–Mercosur FTA could contain such a system.

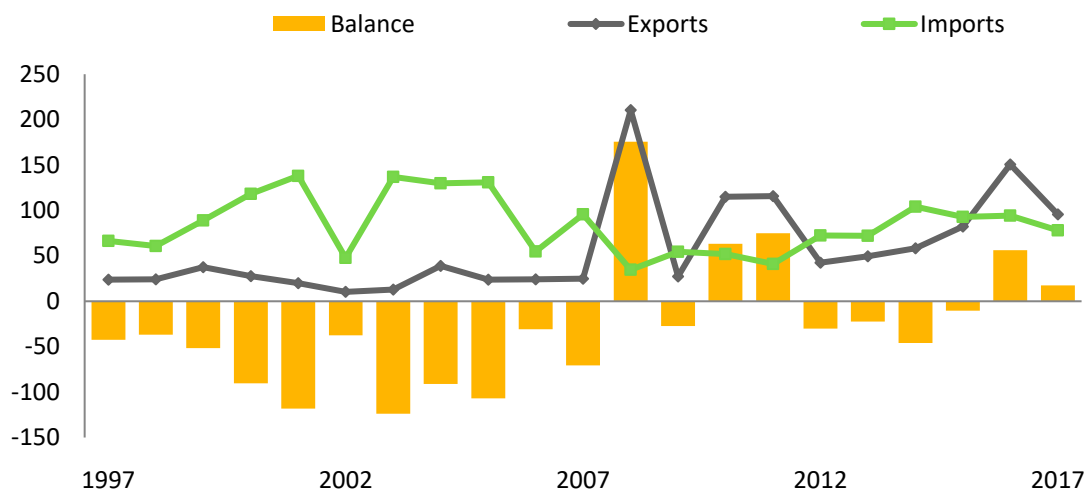
The [Canadian Centre for Policy Alternatives](#) stated that Canada’s mining firms “have used [investor–state dispute-settlement mechanisms] abroad in a way that ... brings Canada into disrepute.” In pointing out that Brazil has never ratified an investment protection agreement that includes investor–state dispute-settlement provisions, the [Canadian Centre for Policy Alternatives](#) urged the Government of Canada to resist the inclusion of such a mechanism in a Canada–Mercosur FTA, and to try to eliminate the investor–state dispute-settlement mechanisms that are contained in Canada’s existing foreign investment promotion and protection agreements with Argentina and Uruguay.

From a different perspective, the [Mining Association of Canada](#) commented that investment protections increase investors’ confidence that their investments “will have a greater degree of security, a greater degree of reliability than [a] comparable investment that’s without those types of opportunities ... [or] those types of protections.” The Mining Association of Canada said that Canada’s mining sector supports the inclusion of “investment protection mechanisms” in FTAs.

ADDRESSING THE PRIORITIES OF CERTAIN GROUPS

In their comments to the Committee, witnesses spoke about provisions in a Canada–Mercosur FTA that could create economic opportunities for Canada’s small and medium-sized firms, protect the environment, uphold labour standards, enhance labour mobility, contribute to gender equality and safeguard the rights of Indigenous peoples.

Figure 4—Canada–Uruguay Merchandise Trade, 1997–2017 (\$ millions)



Source: Statistics Canada, *Canadian International Merchandise Trade Database*, accessed through [Trade Data Online](#) on 23 October 2018.

In stating that the governments of Canada and the Mercosur countries have agreed “to work towards an ambitious, inclusive, and progressive” Canada–Mercosur FTA, Canada’s [Minister of International Trade](#) mentioned that discussions during the first round of negotiations addressed such topics as small and medium-sized firms, the environment, labour, gender and Indigenous peoples.

Canada’s [Minister of International Trade](#) emphasized that the country’s small and medium-sized firms should benefit from the FTAs that Canada signs. The Minister highlighted that, during the Canada–Mercosur FTA negotiations, the Government of Canada would make efforts to include a chapter designed to assist these firms. Specifically, the Minister remarked that such a chapter would ensure that Canada and the Mercosur countries share best practices and provide small and medium-sized firms with information that is easily accessible.



Regarding the environment and labour, Canada's [Minister of International Trade](#) commented that the Government of Canada will not engage in FTA negotiations "at the expense of" environmental or labour standards, or "governance principles." The Minister also maintained that the Government raises standards in these areas whenever it participates in such negotiations.

According to the [Canadian Centre for Policy Alternatives](#), at a minimum, a progressive trade agenda should include two "prerequisites": obligations to enforce "high domestic environmental standards" consistent with the commitments contained in multilateral environmental agreements; and labour standards that are "strong" and "fully enforceable." The Canadian Centre for Policy Alternatives added that achieving these prerequisites could be difficult in a Canada–Mercosur FTA because Brazil, for instance, does not include "binding labour and environmental standards in trade agreements."

Regarding environmental standards, the [International Institute for Sustainable Development](#) believed that an environmental chapter in a Canada–Mercosur FTA should identify and liberalize trade in specific environmental goods and services. The International Institute for Sustainable Development also advocated sustainable development provisions in such an agreement that would both build on those in the *Canada–European Union Comprehensive Economic and Trade Agreement* and support sustainability standards, including in relation to eco-labelling,⁷ corporate social responsibility, and forestry, fisheries, agricultural and mining operations.

With a focus on labour standards, [Unifor](#) claimed that it is unclear whether the Mercosur countries are willing to "expand their level of ambition regarding [the inclusion of] social clauses in trade agreements." Unifor noted that, while these countries have agreed to "strong" and "aspirational" language in the Mercosur Social-Labour Declaration,⁸ the declaration is "non-binding and unenforceable." As well, [Unifor](#) thought that Brazil's efforts to reform its labour laws could "put [that country] out of step" with the International Labour Organization's core conventions.⁹

7 According to the [United Nations Environment Programme](#), eco-labels facilitate consumers' ability to select goods and services according to specific environmental and social criteria, and provide firms with an opportunity to raise awareness about a product's features that can be considered environmentally friendly.

8 The [Mercosur Social-Labour Declaration](#) identifies a number of principles and rights that the Mercosur countries have agreed to adopt, including with respect to promoting equality, eliminating forced labour, instituting a minimum age for work and other rights for minors, and establishing the freedom to associate and bargain collectively. A Social-Labour Commission was created to monitor compliance with the declaration's provisions.

9 The International Labour Organization's core labour conventions are: Freedom of association and the effective recognition of the right to collective bargaining (Conventions No. 87 and No. 98); the elimination

The [Mining Association of Canada](#) said that the Canada–Mercosur FTA negotiations provide an opportunity to enhance labour mobility between Canada and the Mercosur countries. In the view of [Redline Communications](#), the process for obtaining work visas in the Mercosur countries is “challenging and time-consuming” for small firms, and “an electronic approach” to this process could simplify the movement of personnel between Canada and these countries. Specifically, [Redline Communications](#) proposed that visa requirements should be replaced with reciprocal electronic travel authorizations.

With a focus on gender provisions in a Canada–Mercosur FTA, Canada’s [Minister of International Trade](#) stated that the country’s women entrepreneurs would benefit from an FTA that would ensure an absence of discrimination based on nationality and/or gender when they either undertake international transactions or apply for permits and licences to serve clients in other countries.

Concerning Indigenous rights, Ryerson University’s [Pamela D. Palmater](#) – who appeared as an individual – remarked that “specific and binding legal protections for [I]ndigenous rights” should be addressed in all chapters of an FTA, as appropriate, rather than in a side chapter to an FTA. As well, Ms. Palmater believed that Canada’s FTAs should contain a “rights-based, benefit-sharing formula with [I]ndigenous peoples,” and stressed the need for an independent and “fulsome monitoring, research, and evaluation mechanism” that would ensure that such agreements, including a Canada–Mercosur FTA, are “fair,” “safe” and “sustainable,” and prioritize human and Indigenous rights. In addition, [Ms. Palmater](#) suggested that Canada’s FTAs should include “opt-out provisions for people with [A]boriginal title” who oppose a particular FTA.

[Ms. Palmater](#) urged the Government of Canada to consider the impact of a Canada–Mercosur FTA on Indigenous peoples in Canada and in the Mercosur countries, and commented that such an agreement should involve a “fair, open and democratic process of consultation.” As well, Ms. Palmater shared her view that – in the international context, such as regarding trade agreements – section 35 of the *Constitution Act* requires the “free, prior, and informed consent of the [I]ndigenous nations.”

THE COMMITTEE’S THOUGHTS AND RECOMMENDATIONS

In the Committee’s view, Canada must continue to develop trade and investment relations with countries and blocs of countries that are – or could be – significant

of all forms of forced and compulsory labour (Conventions No. 29 and No. 105); the effective abolition of child labour (Conventions No. 138 and No. 182); and the elimination of discrimination in respect of employment and occupation (Conventions No. 100 and No. 111).



markets for the country's exports. For example, recognizing that Canada does not currently have a bilateral FTA with Argentina, Brazil, Paraguay or Uruguay, the Canada–Mercosur FTA negotiations and any resulting agreement could advance such relations between Canada and the Mercosur countries, especially if there is a focus on eliminating tariff and non-tariff barriers to trade, enhancing regulatory cooperation, ensuring that Canada's steel, wine and cultural sectors are not adversely affected, improving investment relations and addressing the priorities of certain groups.

Tariffs continue to limit Canada's exports of moulds, farm equipment, automobiles and their parts, lighting, software and other technology products, canola oil and meal, seafood and other goods to the Mercosur countries. The Committee feels that eliminating such barriers in a Canada–Mercosur FTA would help to provide Canada's exporters of these and other products with enhanced access to the Mercosur countries.

However, a focus on eliminating tariffs is not sufficient. The Committee also believes that a Canada–Mercosur FTA must address non-tariff barriers that make it difficult for Canada's firms to sell to – or do business in – the Mercosur countries. Thus, such an agreement should simplify administrative requirements and processes that are complex or unclear, and should contain provisions about sanitary and phytosanitary measures, currency manipulation, state-owned enterprises and subsidies. In addition, regulatory cooperation and alignment between Canada and the Mercosur countries should occur.

While FTAs can create export opportunities for some firms, they can also make it difficult for other firms to compete domestically. For example, the market access provisions in a Canada–Mercosur FTA could reduce the domestic competitiveness of Canada's wine and steel producers. If the Government of Canada implements such an agreement, the Committee's view is that the Government should consider new measures that would help these and other negatively affected producers to compete in the domestic market.

Canada's cultural sector makes numerous contributions to the country's economy and its society. In the Committee's opinion, governments should be able to adopt, implement and maintain policies and measures that support their cultural sectors. In this respect, a Canada–Mercosur FTA that includes cultural cooperation provisions based on the *Convention on the Protection and Promotion of the Diversity of Cultural Expressions* could help to ensure that this sector continues to make economic and other contributions in Canada and in each of the Mercosur countries.

The Committee recognizes that the inclusion of investment provisions in a Canada–Mercosur FTA could help to enhance investment relations between Canada and Mercosur as a bloc. With a view to promoting investment, and recognizing the right of governments to adopt and maintain measures in the public interest, the Government of

Canada should examine the advantages and disadvantages of various mechanisms for enforcing investment provisions in the country's FTAs, including a Canada–Mercosur FTA.

Increasingly, there is an expectation – in Canada and in a number of other countries – that the benefits of trade generally, and FTAs specifically, should be “shared” as broadly as possible. In that context, the Committee underscores that a Canada–Mercosur FTA should create economic opportunities for Canada's firms, including those that are small or medium in size, but should also protect the environment, uphold labour standards, enhance labour mobility, contribute to gender equality and safeguard the rights of Indigenous peoples.

Lastly, noting that the Government of Canada is pursuing a number of trade policy initiatives simultaneously, the Committee underlines that the Canada–Mercosur FTA negotiations should not limit the negotiation, ratification or implementation of other FTAs.

Within this context, the Committee recommends:

Recommendation 1

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, prioritize provisions that would eliminate tariffs applied on Canada's exports, including moulds, farm equipment, automobiles and their parts, and products of the country's software, technology, lighting, canola and fisheries sectors.

Recommendation 2

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, seek to include provisions that would eliminate current and future non-tariff barriers that limit Canada's exports to, and investments in, those countries. In particular, provisions in a Canada–Mercosur free trade agreement should address administrative requirements and processes that are complex or unclear, sanitary and phytosanitary measures, currency manipulation, state-owned enterprises and subsidies. In addition, the Government of Canada should work with the governments of the Mercosur countries to enhance regulatory cooperation and alignment among Canada, Argentina, Brazil, Paraguay and Uruguay.



Recommendation 3

That the Government of Canada consider implementing new measures designed to reduce any negative impacts of a Canada–Mercosur free trade agreement on the domestic competitiveness of Canada’s firms.

Recommendation 4

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, endeavour to include cultural provisions that meet the following conditions: are based on the *Convention on the Protection and Promotion of the Diversity of Cultural Expressions*; ensure that Canada and each Mercosur country has the right to support its artists and other cultural producers; and increase bilateral cultural cooperation.

Recommendation 5

That the Government of Canada, at an early stage of the negotiations for a free trade agreement with the Mercosur countries, examine the advantages and disadvantages for Canada of various mechanisms designed to resolve investment-related disputes, while recognizing the right of governments to adopt and maintain measures in the public interest.

Recommendation 6

That the Government of Canada, during negotiations for a free trade agreement with the Mercosur countries, work toward outcomes that would create economic opportunities for Canada’s small and medium-sized firms, protect the environment, uphold labour standards, enhance labour mobility, contribute to gender equality and safeguard the rights of Indigenous peoples.

APPENDIX A LIST OF WITNESSES

The following table lists the witnesses who appeared before the Committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the Committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
Brazil-Canada Chamber of Commerce Paola Saad, Vice-President	2018/04/19	104
Canadian Agri-Food Trade Alliance Claire Citeau, Executive Director	2018/04/19	104
Canadian Steel Producers Association Joseph Galimberti, President	2018/04/19	104
Unifor Angelo DiCaro, National Representative	2018/04/19	104
Armstrong Fluid Technology Robert Dietrich, Chief Financial Officer	2018/04/24	105
Canadian Vehicle Manufacturers' Association Mark Nantais, President	2018/04/24	105
Fisheries Council of Canada Paul Lansbergen, President	2018/04/24	105
As an individual Pamela D. Palmater, Chair in Indigenous Governance Department of Politics & Public Administration, Ryerson University	2018/04/26	106
Air Canada Fittipauld Lourenco, Director Federal Government Affairs and Ontario	2018/04/26	106
Canadian Association of Moldmakers Jonathon Azzopardi, Chairman Timothy Galbraith, Director	2018/04/26	106

Organizations and Individuals	Date	Meeting
Canadian Livestock Genetics Association Michael Hall, Executive Director	2018/04/26	106
Mining Suppliers Trade Association Canada Phil Cancilla, President of the Board of Directors	2018/04/26	106
Alliance of Canadian Cinema, Television and Radio Artists (ACTRA) Elliott Anderson, Director Public Policy and Communications, National Garry Neil, Special Advisor National	2018/05/01	107
Canadian Manufacturers & Exporters Mathew Wilson, Senior Vice-President Policy and Government Relations	2018/05/01	107
Canadian Vintners Association Dan Paszkowski, President and Chief Executive Officer	2018/05/01	107
International Institute for Sustainable Development Scott Vaughan, President and Chief Executive Officer	2018/05/01	107
LED Roadway Lighting Ltd Alberto Capodicasa, Market Manager Jeff Libis, Vice-President of Sales International	2018/05/01	107
Redline Communications Robert Williams, Chief Executive Officer	2018/05/01	107
Agricultural Manufacturers of Canada Leah Olson, President	2018/05/03	108
Canadian Centre for Policy Alternatives Scott Sinclair, Senior Research Fellow	2018/05/03	108
Canola Council of Canada Brian Innes, Vice-President Public Affairs	2018/05/03	108
Global Automakers of Canada David Adams, President	2018/05/03	108

Organizations and Individuals	Date	Meeting
MacDon Industries Ltd. Gene Fraser, Vice-President Global Sales and Marketing	2018/05/03	108
Mining Association of Canada Brendan Marshall, Vice-President Economic and Northern Affairs	2018/05/03	108
Department of Foreign Affairs, Trade and Development Tim Sargent, Deputy Minister for International Trade Arun Thangaraj, Chief Financial Officer and Assistant Deputy Minister Corporate Planning, Finance and Information Technology Ana Renart, Director General Market Access Hon. François-Philippe Champagne, Minister of International Trade	2018/06/05	112

APPENDIX B LIST OF BRIEFS

The following is an alphabetical list of organizations and individuals who submitted briefs to the Committee related to this report. For more information, please consult the Committee's [webpage for this study](#).

Alliance of Canadian Cinema, Television and Radio Artists (ACTRA)

MELLOHAWK Logistics Inc.

Redline Communications

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 104, 105, 106, 107, 108, 112, 128 and 134](#)) is tabled.

Respectfully submitted,

Hon. Mark Eyking, P.C., M.P.
Chair

**SUPPLEMENTARY OPINION
NEW DEMOCRATIC PARTY OF CANADA**

INTRODUCTION

The NDP is appreciative to the Committee members, staff, analysts, and the witnesses who participated in this study of the potential Mercosur free trade agreement.

The NDP supports fair and progressive trade relations with key partners on the continent to create new opportunities for Canadian exporters, which would generate job creation and economic growth for Canadian workers and communities. New Democrats have always been very clear that we believe all international trade must be fair, balanced and in the best interests of Canadian industries, our environment, inclusive of Indigenous Peoples and all workers and it must be in line with our fundamental beliefs of social justice, equality, universal dignity and our international obligations.

The NDP heard from many witnesses during this study that a trade deal with the Mercosur nations is not a necessary endeavour and that the trade negotiators and officials at the department of Global Affairs should focus on more urgent trade negotiations and more global opportunities with stronger trading partners.

President of the Canadian Steel Producers' Association, Joseph Galimberti stated, "Specific to Mercosur, ...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. 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."

Claire Citeau, Executive Director of the Canadian Agri-Food Trade Alliance said, "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... 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... 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”.

And, Mr. Paul Lansbergen, President of the Fisheries Council of Canada said, “a free trade agreement with Mercosur could hold some potential for the fisheries sector, but it's currently not a big priority for us.”

New Democrats understand the importance of our trading relationship with progressive partners all over the world and believe that progressive trade deals can improve the welfare of everyone. To achieve this, a trade agreement must be transparent, inclusive and forward-looking. It must address important issues like income inequality, sovereignty, climate change and human rights. We must take all opportunities to change the way we negotiate and view key trade deals and make them about improving the lives of all Canadians.

GOVERNMENT CONSULTATIONS AND TRANSPARENCY

The NDP believes that the Government of Canada can make no meaningful claims to transparency without providing Canadians with information about the subjects of negotiation. The government must lift the veil of secrecy on trade negotiations.

To date, there remains no formal requirements set for the government to engage the public on trade agreements, and as with the previous government, the current government largely negotiates behind closed doors with very little public participation or transparency.

The work of the Standing Committee on International Trade cannot be considered as a government consultation, as the work of the committee is independent and multi-partisan, nor can it act as a substitution of a full and effective consultative process.

The government’s continued failure to uphold its commitments to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) when it comes to trade agreements is of deep concern. Article 19 is very clear that Canada must obtain the free, prior and informed consent of Indigenous Peoples before adopting any measures that may affect them, and the Mercosur FTA certainly falls within this classification.

The NDP also believes that for Canada to fulfill its obligations to Indigenous Peoples under the UN Declaration, they must have full representation at the negotiating table.

In future negotiations, the government should consult Members of Parliament from all Parties who represent the Canadian public, in a meaningful and comprehensive way that includes

Canadians from all sectors, regions and backgrounds, and the results of these consultations should be made public.

Transparency is equally as important for stakeholders and specific to the MERCOSUR trade negotiations Angelo DiCaro, representing Unifor, was critical of the government thus far when he said, “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.”

Mr. DiCaro also voiced concern for transparency in trade agreements in general by saying, “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.”

The NDP will continue to push for better as the government embarks on all future negotiations.

THE FUTURE OF TRADE AGREEMENTS

New Democrats believe that in many agreements, Canada has repeatedly opened market access to other countries, but instead of maximizing our exports to these partners, we've seen a decline. The most recent statistics from Statistics Canada show that during the first 9 months under the Comprehensive Economic Trade Agreement (CETA) with the European Union, Canada's merchandise trade deficit with the EU jumped by 46 percent, compared to the same period a year earlier, before the trade deal came into effect provisionally. As Mr. DiCaro from UNIFOR stated, “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.”

Mr. DiCaro continued to state the need for Canada to perform impact assessments independently and comprehensively. The NDP agrees with this and believes that Canadians need to see full economic, jobs and gender-based analyses of all trade agreements and these analyses must be made public.

Trade agreements going forward must no longer be negotiated to shift the balance of power in the economy from governments and workers to corporations. New Democrats are concerned that by continually giving enforceable rights to investors, trade agreements limit the powers of current and future governments and the citizens who elect them. This was the case in the original negotiation of NAFTA and the renegotiation of the USMCA. Any ratcheting of regulations and safety provisions over food, livestock and chemicals must be avoided.

The current government talks about creating progressive trade agreements, however there has been no real socially responsible action in any recently negotiated agreement. We must start with a fundamentally different approach from how we've approached trade deals in the past. There is a growing social unrest and concern around the rights of working people, our environment, women, and Indigenous people and them not being given the same consideration as the rights of corporate profitability. The creation of more binding and enforceable socially-responsible provisions is the first step forward and a lot of the social conditions of trade must be met before any trade agreement is signed. As was stated by Mr. DiCaro at the committee, "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".

LABOUR

The current priorities and objectives of any trade deal including a potential agreement with the MERCOSUR nations must be redefined and must put the rights of working people first.

Currently, it was noted by Angella MacEwen, Senior Economist for the Canadian Labour Congress (CLC), in another study of a "Potential Agreement Between Canada and the Pacific Alliance" by the Standing Committee on International Trade that, "There has never been a successful labour complaint under a free trade agreement that has resulted in the other country having to do anything. It has never been the case that the free trade agreement labour chapter has resulted in concrete change for workers in that other country. We have other venues to do similar things that we're doing in Colombia right now, for example through the ILO, that might result in the same outcomes as this FTA, but the FTA has allowed Canadian companies there to exploit workers right now."

Any new trade agreement must learn from and address the limitations of those that have come before it and change the way labour is considered. We must include full Labour Chapters into the main text of the agreement to ensure that labour regulations are binding and include penalties and standards for all three countries.

The NDP believes that in order to equally raise labour rights and standards in trade agreements, a fully enforceable and comprehensive Labour Chapter must include requirements from all member states to sign and ratify the International Labour Organization's (ILO) eight core conventions, adhere to its Decent Work Agenda, sign

and ratify the ILO's convention 81, which is the labour inspection convention and the chapter must include the creation of an independent labour secretariat to oversee a dispute-settlement process for violations of labour rights as there is no current or adequate mechanism to combat the widespread violation of labour rights.

The NDP also agrees with the [CLC](#) that the Government of Canada must, "look at due diligence for Canadian companies and funding agencies... and create a framework for transnational bargaining to allow unions to represent workers in multiple countries." The NDP believes that trade negotiations, including those with the MERCOSUR countries should be guided by the principle that no one should be disadvantaged; working people cannot continue to be an afterthought in trade agreements.

MANUFACTURING SECTOR

The NDP believes that integration and trade liberalization has benefitted corporate stakeholders but has not been shared with workers or small and medium sized manufacturing businesses.

The Canadian government must defend auto and manufacturing jobs, address the unfair share of wealth and implement a National Auto and Manufacturing Strategy to ensure the strength of the sector.

Mark Nantais, The President of the Canadian Vehicle Manufacturers' Association was clear in his testimony when he stated, "When we (Canada) sign agreements that give hundreds of millions of dollars of new incentives for car companies that do not produce any vehicles or manufacturing jobs here, that reduces the incentive for our manufacturers to keep producing here and keep employing here. That is your policy. Despite all the intentions and efforts, that is what Canada is doing with the CPTPP. Like CPTPP, Mercosur represents a potential opportunity for increased Canadian vehicle exports, but also represents significant market access challenges to broadly apply protectionist domestic policies in those countries."

DISPUTE SETTLEMENT MECHANISMS

The NDP believes investor-state dispute settlement (ISDS) provisions that privilege corporations in a way that conflicts with the public interest do not belong in trade agreements. These provisions allow foreign investors to bypass domestic court systems, thereby undermining our sovereignty. Arbitration tribunals, which lack accountability, can order governments to compensate investors who are allegedly harmed by public policies or regulations.

Regarding Mercosur, Scott Sinclair a Senior Research Fellow from the Canadian Centre for Policy Alternatives voiced concerns that, "The prospects for moving towards such a model in the context of a Canada-Mercosur FTA are limited at best. In their external trade negotiations, Mercosur countries, particularly Brazil, have traditionally been cautious about embracing WTO-plus commitments on intellectual property, trade and services, investment, and regulatory co-operation provisions of the sort that have been problematic in many recent Canadian bilateral FTAs.

This creates some space for a more progressive or at least less intrusive trade treaty model. If talks proceed, we strongly recommend that any Canada-Mercosur FTA not include investor-state dispute settlement mechanisms. Currently, Brazil has no foreign investment protection agreement with Canada. In fact, Brazil has never ratified an investment protection treaty that includes investor-state dispute settlement. Canada should also pursue the opportunity to eliminate ISDS from its current FIPAs with Argentina and Uruguay.”

Mr. Sinclair continue to point out that ISDS provisions have the most egregious impact on global environmental assessment processes. He said specifically in regard to the mining sector, “I also want to say that Canadian companies, and I would say, particularly in the mining sector, have used investor-state dispute settlement abroad in a way that I think brings Canada into disrepute. We've seen three recent cases against Colombia that were to do with setting aside an important natural area that provides much of the country's water. We've seen three Canadian-registered companies bringing challenges under the Canada-Colombia Free Trade Agreement, which is something we predicted would happen.”

It is important to note that Brazil has stated they would not accept trade deals with ISDS provisions in place.

ENVIRONMENTAL PROTECTIONS, ENERGY AND WATER

Scott Sinclair “The flip side of Brazil's cautious approach is that it has also been critical of including binding labour and environmental standards in trade agreements. This creates a problem for our federal government's recent embrace of a progressive trade agenda. To be called progressive, a trade agreement must, at a minimum, include strong, fully enforceable labour standards. It is also essential to include obligations to ensure that each country enforces high domestic environmental standards while abiding by commitments under multilateral environmental agreements. Achieving these two prerequisites of a progressive trade agenda will likely be difficult in the context of an FTA with Mercosur.”

The NDP believes any environmental chapter or provisions must be brought into the main text of an agreement to ensure they are binding and fully enforceable. All provisions must also be in line with Canada's already set international environmental obligations such as those held by the Paris Agreement reached on December 12, 2015. The protection from the disastrous impacts of climate change and the continuing degradation of our environment must be of prime concern.

The NDP also reject any regressive energy proportionality provisions and any attempt to treat water as a tradeable or marketable good instead of as a human right.

GENDER RIGHTS

The NDP was disappointed that the committee chose to only reflect a vague statements of gender rights in their recommendations instead of truly reflecting the full importance of a Gender rights chapter.

The NDP calls for a mainstreaming of gender rights throughout the entirety of trade agreements. It should not be solely limited to one chapter, and gender equality does not concern only issues that women entrepreneurs and business owners face. Labour rights must also address injustices to women like pay inequity, child labour and poor working conditions. The NDP believes that for an agreement to be truly progressive when it comes to gender rights, it must address the systemic inequalities for all women. The NDP believe that both a gender-analysis and a gender impact assessment must be applied to all trade agreements.

INDIGENOUS RIGHTS

The NDP believes the government must abide by Article 19 of the UN Declaration and obtain the free, prior and informed consent of Indigenous Peoples before adopting any measures that may affect them.

It was noted by Pam Palmater, Associate Professor and Chair in Indigenous Governance at Ryerson University stated that Indigenous rights should be addressed throughout the entirety of a trade agreement, not only relegated to one chapter. She also noted that throughout the Mercosur nations, there are large numbers of Indigenous people, who experience a great deal of violence from transnational corporations involved in trade.

Palmater also noted that Canada was founded on a strong trading relationship between Indigenous nations and colonial settlers, and even though the trade treaties have been recognized by the Supreme Court of Canada and are constitutionally protected, Indigenous people are not seen as equal partners over our shared jurisdiction. The failure to recognize this partnership is unacceptable.

The government's continued failure to uphold its commitments to the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) when it comes to trade agreements is also of deep concern. The NDP also believes that for Canada to fulfill its obligations to Indigenous Peoples under the UN Declaration, they must have full representation at the negotiating table.

INTELLECTUAL PROPERTY, DIGITAL AND PRIVACY RIGHTS

There are growing concerns over the level of preparedness of the Canadian government to defend and advance Canada's interest with respect to intellectual property (IP), digital and privacy rights. The Committee heard witnesses raise concerns over potential and extensive changes to IP rights related to copyright, patents and trademarks throughout other trade agreements, which may unfairly benefit big corporations over Canadian consumers or innovators.

Canadian copyright policy must not be sacrificed at the altar of free trade. Maintaining balanced and sensible copyright policy is particularly critical considering the fundamental

connection between copyright law and the ability to exercise free expression online—through sharing knowledge, research, and art; participating in public and political discourse; contributing to the cultural commons; and inspiring and building upon creativity. The NDP emphasizes the fact that notice-and-notice is an effective system that achieves objectives with respect to copyright infringement, while mitigating (albeit not completely) the harms that arise from notice-and-takedown. As was stated by Elliot Anderson from the Alliance of Canadian Cinema, Television and Radio Artists, “ACTRA believes it is time to take a new approach to culture and trade agreements. It would be based not on a negative exemption approach but on a positive commitment to promote diversity of cultural expressions, cultural collaboration, and exchanges.”

The Canadian government, should reject any proposal to extend copyright terms beyond its current term of 50 years after the author’s death, knowing that current Canadian copyright terms are already largely in compliance with international copyright treaties.

With drug prices in Canada already the second-highest in the world, the government must resist further patent extensions that will cause drug prices to rise even further, ensuring Mercosur or any trade deal will not impede the creation of a Pharmacare program in Canada.

The NDP believes that Canada must preserve its longstanding approach to exempting culture from trade agreements. Cultural policy must be determined domestically by the Canadian government. Trade agreements must not be able to limit our sovereignty and dictate our cultural policy.

SUPPLY MANAGEMENT

Supply management must be protected by the government against the recent US attempts to dismantle it. This will help ensure Canadians have access to high-quality, locally produced food, while supporting small family farms and rural communities. The supply managed sector is a major contributor to our economy contributing more than \$26 billion to our economy and generating 310,000 jobs.

Supply management must not continue to be eroded in trade agreements as was the case CETA, the CPTPP and within the USMCA. No further market access should be granted in a potential Mercosur agreement.

NDP RECOMMENDATIONS

1. That the Government of Canada ensure that safeguard measures are in place to protect our steel and aluminum sectors from international partners that dump large amounts of low-quality product into Canada.

2. That the Government of Canada provide greater transparency during trade negotiations by directly engaging Canadians through consultations and providing regular briefings to Parliamentarians during all rounds of negotiations.
3. That the Government of Canada protect future policy flexibility at all levels of government to expand public services or return privatized sectors to the public sector without the threat of litigation.
4. That the Government of Canada commit to strong and enforceable currency disciplines within all trade agreements.
5. That prior to the conclusion or signing of any future trade agreements, the Government of Canada commission an independent study of the agreement's expected costs and benefits, a jobs assessment, ensure that gender-based analysis is applied and that a gender impact assessment is undertaken.
6. That the Government of Canada ensure all future trade agreements do not include investor-state arbitration provisions.
7. That the Government of Canada promptly disclose all costing estimates relating to potential increases to prescription drug costs to all provinces, territories, individual Canadians and employers resulting from any proposed changes to patent laws in a negotiated trade agreement, as well as details of financial compensation that should be paid to Canadian provinces, territories, individuals and employers.
8. That the Government of Canada defend intellectual property rights that benefit Canadian consumers and innovators in all future trade and investment agreement negotiations and commit to retaining Canada's current copyright regime, specifically (a) commitment to balance through a "made in Canada" approach; (b) notice-and-notice; and (c) current copyright terms (i.e. reject all term extension proposals).
9. Ensure that any provisions regarding data localization preserve Canada's ability to make substantive domestic law protecting Canadians' personal data and privacy rights.
10. Retain Canada's strong net neutrality regime and reject all attempts to weaken net neutrality in Canada.
11. That the Government of Canada should negotiate environmental provisions that would strengthen the enforcement of environmental standards and targets specified through our international obligations, in particular those agreed to in the Paris Agreement reached in 2015.

12. That the Government of Canada, avoid all provisions that make water vulnerable to exportation and privatization.
13. That the Government of Canada pursue strong and enforceable labour standards within this and all future trade agreements. The government should pursue the inclusion of a labour chapter that would require ratification and enforcement of the International Labour Organization's eight core conventions and adherence to its Decent Work Agenda. As well, the government should ensure the creation of an independent labour secretariat with the power to oversee a dispute-settlement process for violations of labour rights and enforce penalties upon the violators.
14. That the Government of Canada work with all international partners to ensure that, consistent with the *United Nations Declaration on the Rights of Indigenous Peoples*, the rights of Indigenous peoples are respected. As well, before agreeing to any trade agreement provisions that could affect Indigenous peoples, the government should obtain their unqualified, free, prior and informed consent.
15. That the Government of Canada safeguard food sovereignty, mechanisms of production and supply management, rural livelihoods and the right to know about what is in our food and how and where it is produced.
16. That the Government of Canada strengthen the Investment Canada Act to protect Canadian jobs and ensure that foreign takeovers of domestic companies provide a net benefit to Canada.